

No. F. 1(55)/DD-II/PPRA/2011
GOVERNMENT OF PAKISTAN
PUBLIC PROCUREMENT REGULATORY AUTHORITY
(CABINET DIVISION)

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Islamabad, dated 29th February, 2012

SUBJECT: OBJECTION ON NBP PURCHASE OF 15,406 SQ. YDs. PLOT NO. LA-2/B FROM AFROZE TEXTILE INDUSTRIES (PVT) LIMITED.

Reference Public Procurement Regulatory Authority's letter of even number dated 25th January & 10th February, 2012 on the above noted subject.

2. Your request was forwarded to State Bank of Pakistan, Karachi for disposal under Rule – 48 of Public Procurement Rule, 2004. The comments of Procuring Agency are enclosed.



(Naeem Ahmed)
Deputy Director-II

Syed Adil Gilani,
Advisor,
Transparency International- Pakistan,
5 C, 2nd Floor,
Khayaban-e-Ittehad, Phase VII,
DHA,
Karachi.



STATE BANK OF PAKISTAN
BANKING POLICY & REGULATIONS DEPARTMENT
I. I. CHUNDRIGAR ROAD
KARACHI.

No. BPRD/BRD-03/NBP/2012/2579

February 27, 2012

Syed Adil Gilafi
Advisor
Transparency International-Pakistan
5-C, 2nd Floor, Khayaban-e-Ittehad
Phase VII, Defence Housing Authority
Karachi

Dear Sir,

**OBJECTION ON NBP's PURCHASE OF 15,406 SQ. YDS PLOT
NO. LA-2/B FROM AFROZE TEXTILE INDUSTRIES (PVT.) LIMITED**

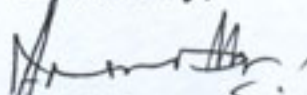
Please refer to your letter dated February 09, 2012 on the captioned subject.

In this regard, we would like to inform that the matter was taken up with NBP, which has stated as follows:

- (1) Public Procurement Rules, 2004 are not applicable on this transaction as acquiring a mortgaged property against the settlement of an outstanding loan is not "Procurement" as per the definition of "Public Procurement", "goods", "services" and "works" provided in PPRA Ordinance, 2002 under which PPR, 2004 have been promulgated.
- (2) The subject property is only being acquired in settlement of a loan facility as per banking practice and not being purchased as stated. Even though acquiring/ dealing in property is not the core business of banks, still in certain cases where a borrower has defaulted and the loan becomes non-performing, the banks may acquire property to adjust the customer's liabilities as permitted under Section 7 of the Banking Companies Ordinance, 1962. Besides, the transaction is in consonance with the Transfer of Property Act, 1958 whereby title of the property is transferable in the name of mortgagee.

While we agree with the overall stance of the bank, it may be added that it is primarily the responsibility of the bank's Board of Directors and the management to exercise all possible options for recovery of the defaulted loans and to ascertain the fair value of property through use of appropriate means, in the best interest of the institution.

Yours truly,


(AMJAD ALI)
Joint Director

Copy to:

- ✓ (1) Mr. Nadeem Ahmed, Deputy Director-II, Public Procurement Regulatory Authority, Cabinet Division, Government of Pakistan, Islamabad in response to their letter No. F.1(55)DD-II /PPRA/2011 dated January 25, 2012.
- (2) The Director, Banking Inspection (on-site) Department with the request for review of the transaction to ascertain the position of NBP with respect to compliance with related laws, regulations and banking norms etc.

Handwritten stamp: BPRD/BRD-03/NBP/2012/2579 Dated: 29-02-2012