

AHMED & QAZI
ADVOCATES & LEGAL CONSULTANTS

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Mr. Syed Adil Gilani,
Adviser,
Transparency International - Pakistan,
Advisory Committee,
5-C, 2nd Floor, Khayaban-e-Ittehad,
Phase-VIII, DHA, Karachi.

December 16, 2011

Dear Sir,

Violation of Public Procurement Rules, 2004 by NBP in purchase of 15,406 Sq. Yds. Plot No. No. LA-2/B (the "Property") from Afroze Textile Industries (Pvt.) Limited ("Customer")

Reference your letter dated 12.12.2011 on the captioned matter, we are, on the instructions of our client i.e. National Bank of Pakistan (hereinafter "our Client"), writing to explain the said purchase transaction as follows:

- i. First of all, we thank you for writing to our Client, showing your concern in the matter and advising your valuable opinion in this regard;
- ii. Secondly, our Client assures you that it being one of the main public sector institutions of Pakistan fulfills the requirements of all the applicable laws, rules and regulations including the Public Procurement Rules, 2004, PPRA Ordinance, 2002 and the related laws in its transactions and our Client strongly adhere to transparent, non-partisan, unbiased and impartial practices for doing its business;
- iii. Please note that the said purchase transaction of the Property from the Customer cannot be treated as a public procurement due to the following reasons:
 - a. It is not a normal sale-purchase transaction undertaken by our Client for its branch opening purposes or for any of its personal use but it's a recovery transaction of defaulted loan through payment in kind instead of payment in cash;
 - b. Please note that the Property is already exclusively mortgaged in our Client's favor;

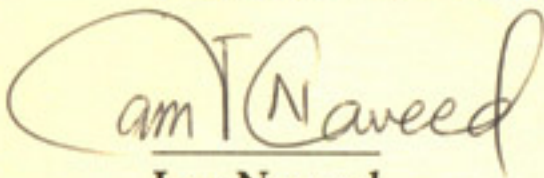
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- c. The Customer has defaulted in its payment obligations towards our Client and the Customer itself has requested and is desirous of transferring the Property in favor of our Client to partially settle its payment obligations towards our Client;
- d. Further, please note that exactly this is the purpose of obtaining the security/mortgage from the customers that in case they default in their payment obligations then a bank should be able to recover its loan through liquidation of security (banks are also allowed to purchase the charged/mortgaged assets with or without intervention of court under various laws including under Financial Institutions (Recovery of Finances) Ordinance, 2001). Thus, if the banks are not allowed to liquidate the securities then there would be no use of obtaining the securities from their customers;
- e. In this way, our Client is not only in compliance of all the laws of land but also providing benefit to the exchequer by recovering its defaulted loan.

We are of the view that the above explanation should suffice your queries in this regard. However, please feel free to contact us if you have any further queries in this regard.

Yours truly,

FOR AND ON BEHALF OF A & Q



Jam Naveed

- Cc:
1. Chairman, PAC, Islamabad;
 2. Chairman, National Accountability Bureau, Islamabad;
 3. Registrar, Supreme Court of Pakistan, Islamabad;
 4. Managing Director, PPRA, Islamabad;
 5. Auditor General of Pakistan, Islamabad;
 6. Relationship Manager, CIBG, NBP, Karachi.