



13th May 2013

Honorable Justice Iftikhar Muhammad Chaudhry,
Chief Justice of Pakistan,
Supreme Court of Pakistan,
Constitutional Avenue, Islamabad.

Attn: Human Rights Cell

Sub: Prayer for taking action against SECP, NBP, SBP, Evacuee Trust Pakistan, NICL and 38 companies and individuals involved in Inside Trading of Azgard Shares causing loss of billions of rupees to Exchequers [NBP Evacuee Trust Pakistan] and as well as investors

May it please your Lordship,

My Lord, Transparency International Pakistan received a serious complaint on the allegations of Inside Trading [which is against SECP Ordinance 1969 Section 15 A, *Prohibition of insider trading.—(1) No person shall indulge in insider trading*], in Azgard Nine limited shares trade, by JS Global Capital Ltd in 2007/2008 in which 38 companies and individuals were proved to be involved, and in JSCL by awarding Fee of US \$ 4.2 million to a Director in 2013.

The complaint against JS Group in which 38 companies and individuals was forwarded by TIP to the Chairman SECP by TI Pakistan with a copy to the registrar Supreme Court of Pakistan **Annex-A.**, on 10 April 2013 with following request.

Transparency International Pakistan requests SECP to examine the complaint which is against JSGL as well as against SECP on the evidence, which is SECP's own report, and take action under Sections 15 & 17 of SECP Ordinance 1969, which may result in recovery of fine at the rate of 3 times of the illegal profit, which may be over Rs 75 billion, as well as other punitive actions against companies as well as against persons involved.

The SECP investigation report conducted on the inside trading of Azgard Nine Limited ANL under the orders of Chairman SECP 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, dated 15 April 2009, found that the trading by the Group of 38 companies and individuals in shares for 3-1/2 months in 2007 (2 April 2007 to 13 July 2007), the share value was artificially increased from **Rs 22.85 to Rs 53**, and for 4-3/4 months in 2007/2008 (29 November 2007 to 22 April 2008) the shares price was again artificially increased from **Rs 35 to Rs 96** per share.

The report determined that this is a typical price manipulation case.



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. SECP report also determined that the above trading volumes were executed with a view to generate artificial trading in ANL shares and the JSGL Group was heavily involved in execution of circular trade to move the price up. 47% of Total Buy, by the Group was executed amongst the JSGL Group members, while 51 % of the sale quantity was traded among the Group members. This is a case of violation of Section 17 (a) and Section 17 (c) (ii),(iii),(iv)and(v) of SECP Ordinance 1969. Copy of the SECP report is attached as **Annex-B**.

My Lord, as the SECP investigation was completed on 15th April 2009, and for 4 years, no action against the 38 companies/individuals was taken by SECP, SBP, NBP. A complaint with following request was sent to the Prime Minister on 12th April 2013. **Annex-C**.

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.

As a result of TI Pakistan two letters of April 2013, sent to PM and SECP, it appears that half heartedly SECP initiated some action on its own investigation report of April 2009, and after 4 years in April 2013 it filed a criminal complaint against following 23 companies/individuals for action under Section 17 read with Section 29 of the Securities & Exchange Ordinance, 1969.

1. JS Global Capital Limited,
2. Jahangir Siddiqui & Co Limited,
3. Jahangir Siddiqui & Sons Limited,
4. Jahangir Siddiqui Securities Services Limited,
5. JS Investments Limited,
6. Aziz Fidahussain & Co Limited,
7. Saad Saeed Farooqui,
8. Mehboob Ali Kalyar,
9. Muhammad Sadiq Patni,
10. Shazia Sadiq,
11. Syed Nizam Shah,
12. Humayun Shaikh,
13. Alia Sheraz Monoo,
14. Amna Humayun Shaikh,
15. Nasreen Shaikh,
16. Ahmed Shaikh,
17. Muhammad Riaz,

18. Muhammad Ijaz,
19. Irfan Aziz,
20. Saba Irfan Aziz,
21. Zehra Nazim Aziz,
22. Mohammad Iqbal and
23. Muhammad Mubashir Hameed Dagia

My Lord, SECP discriminately did not register criminal case against following 15 other companies/individuals, who were determined to be equally involved in the inside trading of Azgard share in the SECP Investigation Report of 15 April 2009, and this act of SECP of protecting 23 other companies/individuals indicate its biased attitude,

1. Crosby Dragon Fund
2. Jehangir Siddiqui Bank Limited
3. JS Aggressive Asset Allocation Fund
4. JS Income Fund formerly UTP Income Fund
5. JS Capital Protected Fund
6. JS Capital Protected Fund II
7. JS Growth Fund formerly UTP Growth Fund
8. Begum Aftab Khatri
9. Zaibunnisa
10. Muhammad Ibrahim
11. Mashooq Ali Kalyar
12. Rubin Malkani
13. Khalid Rafi
14. Rashid Siddiqui
15. Muhammad Asif Mendha

Further, SECP has again failed to take action against all the 38 companies/individuals found involved in the Inside Trading, by not taking action under Sections 15 B and E of SECP Ordinance 1969, **that recommends a recovery of fine at the rate of 3 times of the illegal profit, which may be over Rs 75 billion, as well as other punitive actions against companies as well as against persons involved.**

15 B (4) In addition to compensation payable under sub-section (3), a person contravening the provisions of section 15A shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to three times the amount of gain accrued or loss avoided by such contravention, or with both.

15 E Liability for contravention.—(1) Any person who contravenes the provisions of sub-section (1) of section 15A shall, on being found guilty of contravention by the Commission, be liable to fine, which may extend to ten million rupees or three times the amount of gain made or loss avoided by such person, or loss suffered by another person, whichever amount is higher.

SECP has also failed address allegation of the following issues on JG Group and its associates involved in Azgard Inside Trading Case.



1. That Mr. Zafar Abdullah was the CEO of Crosby Dragon Fund, [who has been removed by SECP as accused from the criminal case], at the time when this Inside Trading Occurred during April 2007 to April 2008.
2. That Mr. Zafar Abdullah was appointed as Commissioner SECP on 17 August 2012.
3. That TFC of Azgard at approx. Rs 1 Billion were sold by the JS Group to Evacuee Trust after April 2008, at four time the market price.
4. That JS Growth Fund and JS Large Cap. Fund, have sold 1,606,688 PICT shares at Rs. 101.59 to Bank Julius Baer & Co. Ltd Switzerland, on 24 February 2012, and it is alleged that Bank Julius Baer & Co. Ltd in fact bought it for JS Group, as JSGCL has commercial relationship with them.
5. Loss due to NICL imprudent investment of Rs. 2.00 billion in JS Principal Fund - Rs. 255.243 million on 13 March 2009, immediately after Mr. Muhammad Ayyaz Niazi was appointed as Chairman NICL w.e.f. February 12, 2009. [AGP Audit Report of NICL submitted in the Supreme Court in the **Suo Moto Case 18 of 2010**]. **Annex-D.**

Relevant extract pertaining to illegal investment by NICL in JS Principal Secure Fund-I from AGP Audit Report is quoted below.

In National Insurance Company Limited (NICL), the management invested Rs. 2,000.000 million on March 13, 2009 through Pre-Initial Public Offer (IPO) commitment in JS Principal Secure Fund-I for the minimum period of 03 years and 06 weeks under the recommendations of first meeting of Investment Committee of NICL held on March 12, 2009 which was approved by the Chairman on March 13, 2009. The product structure was of a three year open ended fund. According to the terms of investment, the Payout at maturity was any capital gain to distribute along with initial capital at maturity.

Subsequently, it was decided in the 69th meeting of the Board of Directors held on April 30, 2010 that the market intelligence reports are not in favour of the above mentioned investment and the funds must be disinvested. Accordingly, the investment of Rs. 2,000 million was disinvested on July 20, 2010 while the investment was at a pre-mature stage.

There was no evidence available about processing (no investment plan, portfolio management, forecasting, future value of cash flows etc) of the investments by F&A Division as required by NICL Office Order No. (6/2000) dated 15-09-2000 revised 05-06-2009, for placement of Mutual Funds. This is to note that JS Investments Limited offer was received on March 12, 2009, investment committee convened its meeting on the same day and Chairman's approval along with placement of fund was made on very next day i.e March 13, 2009. This showed that the investment was made in haste without any due diligence.

The management did not hire the services of professional fund managers at the time of placement of funds as required under the clause-6 of the Finance Division OM referred above. Audit further observed from a review of a research report of BMA that the total fund size as of March 2010 was Rs2.7 billion out of which only NICL's investment was Rs2.3 billion (85% ownership stake), rest of the balance owned by the related parties of JS Group. This was clear violation of para-5(d) of the Finance Division OM referred above.



The previous return history of these units was not available as those funds were initial launch by JS Protected Funds. Hence record of last three year's performance/returns was not available to match with average

An indulgence of the Honorable Court in the matter is prayed for as SECP, SBP, NICL, NBP and Evacuee Trust Pakistan have alleged to have caused billions of rupees loss to the exchequer by not taking action against 38 companies/individuals under their rules and allowed these 38 companies/individuals to go scot free for four years.

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

Yours Obediently,


Syed Adil Gilani,
Adviser

Ecnl; 2 Annexes, A , B, C and D