



1st August 2009

Mr. Salman Ali Shaikh,
Chairman,
Securities and Exchange Commission of Pakistan,
National Insurance Corporation Building,
Jinnah Avenue,
Islamabad-44000.

Fax No. (92-51) 9205692, 9204915

Sub; SECP to investigate KESC affaires

Dear Sir,

Transparency International, is the only international non-governmental organisation devoted to combating corruption, brings civil society, business, and governments together in a powerful global coalition. At the national level, chapters work to increase levels of accountability and transparency, monitoring the performance of key institutions and pressing for necessary reforms in a non-party political manner.

Transparency International Pakistan (TI Pakistan), aims at Building a coherent National Integrity System, to institutionalize efforts to curb corruption, and make our country Zero Tolerance against Corruption.

Monitoring is one of the principles of the NACS, which recommends the regular and systematic measuring of the nature, causes and extent of corruption through reliable and verifiable data collection, analysis and co-ordination. Under the Public interface functions, NACS advocates that Enquiries and Transactions must be conducted in full public view, with formal mechanisms for dealing with customers. Empowerment will partly result from transparency, but also from initiatives such as public participation in monitoring of an institution's services.

The preamble of the Securities and Exchange Commission of Pakistan Act entrusts function of safeguarding the interest of public. As a Regulatory Authority, SECP is also responsible for administering the legal frame work provided in the Companies Ordinance 1984 for all entities incorporated under the Companies Ordinance 1984, hence, SECP must monitor that all companies adhere to the all the regulatory requirements aimed at public interest, and in case of any violations, SECP must act in letter and spirit to safe guard the interest of the public promptly and without any prejudice and bias.

There are numbers of scams of fraud and cheatings with the public known as white crime collar scams that has deprived the public and investors of its hard earned money and life savings. Karachi in particular, and Pakistan in general is suffering due to shortage of electricity and frequent breakdowns of KESC distribution network since last 3-4 years. The



breakdowns and load-shedding is gradually increasing since KESC has been privatized in 2005 and adding misery to the life of the people.

Since last one year or so, news-reports are continuously been published which indicates that the management of KESC is not being run on prudent practices. The more damaging reports are that new senior officers of KESC are drawing monthly salaries of Rs. 2.5 million to 4.8 million, energy is being purchased from Rental Power Plants at higher cost than the market prices without following open bidding process to obtain the most economical rates, Power Plants being set up without following open bidding process to obtain the most economical rates and that the line losses of KESC in the first years period of present management have increased from 29% in Jan-March 2008 to 38% in Jan-March 2009.

These reports also gives impression that through theses actions, extra money is being siphoned off, depriving the share holders of the return on their investment, and the company is constantly losing its share value.

Transparency International Pakistan would like to point out that SECP has to play its role as regulator under the following Section of Companies Ordinance 1984.

231. Inspection of books of account by registrar, etc.- (1) The books of account and books and papers of every company shall be open to inspection by the registrar or by any officer authorised by the Commission in this behalf if, for reasons to be recorded in writing, the registrar or the Commission considers it necessary so to do.

263. Investigation of affairs of company on application by members or report by registrar. - The Commission may appoint one or more competent persons as inspectors to investigate the affairs of any company and to report thereon in such manner as the Commission may direct.

Transparency International Pakistan therefore requests SECP to proceed to take action under Sections 231 and 263 of the Companies Ordinance 1984, which action SECP should have already taken. If KESC found by SECP is acting against the prudent practices, like decisions are not being made faithfully and not on commercial basis, resulting in loosing company's worth and its share in the market.

SECP is requested to discharge its responsibilities as stipulated in the law and initiate civil and criminal proceedings against the management and director of the company as envisaged under all the laws administered by SECP. Such an action would lessen the miseries and problems of the people as well as all the stakeholders thus protecting the public interest that includes government, public and investors

With regards,


Syed Adil Gilani,
Chairman,
Transparency International Pakistan