# CHINA HAS ROLLED OVER $2BN LOAN, DAR TELLS SENATE

ISLAMABAD: Finance Minister Ishaq Dar has claimed that China has rolled over for a year its two billion dollars loan to Pakistan—denying the media reports that Pakistan was still awaiting this rollover. n a Senate session on Friday, Dar termed as "speculative and misleading" the reports carried by a section of foreign media that Pakistan was still waiting for rollover of China's $2 billion loan. Responding to a point of order raised by Pakistan Peoples Party (PPP) stalwart and former chairman Senate Raza Rabbani regarding the said reports, Dar spoke in rejection of these media reports. "Our business with China relates to safe deposit and commercial banks I am happy to confirm that China's $2 billion loan is not outstanding anymore since this loan has been rolled over," he said. Dar said that the rollover took place on March 23 and documentation in this regard was completed. "This issue is no longer lingering," the minister claimed.

Although, the finance minister attended the Senate sitting, majority of the cabinet members did not show up for the house's sitting which drew ire of treasury Senator Asif Kirmani. In an apparently embarrassing situation for the federal government, Kirmani, who belongs to Pakistan Muslim League Nawaz (PML-N), slammed the absence of the federal ministers from the Senate session including those from his own political party the N-League. Questioning Chairman Senate Sadiq Sanjrani over this issue, Kirmani asked as to why the "spoiled" ministers were not in the house. "This is so-called upper house of the parliament but it is not taken seriously at all where are the ministers?" the senator asked in an audibly grim tone. Attempting to pacify the aggrieved senator, State Law Minister Shahadat Awan stated that the ministers were "busy in important official engagements" and they would attend the Senate sitting soon. What does that mean? Are we all sitting idle here? Have we got nothing to do?" Kirmani questioned, as a visible embarrassed state law minister, who is also a senator, assured him that cabinet members would attend the house meetings in future.

The Chairman Senate also stated that he would reach out to the senior government officials to ensure the attendance of the ministers at the Senate session. Meanwhile, two government bills; Petroleum (Amendment) Bill 2022 and Trade Dispute Resolution Bill 2023 were moved in Senate and referred to the relevant standing committees. The house was adjourned till Monday.

# RATING DOWNGRADES MAY HAVE ADDED TO IMF'S CONCERNS: PASHA

ISLAMABAD: For successful completion of the 9th review under the International Monetary Fund's Extended Fund Facility, US$3 billion fresh (as opposed to rollovers) external financing commitments from friendly countries are required. This was stated by the former Finance Minister and noted economist Dr Hafeez Pasha. He added that the IMF wants a government that is focused on implementation of required reforms and is concerned at political uncertainty and economic situation in the country. Pasha regretted that perception and credit rating of the country has plunged to the lowest ebb which may have increased IMF concerns on whether fresh financing would be provided by Saudi Arabia and the UAE which may explain why the Fund has been asking for commitments in writing from both countries.

Former finance minister said that once the staff level agreement is reached, inflows from multilaterals - Islamic Development Bank, Asian Infrastructure Development Bank as well as World Bank and Paris Conference on flood would start materializing to help bridge the financing gap. Pasha contended that quantum of financing required for the current fiscal year would depend on the trade deficit. Although the trade deficit in February was only $74 million yet it was achieved by squeezing imports and if the same situation remains in the remaining four months of the current fiscal year, financing gap would be less. Pasha however expressed serious concern that there are $1.8 billion worth of goods in containers, which is not good for the economy. Former Finance Minister and Adviser to Chief Minister Punjab on Economic Affairs and Planning Dr Salman Shah concurred and stated that shortfall in gross financing needs to bridge the current account deficit and debt servicing may be $3 billion and the Fund requirement is a firm commitment from Saudi Arabia and UAE in this regard.

An anecdotal survey carried out by *Business Recorder* revealed that the general public has little trust in Ishaq Dar's capacity to steer the economy towards sustainable growth and hold him responsible for not only the stalled IMF ninth review but also for the high inflation rate, particularly in food items, and the contracting economy that is increasing unemployment levels. Not sure whether the government would be able to implement the agreed conditions.

# IF NOT EFFECTED, UP TO 9PC OF AMOUNT TO BE MARKED AS LIEN: SBP ASKS EXPORTERS TO BRING IN DELAYED PROCEEDS BY 30TH

KARACHI: The State Bank of Pakistan (SBP) Friday asked exporters to bring delayed export proceeds to Pakistan by April 30, otherwise up to 9 percent of export proceeds amount will be marked as lien. In order to ensure the timely realization of export proceeds, the SBP has decided to give another chance to exporters. Earlier, in February, the SBP announced to initiate necessary action in all those export cases where full export proceeds were not realized within prescribed time period as defined in Foreign Exchange Manual.

In view of the representation received from various stakeholders, now the SBP has decided that exporters who are able to bring their delayed export proceeds to Pakistan by April 30, 2023 will not face any deductions and their export proceeds will be converted into PKR and released to them in a normal fashion.

Accordingly, the amounts withheld by Authorized Dealers (ADs) in pursuance of the previous instructions will also be released to exporters. It has also been decided to further amend the instructions and accordingly paragraph 33A, Chapter 12 of FE Manual to lien a certain amount in case of delay in realization of export proceeds. As per revised instruction under Para 33A titled "Delayed Realization of Export Proceeds," in cases where export proceeds (fully or partially) are realized after the prescribed period, the AD will convert the export proceeds at the prevailing market exchange rate, credit the same into the exporters' account and will also mark a lien, prescribed by SBP, on the amount of export proceeds realized by the exporter.

ADs have been directed to mark 3 percent amount a lien on the amount of export proceeds delayed by up to 30 days. Some 6 percent amount will be marked as lien on the amount of export proceeds delayed 31 to 60 days and some 9 percent amount will be marked as lien in case of delay of beyond 60 days. Banks have been asked to submit a consolidated statement regarding all such liens by the by Head/Principal Offices of the bank to the Director, Foreign Exchange Operations Department (FEOD), SBP-BSC on weekly basis as per prescribed format.

FEOD will file a complaint to Foreign Exchange Adjudication Department (FEAD), SBP-BSC with respect to delay in realization of export proceeds for all reported cases. Subsequently, AD will deposit the fine as ordered by FEAD with SBP (out of the amount marked under lien and release the remaining amount to the exporter. In case FEAD does not impose any fine on the exporter, the entire amount under lien would be released to the exporter.

## SBP SEEN RAISING KEY RATE TO RECORD 22PC AS INFLATION BITES

KARACHI: The Monetary Policy Committee of the State Bank of Pakistan (SBP) will meet on Tuesday, April 04, 2023 at SBP Karachi to decide about the Monetary Policy.

In the previous emergent meeting held on March 2, the committees increased the policy rate by 300 basis points to 20 percent on a higher inflation outlook. As the inflation is still increasing, analysts are expecting further monetary tightening in the upcoming Monetary Policy Statement (MPS) to control the inflation. The market is expecting some 100-150 bps surge in the key policy rate. The cut-off yield of short term government papers in the recent auctions has already rose to 21.99 percent.

The government is also making all efforts to secure progress on the ongoing IMF program, which has not shown much progress on its 9th review pending since Nov-2022. Central bank looks set to raise its key interest rate by 200 basis points to a record high of 22% at its review on April 4, as it struggles to bring down stubborn inflation, the median estimate in a Reuters Poll showed.

Eighteen out of 20 economists and market watchers surveyed said the central bank would hike rates, with 12 of them predicting a 200 bps increase. Four poll participants saw the benchmark raised by 100 bps, while two forecast a 150 bps hike. Two respondents expected rates to remain unchanged.

Worldwide growth in consumer prices has compounded high inflation in Pakistan caused by a weakening currency, energy tariff increases and elevated food prices due to Ramadan. The latest consumer price-based inflation clocked a 31.5% rise on year in February, the highest in nearly 50 years. Food, beverage, and transportation prices have all surged more than 45% and the country is in talks with the IMF to unlock its next tranche worth around $1.1 billion as part of a $6.5 billion bailout agreement reached in 2019.

On March 2, the State Bank of Pakistan (SBP) raised its key rate by 300 basis points to 20%, exceeding market expectations, likely to meet a key requirement of the International Monetary Fund for release of its pending bailout funds.

"The CPI is expected to be 34-36% due to hike in food prices in Ramadan. The weekly sensitive price index is also at an all time high of 47%," said Saad Habib, head of equities at Al Habib Capital Markets, a brokerage firm in Karachi. The State Bank of Pakistan has raised rates by a total 10.25% since January 2022. Shivaan Tandon, an economist at Capital Economics, expects inflation to rise further in coming months as a weaker currency, higher taxes and shortages of key goods continue to exert upward pressure on prices.

"Policymakers will also be keen to impress the IMF, by displaying their commitment to towards containing inflation, to secure a much-needed funding to mitigate the risk of default," he added. Some economists, however, felt with the last hike delivered just about a month ago, the central bank may prefer to wait to see the impact of the rate hikes on the economy before tightening further.

# ALL CATEGORIES OF CONSUMERS: NEPRA APPROVES RS3.23/ UNIT SURCHARGE

ISLAMABAD: The National Electric Power Regulatory Authority (Nepra) has formally approved surcharge of Rs 3.23 per unit for all categories of consumers across the country sans protected domestic consumers using up to 200 units per month as per understanding with the International Monetary Fund (IMF).

The decision has been taken on a federal government's motion, filed by the Power Division to recover a substantial amount from the consumers to pay mark-up on PHL loans and clear circular debt. The Authority in order to provide an opportunity to the federal government to present its case, and all the relevant stakeholders involved, decided to conduct a hearing in the matter, which was held on March 16, 2023 and through Zoom. While responding to the query from the Authority regarding financial obligations of the federal government, the representative of the Power Division explained during the hearing that presently the financial obligations of the government are around Rs 2.6 trillion, which includes over Rs 1.7 trillion payables to IPPs and Rs 765 billion of PHL loans.

Through the instant motion, the total surcharge would be around Rs 335 billion, which will cover Rs 126 billion of the PHL markup, and the remaining Rs 209 billion to cover the flow of circular debt. It also submitted that there are multiple factors /reasons for these payables to IPPs, which primarily include interest payable to IPPs for not making timely payments to them, delayed application of monthly FCAs and quarterly adjustments etc. It was also apprised that the federal government has already paid Rs 230 billion of PHL loans principal amount, thus reducing PHL loans and subsequent reduction in the amount of markup. It also submitted that the federal government, as per the available resources, is paying the principal amount of PHL, as it becomes due, thus, reducing the amount of markup.

The Authority observed that flow of circular debt also includes inefficiency of Discos in terms of extra T&D losses and under recoveries. Upon inquiry from the Authority for any structural plans by the Power Division to minimise inefficiencies of Discos, induction of cheap electricity for which tariff has already been granted by the Nepra, and addressing governance issues in the power sector, the Power Division submitted that the current financial exposure has resulted in a liquidity crunch situation and "we all need to work together to resolve these issues."

The Power Division stated that option of provincialisation of Discos, decentralisation of Discos through independent Boards with accountability through KPIs, improvement in loss reduction through investments, outsourcing of high loss feeders, cost reduction through negotiations with IPPs, increasing the share of renewables, exploring the options of PPP and circular debt management plan are all being considered to remove/minimise inefficiencies so that 2 to 3 years down the line, Discos could be transformed. Tanveer Barry, representing KCCI, opposed the motion by submitting that these are inefficiencies of Discos which should not be passed on to the consumers. He further stated that since the surcharge would only be used for interest payments, and not the principal amount, therefore, these surcharges would continue indefinitely.

R 1-4-2023

# LPG PRICE CUT BY RS49/KG FOR APRIL

ISLAMABAD: After a decrease in the prices of propane and butane by Saudi Aramco, Pakistan, being an importer, slashed on Friday the prices of liquefied petroleum gas (LPG) by around Rs49 per kilogram for domestic and commercial consumers for April 2023. Now one kilogram of LPG would be available for Rs229/kg in the open market in April against the price of Rs278/kg in March. The Oil and Gas Regulatory Authority (Ogra) regulates the price of LPG and it carries out periodic adjustments on the basis of changes in the international market prices and other factors.

For April, the Regulator has set the prices of an 11.8kg domestic cylinder at Rs2702.2 against Rs3277.7 in March, with a Rs575.5 or 17.56 per cent cut over the previous month. The price of commercial cylinder (45.4kg) would reduce by Rs2214 and now it would be sold for Rs10,397 in April 2023 against the price of Rs12,611 in March 2023. Despite being the regulator, Ogra mostly fails to check black-marketing of the fuel. In March, the government price was Rs278/kg, but gas was sold for over Rs400/kg in parts of the country. The regulator, with its headquarters in Islamabad, even fails to enforce its notified prices in the capital city.

Pakistan imports LPG from Saudi Aramco, a Saudi Arabian national petroleum and natural gas company, and Pakistan is one of its key customers.

The Aramco had cut the propane and butane contract price (CP) to Asia for April 2023 by $165/ton a month ago to $555/tonne and butane CP was also lowered to $545/tonne, down by $195/tonne. Propane and butane are two major components of LPG, which the Middle Eastern oil producers sell to Asian countries. In Pakistan, LPG applicable prices are calculated on 40:60 ratio of propane to butane.

Pakistan also imports LPG from other countries including Qatar, UAE and Iran. The price of LPG is influenced by various factors such as international market prices, exchange rates, transportation costs, taxes, and government regulations.

The current drop in price could be attributed to increased supply from the Mideast Gulf region in April after maintenance ended at Saudi Arabia's Yanbu and Ruwais ports, as well as fading seasonal demand from northeast Asia. As per the Ogra calculation, the producer price of LPG has been determined at 154,398.25/ton. This price included Excise Duty of Rs85/ton and excluding the petroleum levy of Rs4,669/ton. The marketing/distribution/transportation margin has been set at Rs35,000 per ton (Marketing margin of Rs17,000/ton, distribution margin of Rs10,000/ton and transportation margin of Rs8,000/ton) or Rs413 per cylinder.

Prior to imposition of an 18pc general sales tax (GST), the producer price would be Rs159,067.25/ton, while the price of 11.8kg cylinder will be Rs1877 per cylinder. Additionally, the GST at the rate of 18pc on Rs159,067.25/ton would be Rs28,632.1/ton or Rs337.86 for an 11.8 kg cylinder. The maximum producer price with GST would be Rs187,699.36/ton or Rs2,214.85 per cylinder. It must be a matter of concern that the consumers are being double-taxed, as they have to again pay 18pc GST of Rs6,300/ton or Rs74.34 per 11.8 kg cylinder on the marketing/distribution margin of Rs35,000 per ton.

Meanwhile, Chairman LPG Industries Association Irfan Khokhar said the country was already facing a gas shortage. He demanded the government deal the LPG industry just like the LNG sector, where there are no taxes on it. If the government would do so, LPG could be supplied to domestic consumers at lesser price than the piped gas, he claimed.

The government's unjustified policies, coupled with a high number of taxes, had put a negative impact on the LPG industry, he added. Khokhar said the LPG distributors had been paying over Rs6 billion per annum under the head of taxes.

The government should waive taxes to ensure provision of cheaper LPG to consumers during the winter season, said Irfan Khokhar. He demanded the government restart operation of LPG production plant of Jamshoro Joint Venture Limited (JJVL) in order to ensure supply of cheaper LPG on sustainable basis. He said the closure of JJVL Jamshoro plant had inflicted a loss of billions of rupees, in addition to a hike in LPG prices.

TN 1-4-2023

# SNGPL TOLD TO SUPPLY GAS TO 2 UREA PLANTS FOR INTERIM PERIOD SANS SUBSIDY

ISLAMABAD: The Directorate General of Gas (Petroleum Division) has directed Sui Northern Gas Pipeline Limited (SNGPL) to supply gas to two urea fertilizer plants for interim period sans subsidy as per decision of ECC.

Director General Gas, Abdul Rasheed Jokhio in a letter to Managing Director, SNGPL referred to a letter of Ministry of Industries and Production of March 20, 2023 conveying the following decision of ECC of March 15, 2023 (ratified by Federal Cabinet on March 17, 2023: "The Economic Coordination Committee (ECC) of the Cabinet considered the summary of March 15, 2023 submitted by the Ministry of Industries and Production regarding 'urea fertilizer requirement tor Kharif 2023' and directed Petroleum Division to supply indigenous gas to Fatimafert (Sheikhupura) and Agritech (Mianwali) plants immediately for bringing the gap between demand and supply of urea fertilizer for Kharif season 2023 up to May 31, 2023. Furthermore, there shall be no subsidy involved in supply of gas to fertilizer plants.

According to Director General Gas, in compliance to decision of the ECC of the Cabinet, Petroleum Division held number of meetings with the Industries and Production Division i.e. March 22, 2023 & March 24, 2023 wherein it was informed that as per the decision of the ECC 110 mmcfd Mari Shallow gas (having quality of 730 btu-/scf) allocated to Guddu power plant has been made available for the fertilizer plants till May 31, 2023. It was highlighted during the meetings that out of said 110 mmcfd Mari Shallow gas, currently Engro Fertilizer Ltd (Base plant on MPCL) is consuming up to 45 mmcfd gas while upto 65 mmcfd (equivalent to 47 mmcfd pipeline quality), cannot be technically made available into SNGPL system due to system constraints. He further explained that with the availability of 47 mmcfd pipeline quality gas, only one plant with maximum allocation of gas can operate till May 31, 2023.

However, considering the request of the Ministry of Industries and Production in the wake of urea demand Petroleum Division explored the possibility of additional gas out of SNGPL's current gas allocations, ie, Mari Deep. It was agreed in the meeting that requirement of gas for another plant would be met by SNGPL out of its current gas supplies from Mari Deep.

The gas availability from Mari Deep for use in fertilizer would be on 'as and when available basis' to be subject to review by April 15, 2023.

In respect of price of gas to be charged to both the fertilizer plants for the interim supply period it shall be charged at Rs 1,050/mmbtu without involving any subsidy in line with the decision of the ECC of the cabinet.

On March 15, 2023, Ministry of Industries and Production informed the ECC that a meeting of Fertilizer Review Committee (FRC) was convened on March 9, 2023 to review the fertilizer situation for upcoming Kharif Season 2023, wherein Ministry of National Food Security and Research (MoNFS&R) projected that demand for Urea fertilizer was estimated to be 3.2 million MT, whereas production had been estimated to be around 2.9 million MTs. Shortfall between demand and supply was estimated at 0.3 Million MT.

In view of the shortfall between demand and supply, Ministry of National Food Security and Research recommended the following: (i) SNGPL based fertilizer plants, ie, Fatima Fertilizer (Sheikhupura plant) and Agritech may be operated immediately OR (ii) import of 300,000 MTs of urea fertilizer may be concluded by May-2023.

Ministry of Industries and Production further noted that these recommendations were agreed by all Provincial Agriculture Departments. The MoNFS&R had already requested Ministry of Industries and Production for ensuring operations of SNGPL based plants for meeting demand of Urea fertilizer in the country.

The ECC in its decision of March 30, 2022 had already directed Petroleum Division to shift the SNGPL based plants to indigenous gas by September 30, 2022, however subject plants have not been provisioned with indigenous gas till date.

Ministry of Industries and Production submitted the following proposals for consideration and approval of the ECC: (i) Petroleum Division may be directed to supply indigenous gas to both the plants at SNGPL network, ie, Fatimafert (Sheikhupura Plant) and Agritech (Mianwali) immediately for bridging the gap between demand and supply of urea fertilizer for Kharif season 2023; (ii) matter of gas pricing/allocation of indigenous gas to both plants on long term basis may be decided by the committee constituted by the ECC under chair of Shahid Khaqan Abbasi, MNA.

The ECC approved the proposals submitted through the summary. The ECC further directed Ministry of Industries and Production to submit viable recommendations to the ECC for continuation of indigenous gas supply beyond 31 May 2023 to Fatima Fertilizer and Agritech Plants, in consultation with Petroleum Division, by 15th May, 2023.

## INCREMENTAL POWER CONSUMPTION: ZRI 'CATEGORIES' MAY BE ALLOWED TO BENEFIT FROM PLAN: APTMA URGES PD

ISLAMABAD: All Pakistan Textile Mills Association (APTMA) has requested Power Division (PD) to allow Zero Rated Industry (ZRI) to benefit from incremental consumption package which is effective till October 2023.

In a letter to Secretary Power Division, Rashid Mahmood Langrial, APTMA referred to the letter of National Electric Power Regulatory Authority (Nepra) of March 10, 2023, to communicate the decision of the Authority regarding endorsement of Federal Government's decisions taken for the discontinuation of Regional Competitive Energy Tariff (RCET) of Rs. 19.99/kwh for export-oriented sectors and Kissan Package (relief of Rs. 3.60/kwh) from March 1, 2023.

The letter says, Authority has endorsed Federal Government's decision to discontinue RCET rates for export sector, requesting that in light of decision related to ZRI consumer categories be allowed to benefit from incremental consumption package available till October 2023. As per the Federal Cabinet decision of August 24, 2021, the incremental consumption package was discontinued from FY 22 for ZRI consumer categories which were duly reflected in Authority's decisions of January 11, 2022, and May 11, 2022, with regard to the extension of incremental consumption package till October 2023. "We understand that the decisions of the Authority and Federal Cabinet were based on the premise that ZRI consumer categories were benefiting under RCET rates and were accordingly not allowed the benefits of Incremental consumption package," APTMA said, adding that since the RCET rate has been discontinued from March 1, 2023, the ZRI consumer categories may be allowed to benefit from Incremental consumption package.

Meanwhile, APTMA in a letter to Prime Minister stated that textile exports for February 2023 clocked in at $ 1.2 billion while the sector could easily generate $ 1.7 billion per month in line with exports achieved last year. Additional capacity has also been installed or is under installation through an investment of $ 5 billion (TERF/ LTTF) but is not yet operational due to forex issues and the availability of energy. The decline in textile exports has been progressively accelerating.

According to APTMA, the progressive decline in exports is a consequence of the moratorium on import of raw materials and essential spare parts, lack of adequate supply of energy at competitive prices and failure of sales tax refunds, all have contributed significantly to the closure of over 50 per cent of industry.

The textile sector maintains that given the trajectory of decline, Pakistan is likely to fall short by $ 3 billion in textile exports from the exports achieved last year of $ 19.4 billion without taking account of any increase from newly installed capacity. On an annual basis, the loss of support for the Balance of Payments (BoP) will be well over $ 6 billion per annum, further deepening and exacerbating the unsustainable economic situation.

APTMA requested Prime Minister to clear all imports of export-oriented sectors/ ZRI which have arrived at ports whether against L/Cs, cash against the document, adding that export-oriented sector be allowed to open L/Cs without hindrance for raw material machinery, spare parts and other items to restore the industry's supply line. All banks must be informed accordingly.

Commenting on supply of energy, APTMA requested the Prime Minister to create a level playing field within the country by implementing a uniform gas price of $ 7 per MMBTU based on an industrial WACOG for the export industry across the country.

The Association further requested to maintain Rs 19.99/ kWh at the actual cost of service (excluding cross-subsidy) for the export sector throughout the country to maintain competitiveness across the country and internationally. It also requested that first priority for gas supply be accorded to captive power plants of the export-oriented sectors.

APTMA's Patron-in-Chief, Ijaz Gohar, in his letter also requested Prime Minister to restore SRO 1125 zero rating for the textile sector value chain while collecting sales tax on domestic sales at the point of sale. He demanded immediate refund of all sales tax and other dues.

## JUL-MAR CGT COLLECTION OF PSX STANDS AT RS4.3BN

ISLAMABAD: The capital gains tax (CGT) collection from Pakistan's stock exchange stood at Rs4.3 billion during July-March (2022-23) against the Indian stock exchanges' expected collection of Indian Rs600 billion to Rs800 billion during the current year. According to the latest data of CGT on the disposal of securities at Pakistan's stock exchange, the CGT collection from the stock exchange amounted to Rs4.3 billion during July-March (2022-23) against Rs5.6 billion in 2021-22, reflecting a decrease of Rs1.3 billion.

In India, it has been expected to generate 60,000 to 80,000 crores rupees (Indian) as CGT on the stock exchanges this year against 6,000 to 8,000 crores rupees last year.

In Pak rupee terms, the Indian stock exchange's estimated collection comes to around Rs2 to Rs2.7 trillion this year. On the other hand, collection from Pakistan's stock exchange does not even come close. Market experts say that Pakistan's stock exchange is the lowest taxed in the region. Data reveals that its tax collection is far less than that of neighbouring India. According to the data of the Securities and Exchange Commission of Pakistan (SECP), the fiscal year 2021-22 was a challenging year for the stock market.

In 2021-22, the KSE-100 index began the year at 47,356.02 points and ended at 41,540.83 points on June 30, 2022, recording a decrease of almost 12.3 percent. The market recorded its highest level of 48,112.21 on August 23, 2021, and touched its lowest level, 40,879.93 on June 13, 2022. The index posted its highest single-day gain of 1,700.38 points on April 11, 2022. The average daily turnover was 292.69 million shares and 117.78 million shares in ready and futures market, respectively. A total of 530 companies with accumulated paid-up capital of Rs1,525.899 billion are listed on the Pakistan Stock Exchange, while the total market capitalisation is Rs6,956.507 billion, as on June 30, 2022.

Foreign investment in the stock market exhibited a net outflow of $297 million during the year, which is 23 percent lower than the net outflows of $387 million observed in 2020-21, the SECP added.

## ACQUISITION OF CDC SHARES: PRE-MERGER APPLICATION OF PSX CLEARED BY CCP

ISLAMABAD: The Competition Commission of Pakistan (CCP) has cleared the pre-merger application of Pakistan Stock Exchange Limited (PSX) for acquiring shares of Central Depository Company of Pakistan Limited (CDC).

In this connection, the CCP has issued an order on Friday. "The current acquisition of shareholding taking the total shareholding in CDC does not raise any competition concern and would not lead to any material change in control in CDC or lessening of competition in the relevant markets," CCP order concluded.

The CCP order revealed that the PSX's existing shareholding in CDC and representation on the CDC BoD (3 out of 12 directors) means it already exercises influence over the CDC as defined in explanation I & 11 of the competition merger control regulations (CMR). Therefore, an additional shareholding shall not necessarily be strengthening the PSX's control over CDC. The CDC BoD comprises of twelve directors, of which seven are shareholders directors, four are independent directors and one is the chief executive officer.

The PSX would require additional voting shares in addition to the shares of the proposed transaction in case of election of BoD to garner one more director's position on the CDC BoD by virtue of shareholding. Moreover, the subject transaction also stems from a regulatory requirement imposed by the SECP, i.e., PSX is permitted to acquire at least and were instructed to act in pursuance thereof.

The CCP Bench upon due consideration is of the view that there is merit in the Applicant's argument to the extent that an intention of any acquisition is based on two circumstances, i.e., where the parties have signed a share purchase agreement or have agreed in principle to proceed with the transaction deals with a situation where an undertaking intends to acquire and deals with a situation where the concerned undertakings agree in principle or sign a non-binding letter of intent.

Accordingly, regarding intent to acquire more shares in CDC, as disclosed in PSX's financial statement the same would not attract pre-merger notification requirement until willingness of the seller(s) exists. As for the request to allow clearance for the subject transaction and review the remaining potential acquisition as part of Phase-II review is not tenable.

The Bench is not empowered to treat the subject transaction piecemeal. It also appears to be a contradictory stance on part of PSX. Where it has it-self stated that "Such a transaction is not at all certain and will require a number of steps to be consummated before PSX will be in a position (if at all) to submit a pre-merger application. Therefore, considering such an eventuality at this stage, in our view, is premature".

The CCP bench agreed that the Bench cannot assume or approve the transaction hypothetically. We also note that in the regulatory scheme the timeline envisaged have not been followed; therefore, notwithstanding the regulatory intent the Commission cannot proceed on mere assumption in the absence of the willing seller(s) in the present case. "We have; therefore, restricted our Phase-II review to the extent of PSX acquiring specific percentage of holding in CDC."

Considering the above in view, the Bench finds that the current acquisition of shareholding taking the total shareholding in CDC, does not raise any competition concern and would not lead to any material change in control in CDC or lessening of competition in the relevant markets. "The proposed transaction is hereby authorized." In the subject transaction, matters that may fall outside the scope of the Commission's purview remain subject to the applicable laws, CCP order added.

## PRESIDENT ASK INSURANCE CO TO MAKE PAYMENT AGAINST WIDOW'S CLAIM

ISLAMABAD: President Dr Arif Alvi has directed an insurance company to pay the death insurance claim to the widow of a deceased policy holder who was denied payment on the ground that her husband did not willfully disclose his true health condition to the company at the time of obtaining the policy. The president gave this decision while accepting a representation filed by Shehnaz Akhtar (the complainant) against the order of the Federal Insurance Ombudsman (FIO), whereby, the case had been closed and disposed on the ground that the widow had already been refunded the premiums amounting to Rs 150,000 deducted from her late husband's account and since the matter had been settled on compassionate grounds, thus, the company was not liable to pay the death insurance claim.

Feeling aggrieved by the decision of FIO, the complainant filed a representation with the President, which he accepted. In his decision, the president observed that the company repudiated the claim based on the death certificate alleging that it reflected that the deceased had been suffering from diabetes mellitus and chronic liver disease since a year before death but no such period had been specified in the certificate. He further noted that the insurance company was relying on an admission chart issued by a hospital in Lahore which pertained to the year 2017, whereas, the policy had been issued in the year 2015, thus, it did not pertain to the insurance period. He also referred to a decision of the Lahore High Court in the year 2009, wherein it had been held that the majority of people having ailments such as hypertension, diabetes and mellitus lived either for decades or longer than people not having such diseases by remaining more careful in their lifetime, and the concealment of such diseases could not be termed as done fraudulently.

The president held that the insurance company was not justified in repudiating the insurance claim on such flimsy grounds. He said that maladministration on the part of the insurance company had been established, therefore, the orders of the FIO were being set aside. The president further directed the company to pay the insurance claim to the complainant within 30 days of the receipt of the president's order.

## CORPORATE FARMING: LHC STAYS HANDING OVER OF LAND TO ARMY

LAHORE: The Lahore High Court (LHC) has stayed the handing over of 45267 acres of state land on lease to the army for corporate agriculture farming. The land in question is situated in districts of Bhakkar, Khushab and Sahiwal. The court passed this order in a public interest petition of Public Interest Law Association of Pakistan and sought replies from the respondents on May 09.

The petitioner's counsel contended that the Punjab Colonies Department issued a notification for handing over the land to the army under section 10 of the Colonization of Government Lands (Punjab) Act 1912. He argued that the impugned notification was illegal as the caretaker government of the province was not vested with any power to sanction it. He said the scope of the caretaker government was limited to perform day-to-day functions of the province. He pointed out that grant of state land for a period of 30 years was a decision of permanent nature, which could not have been taken by the caretaker government. He said the exercise of powers under section 10 of the Colonization Act did not fall under any of the categories of permissible actions by the caretaker government. He said the purported handing over of the state land was also in violation of the Doctrine of Public Trust.

The counsel argued that there was no provision in the Pakistan Army Act, 1952 which authorized or empowered the army to undertake any activity beyond its composition for the purposes of welfare unless the federal government expressly granted permission to do so. He maintained that the army had no jurisdiction to directly or indirectly engage in business ventures of any nature outside its composition no to claim any state land for corporate agriculture farming.

## UAE REVOKES RUSSIAN BANK'S LICENCE AFTER US SANCTIONS

DUBAI: A Russian bank hit by US sanctions will be forced to cease operations in Abu Dhabi, the United Arab Emirates' central bank said Friday.

MTS Bank, which had earned an Emirati licence last year, was among more than 200 entities and individuals targeted by a wave of sanctions last month on the first anniversary of Russia's invasion of Ukraine.

The UAE central bank said in a statement that "it has been decided to cancel MTS Bank's Abu Dhabi licence... and close the branch" in the Emirati capital "within six months". "This decision comes after considering the available options regarding the new status of MTS Bank, and taking into account the sanctions risks associated with the bank after the designation." During the six-month period to "wind down its operations", the Russian bank would be barred from opening new accounts and carrying out any transactions apart from clearing prior obligations, the central bank said. It had announced in late February it was "studying... the available options" after the US measures.

Senior US officials visited earlier this year for talks with UAE authorities, including the central bank, on evasion of sanctions on Russia and Iran as well as money laundering and financing of groups deemed "terrorist".

The UAE has maintained a neutral stance towards Russia's war. The oil-rich Gulf monarchy and its financial hub Dubai have attracted Russian professionals and businesspeople fleeing the impact of Western sanctions since the invasion in February 2022.

Some 1.9 million passengers flew in from Russia last year, Dubai Airports CEO Paul Griffiths told AFP in February, more than twice as many as in 2021. - AFP

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