



8th July 2011

Mr. Muhammad Ali
Chairman,
Securities and Exchange Commission of Pakistan,
National Insurance Corporation Building, Jinnah Avenue,
Islamabad-44000,
Fax No. (92-51) 9205692, 9204915

**Sub: Complaint Against M/s Pakgen Power Limited-Offer for Sale of Shares
TI-P Letter dated 25 June 2011, SECP Reply dated 5 June 2011**

Dear Sir,

Transparency International Pakistan has examined the clarification of Director (CI) SECP on the complaint against M/s Pakgen Power Limited and underwriters on allegation of non disclosures of facts related to performance of AES Pak Gen Company Limited, as well as against SECP for approving the premium of Rs 5.17 based on insufficient due diligence reports.

The response of the SECP is same as was given on 20 June 2011, which has been replied by TIP as incomplete and not based on facts.

SECP is informed that delay of M/s Pakgen Power in providing the reason of suppression of real facts from the investors, strengthen the doubts that non disclosure of fact in the prospectus by company as well as the underwriters may be wilful.

The violation if proved, may result in any one or all of the following actions by SECP under the provisions of the Companies Ordinance, 1984.

1. Penalty for fraudulently inducing persons to invest money
2. Return the premium to all investors. This may be about R 3 billion.
3. Buy back by the company of all shares.
4. Impose penalty for fraudulently inducing persons to invest money.
5. Impose punishment of imprisonment of either description for a term which may extend to three years for fraudulently inducing persons to invest money.

Such issues with other companies are also required to be examined by SECP to protect the interest of general public investments, for which SECP has been established. .

The request of SECP to send the complainant's name and the copy of the complaint is irrelevant for action by SECP if it determines that violations are committed by the company/underwriter, and can not be provided as TI Pakistan receives anonymous complaints. The contents of the complaint have been sent to you in TIP letter dated 15 June 2011.



The corporate sector has to be regulated by SECP across the board, for small as well as large companies alike, and in accordance with the provisions of SECP Act 1997 and the Companies Ordinance, 1984.

Transparency International Pakistan is striving for the rule of law, which is the only rule to eliminate corruption from public as well as private sector. .

Yours Sincerely,

Syed Adil Gilani
Chairman

Ecnl: Copies of Two letters each of TIP and SECP.

Copies forwarded for the information with request for action under the prevailing rules and regulations invoke in their respective domains,

1. Chairman Public Accounts Committee, National Assembly, Islamabad.
2. Registrar, Supreme Court of Pakistan, Islamabad.
3. Auditor General Pakistan, Islamabad.
4. Chairman NAB, Islamabad.



**TRANSPARENCY
INTERNATIONAL-PAKISTAN**

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25th June 2011

Mr. Muhammad Ali
Chairman,
Securities and Exchange Commission of Pakistan,
National Insurance Corporation Building, Jinnah Avenue,
Islamabad-44000,
Fax No. (92-51) 9205692, 9204915

Sub; Complaint Against M/s Pakgen Power Limited-Offer for Sale of Shares
TI-P Letter dated 15 June 2011, SECP Reply dated 20 June 2011

Dear Sir,

Transparency International Pakistan has examined the clarification of SECP on the complaint received by TI-P, and forwarded to you on 15 June 2011 against M/s Pakgen Power Limited and underwriters on allegation of non disclosures of facts related to performance of AES Pak Gen Company Limited, as well as against SECP for approving the premium of Rs 5.17 based on insufficient due diligence reports.

TI Pakistan do not agree with the SECP statement that the *quantum of premium charged by the issuers on issue of shares through public offering is a deregulated area and the Securities and Exchange Commission of Pakistan has no role in fixing it.*

According to S. R. O. 110(I)96, Companies (Issue of Capital) Rules, 1996, SECP is required to confirm that the issue shares to the public on premium are complying to the conditions, and if the requirement are not met by the company, SECP is allowed to accord relaxation under certain conditions as per Rule No. 10.

Disclosure of all information is a mandatory requirement to be disclosed in the prospectus of the company for the information of public. In cased the Company has violated thus requirement, and or the Underwriter has violated this requirement in its due diligence report, SECP is responsible for the wrong approval.

SECP reply that "*as regard to non-disclosure of the alleged risks in the prospectus, it is stated that the same has been taken up with the Company and response received from them will the shared with you*" shall also be examined by SECP.

If SECP determines that the complaint was correct, action shall be taken against the responsible officers who approved the premium, and also against the company as well as against the underwriters for the violations.

Yours Sincerely,


Syed Adil Gilani
Chairman



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division

No.SMD/Co.62/02/2011

July 5, 2011

Syed Adil Gilani,
Chairman,
Transparency International – Pakistan,
5-C, 2nd Floor,
Khayaban-e-Ittehad, Phase-VII,
Defense Housing Authority,
Karachi

Subject: Complaint against M/s Pakgen Power Limited – Offer for Sale of Shares, TI-P Letter dated 15 June 2011, SECP Reply dated 20 June 2011

Dear Sir,

Please refer to your letter dated June 25, 2011 on the subject noted above. It is stated that as intimated earlier vide our letter of even number dated June 20, 2011, the matter has been taken up with Pakgen Power Limited (the Company) regarding the alleged non-disclosure of some risk factors in the Offer for Sale Document for offer of shares of the Company to the general public.

2. In this regard, it is requested that a copy of the complaint received in the matter by Transparency International – Pakistan may please be provided which may be helpful for further processing of the matter.

3. It will be appreciated if the said copy is provided at the earliest.

Yours truly,


Amir M. Khan Afridi
Director (CI)