



TRANSPARENCY INTERNATIONAL-PAKISTAN

27th February 2016

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TL16/2702/1A

Mr. Zafar ul Haq Hijazi
Chairman SECP,
NICL Building,
Islamabad

Sub: Complaint against SECP for not acting on State Bank of Pakistan instructions against JS Bank .

Dear Sir,

Transparency International Pakistan has received a complaint against SECP for not acting on State Bank of Pakistan instructions against JS Bank.

The complainant has made following allegations;

That

1. The JS Bank is not being operated in accordance with SECP and SBP rule and regulations.
2. According to SECP Report on Jahangir Siddiqui & Company Limited (JSCL) dated 2.1.2014, this is reported that to enhancing the paid up capital of the JS Bank Limited through transfer of shares of JS Global Capital Limited and JS Investments Limited to JS Bank Limited valued at Rs. 1,686 million, a subsidiary of JSCL to meet the JS Bank's minimum capital requirement of Rs 10 Billion, which is against the SBP Rules.
3. The State Bank of Pakistan vide its letter Ni BPRD/CSMRP/15930/14 dated 29.8.2014, has advised/directed Chairman to take action on non compliance of SECP Rules by JS Bank.
4. SBP has stated that SECP Code of Corporate Governance requires the banks to encourage the representation of minority shareholders on their boards.
5. But in case of JS bank it is observed that bank did not appear to have any representative of minority shareholders or institutional investors on its board, rather in arrangements of the above AGM provided the sufficient reasons to believe that bank has discouraged the participation of minority shareholders even in the AGM.

Note: The SECP Rules requires that the Board of Directors of each listed company includes at least one independent director representing institutional equity interest of a banking company, Development Financial Institution, Non-Banking Financial Institution (including a modaraba, leasing company or investment bank), mutual fund or insurance company,;

For the purpose of this clause, the expression "independent director" means a director who is not connected with the listed company or its promoters or directors on the basis of family relationship and who does not have any other relationship, whether pecuniary or otherwise, with the listed company, its associated companies, directors, executives or related parties. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any apparent form of interference.

6. Amid SBP regular inspection it was observed that in the 7th Annual General Meeting of JS bank held on 29-03-2013 total 196 (including 23 proxies) shareholders attended the AGM. 162 participants (94 %) who attended the AGM in person were employees of the bank who hold one share each.



7. Similarly 11 shareholders holding 1 share each had the same address which was not a normal situation.
8. Further, SBP inspection team meeting with the four bank employees carrying shares of the bank also substantiated the unusual pattern of the AGM, as three of them informed that they have no idea whether any share was purchased on behalf of them.
9. One employee told that he purchased one share last year but did not recall the purpose and mode of purchase.
10. SECP should have taken action under Chapter V of Securities and Exchange Ordinance, 1969 to safeguard the interest of depositors who have deposited over Rs 60 billion in the bank.

The Chairman SECP is requested to examine the complaint and the SBP letter, and if irregularities are confirmed and SBP letter is true, to take action under Securities and Exchange Ordinance, 1969.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

Sohail Muzaffar
Chairman

Encl: Attachments.

1. Secretary to Prime Minister, Islamabad
2. Chairman, NAB, Islamabad.
3. Chairman PMIC, Islamabad .
4. Governor, State Bank of Pakistan, Karachi
4. Registrar Supreme Court Pakistan, Islamabad



STATE BANK OF PAKISTAN
BANKING POLICY & REGULATIONS DEPARTMENT
I. I. Chundrigar Road Karachi

No. BPRD/CSMRP/15930/14

August 29, 2014

The Chairman,
Securities and Exchange Commission of Pakistan,
National Insurance Corporation Building,
Jinnah Avenue- Islamabad.

Dear Sir,

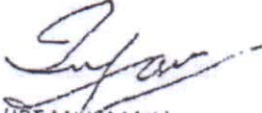
Observations Regarding 7th Annual General Meeting at JS Bank

We understand that SECP Code of Corporate Governance requires the banks to encourage the representation of minority shareholders on their boards. In case of JS bank, it is observed that bank did not appear to have any representative of minority shareholders or institutional investors on its board, rather in arrangements of the above AGM provided the sufficient reasons to believe that bank has discouraged the participation of minority shareholders even in the AGM.

Amid SBP regular inspection it was observed that in the 7th Annual General Meeting of JS bank held on 29-03-2013, total 196 (including 23 proxies) shareholders attended the AGM. 162 participants (94 %) who attended the AGM in person were employees of the bank who hold one share each. Similarly 11 shareholders holding 1 share each had the same address which was not a normal situation. Further, SBP inspection team meeting with the four bank employees carrying shares of the bank also substantiated the unusual pattern of the AGM, as three of them informed that they have no idea whether any share was purchased on behalf of them. One employee told that he purchased one share last year but did not recall the purpose and mode of purchase.

In light of the above unusual pattern relating to AGM and minority representation on the board of the JS bank, we expect SECP to look into these matters to probe down malafide intention, if any.

Yours truly,


(IRFAN ISMAIL)
Additional Director