



TRANSPARENCY INTERNATIONAL-PAKISTAN

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12th April, 2013

Principal Secretary to the Prime Minister,
Prime Minister House,
Government of Pakistan,
Islamabad.

Sub: Complaint against SECP and JSGL on the allegations of Inside Trading in Azgard Nine Limited ANL shares, Purchase of Agretech Share worth 3.5 billion by NBP at 100% higher market cost from ANL, and against JSCL for awarding Fee of US \$ 4.3 million to son of JS, a Director in 2013

Dear Sir,

Transparency International Pakistan refers to its letter sent to SECP on the above subject on 10th April 2013, a copy of which has also been forwarded to the Prime Minister for appropriate action by him.

The allegations are very serious, and should have been handled by SECP and State Bank of Pakistan, but SECP after even conducting an inquiry in 2008, which proved the serious fraud, did not take any action during the political government, obviously due to pressure from higher offices.

The facts are very clear, and Transparency International Pakistan request the Prime Minister to take action against JSGL, NBP, SECP and State Bank of Pakistan, for causing billion of loss to exchequer as NBP colluded to pay double market price, and public has suffered losses of billions of rupees due to inside trading, and favoritism worth \$ 4.3million in one case to the son of Jehangir Siddiqui Chief of JS brokerage house Mr. Ali Jehangir.

1. The SECP inquiry report was prepared on the order of Chairman SECP in 2008, by Mr. Imran Iqbal Punjwani, Director Securities Market Division, and Ms. Shazia Baig, Deputy Director Market Surveillance Wing, as investigation Officers under Section 21 of SECP Ordinance 1969 and Section 29 (2) of SECP Act 1997.

2. That SECP inquiry report determined illegalities in the trading of Azgard Nine Limited shares, and proved that JSGL member KSE, initiated the trading spree in the script of ANL and built up unusually large position in companies shares resulting in the distortion of the market equilibrium and creation of artificial market in these shares. As part of the scheme, substantial quantity of ANL shares 107 million shares, constituting 42% of total market trade were bought by the Group, out of which 88 million shares, constituting 34% of total market trade were sold in first period of 3-1/2 months in 2007, while during second period of 4/3/4 months in 2007/2008, with 158 million shares as buy volume, 28% of total market, and 159 million of selling volume, 28% of total market were traded by JSGL Group.



3. That the SECP report also determined that the above trading volumes were executed with a view to generate artificial trading in ANL shares. The JSGL Group was heavily involved in execution of circular trade to move the price up. 47% of total buying, by the Group was executed amongst the JSGL Group members, while 51 % of the sale quantity was traded among the Group members.

4. That SECP report has confirmed that during the first 3-1/2 month period the price of ANL shares was increased from Rs 22.85 to Rs 53, and during the Second period of 4-3/4 months the shares price was increased from Rs 35 to Rs 96 per share, almost three times. And that this is a case of violation of Section 17 (a) and Section 17 (c) (ii),(iii),(iv)and(v) of SECP Ordinance 1969. The copy of the SECP Investigation report where exact names of more than 20 JSGL group members, quoting exact transactions carried out by them, is enclosed.

5. That SECP report has confirmed that 20 companies/persons were actively involved in the inside trading. They are Syed Nizam Shah, Mashooq Ali Kalyar, Mehaboob Ali Kalyar, Muhammad Iqbal, JSCL, JSSPL, JSBL, JSSSL, UTP Aggressive Asset Allocation Fund, Begum Aftab Kari, Ms Amna Humayun Shaikh, Ms Zohra Nazim Aziz, Saad Saeed Farooqui, Ms Shazia Sadiq, Ms Aalia Sheeraz Monoo, Crosby Dragan Fund, Ms Rubina Malkani, Khalid Rafi and Irfan Rangoonwala.

6. That in another case in 2012 Azgard Nine Ltd. (ANL) sold its holdings of 100 mn shares in Agritech Ltd. worth of PkR 3.50 billion to the National Bank of Pakistan (NBP) in order to pay its long-term loans. The deal was executed between ANL and NBP on Oct 31, 2012. ANL held 79.89% stake in Agritech has been reporting loss for the past two years. Agritech (AGL) share value in market was PKR 13.50.

7. That including the previous liabilities, total liabilities of Agritech in October 2012 were about Rs. 26 billion.

8. That the company AGRITECH was taken over by a consortium lead by National Bank of Pakistan at a share price of Rs.34/- when at that time (27 June 2012) the market price of the share was Rs.17/- on stock exchange. Executives of financial institution needs to be identified who were the member of the team that was involved in this financial embezzlement.

9. That the Securities and Exchange Commission of Pakistan on 2nd April 2013 has taken action against Jahangir Siddiqui & Company Limited (JSCL) for awarding over \$4.3 million to son of Jahangir Siddiqui, a non-executive director, under the head of advisory fee - an extraordinary payment.

10. That the SECP enforcement department has taken cognizance of a payment of Rs 442.94 million paid as an "Advisory Fee" to Ali Siddiqui, son of Jahangir Siddiqui for advisory services. as the fee charges rendered in the respective advisory service for signing the Share Purchase Agreement with ICTSI Mauritius Limited under which the Company had sold about 13 million of its voting shares in Pakistan International Container Terminal Limited (PICT) at a rate of Rs 150 per share.



The ANL inside trading violations as reported by the complainant, and also proved by SECP inquiry in 2008 were to be immediately prosecuted by SECP in 2008, which included 20 entities who should besides being fined 3 times the profit made by them, could have been debarred to operate or become directors in future. In last 5 years, SECP suppressed that Mega Corruption Case.

In case of NBP buying Agritech shares at Rs 3.5 billion from Azgard, at Rs 35 per share when the market value was Rs 17 per share, State Bank of Pakistan failed to intervene under its regulatory mandate, as well as SECP also remained silent, and NBP Board also did not stop this deal.

SECP has also only as eyewash, and has only issued notice to JSGL on alleged illegal payment of \$ 4.3 million to director, as his consultancy fee sale of PICT shares.

Transparency International Pakistan feels that there is a collusion on these Mega Corruption between JSGL, NBP, SECP and State Bank of Pakistan, and all the three government departments remained silent under pressure from above.

The Prime Minister is requested to take action against the violators, as during the Impartial and non-Political care taker government these cases will become a bench mark and road map against corruption for next political government.

TI Pakistan is striving to have transparency in procedures and Rule of Law in Pakistan, which is the only way to eliminate corruption and have good governance in country.

Yours Sincerely,

Syed Adil Gilani,
Adviser

Encls: TIP letter dated 10th April 2013

Copy forwarded for action to be taken under the rules regulations to

1. Chairman, NAB, Islamabad
2. Registrar, Supreme Court of Pakistan, Islamabad
3. Auditor General Pakistan, Islamabad,
4. Chairperson, CCP, Islamabad
5. Governor State Bank of Pakistan, Karachi
6. Chairman, SECP, Islamabad
7. President, NBP, Karachi
8. Director SBP, Karachi