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خیبر پختونخوار یجن کو آپٹا کی سربراہی سے محروم کرنیکی کوشش

احمد قلی خان الیکشن کیلیے نامزد، مضبوط لابی کی مخالف امیدوار شہزادایوب کی غیر آئینی پشت پناہی

پشاور (کامرس رپورٹر) آل پاکستان ٹیکسٹائل ملزایسوسی ایشن (آپٹا) میں مضبوط لابی نے خیبر پختونخوار یجن کو ایسوسی ایشن کی سربراہی سے محروم کرنے کیلیے کمر کس لی ہے ٹیکسٹائل ملز کے آنے والے انتخابات کیلیے خیبر پختونخوار یجن نے احمد قلی خان خٹک کو نامزد کردیا ہے جبکہ اس کے مقابلے میں ایک امیدوار شہزادایوب جو کہ حطار صنعتی بستی میں ایک بند ٹیکسٹائل ملز کے مالک ہے، نے ایسوسی ایشن کے آئین کی خلاف ورزی کرتے ہوئے کاغذات نامزدگی جمع کرائے ہیں آپٹا کے قانون کے مطابق کوئی بھی امیدوار یاتواپنے ریجن آفس کے ذریعے یامرکزی دفتر کراچی میں کاغذات نامزدگی جمع کرائے گا لیکن شہزادایوب نے آئین اور طریقہ کار کی خلاف ورزی کرتے ہوئے پنجاب ریجن آفس لاہور میں کاغذات جمع کرائے ہیں جبکہ الیکشن کمیشن نے بھی جانبداری کامظاہرہ کرتے ہوئے کاغذات نامزدگی منظور کرلئے ہیں شہزادایوب کے کاغذات نامزدگی کو خیبر پختونخوار یجن نے چیلنج کرکے اس پر اعتراضات اٹھائے لیکن الیکشن کمیشن سے ریلیف نہ مل سکا جس پر ڈائریکٹر جنرل ٹریڈ آرگنائزیشن اور عدالتوں کو ایشو لے جانے کا عندیہ دیدیا گیا ہے۔

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Lobbying to deprive KP of Aptma's top slot under way

RECORDER REPORT

A strong lobby in All Pakistan Textile Mills (APTMA) is out to manipulate the election 2017-18 of the association and deprive KP Region of its turn for the top slot of the body. The APTMA KP Region has fielded Ahmad Kuli Khan Khattak of Bibojee Group of Companies for the office of the central chairmanship. But, another candidate, Shahzad Ayub of M/s Zainab Textile Mills Limited, Industrial Estate Hattar has also jumped into the election array in violation of the election procedure laid down in Memorandum and Articles of the Association of APTMA.

According to Memorandum and Articles of the Association, the aspiring candidate is required to submit his nomination papers either with Regional Office or directly with Principal Office (PO), Karachi. But, Shahzad Ayub instead of filing nomination papers in PO Karachi or KP Region Peshawar submitted nominations with Punjab Region Office, Lahore.

Sources in KP textile sector has said that Zainab Textiles Mills have suspended operations since the last two years or so and the entire machinery of Zainab Textile Mills Ltd has already been sold out and the buyer has already shifted almost all the machinery from the mill premises. Furthermore, SNGPL has already disconnected their gas connection due to non-payment of dues and the owner of the mills are actively seeking quotations from parties for selling the mill's remaining assets including land.

The APTMA members from KP Region had objected to the filing of the nominations of Shahzad Ayub with Punjab Regional Office. However, the election committee of APTMA which is in the grip of that powerful lobby is giving different justifications.

The election commission of APTMA is used to be comprised of three members ie Khyber Pakhtunkhwa, Sindh+Balochistan and Punjab, while chairman of the committee always remained a representative of the later. Interestingly KP Region also nominated its representative on election commission and principal office also notified it, but very soon he was de-notified through issuing a revised notification to keep KP out of the panel.

KP has a few textile mills which already operate under very difficult circumstances. They lie outside the cotton growing belt which leads to higher freight costs bringing raw material to the mills. They also face unique security challenges which other provinces don't. It is the right of any member of the KP APTMA to run for central chairmanship after 6 years.

Member mills are facing energy reliability problems, high RLNG prices in Punjab region, imposition of GIDC, Sales tax refund issues and dumping of Indian yarn. Ahmad Kuli KhaKhattak is a firm believer that a united APTMA can effectively lobby for its rights and as a previous chairman of APTMA brings valuable experience to the table.

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Meeting on Sept 14-15 at Beijing

Pakistan will try to correct CPFTA direction

MUSHTAQ GHUMMAN

ISLAMABAD: Pakistan and China are all set to hold the long-awaited 8th round of China-Pakistan FTA (CPFTA) on September 14-15 in Beijing.

Secretary Commerce, Younus Dagha, who is unhappy with the progress on the pact, will lead the Pakistan team. Pakistan's powerful Commercial Counselor to Beijing, Irfa Iqbal, who refused to return despite the rejection of her summary for extension in tenure in Beijing by the former Prime Minister Nawaz Sharif, will be part of the Pakistani team. She was purportedly transferred from Germany to Beijing on the advice of a top man in Punjab.

A two-member Commerce Ministry's team comprising Taimur Tajammal and Shafiq Shehzad Baloch gave on Friday a detailed briefing to Commerce Minister, Pervaiz Malik on CPFTA and the proposed Thailand Pakistan FTA.

Commerce Minister was apprised that China-Pakistan trade which was around $ 4 billion in 2006-07 reached an all time high of $ 13.77 billion in 2015-16. Pakistan's exports jumped to $ 1.669 billion in 2015-16 from $ 575 million in 2006-07. Correspondingly, China's exports to Pakistan increased to $ 12.1 billion in 2015-16 from $ 3.5 billion in 2006-7.

During the first three years of implementation of phase-1 both sides reduced tariffs on almost 36 per cent tariff lines to zero per cent duty. Phase-II was supposed to commence from the sixth year of the entry into force of the agreement (by 2013) and by the end of second phase both sides would have reduced tariffs on 90 per cent tariff lines to zero per cent duty.

The sources said, FTA with China covers more than 7000 tariff lines at the 8 digit level of the HS code. Pakistan secured market access for products of immediate export interest such as cotton fabrics, blended fabrics, synthetic yarn and fabrics, knit fabrics, home textiles, minerals, sports goods, cutlery, surgical goods, kinnow, mangoes and industrial alcohol etc.

Pakistan and China began negotiations on the second phase of Pak-China FTA in 2012. So far seven meetings have been held in this regard. In the initial meetings, Pakistan informed the China that the Margin of Preference granted to Pakistan under the CPFTA has eroded owning to the subsequent FTAs between China and other countries whereas Margins of Preference granted by Pakistan to China remained intact. Furthermore, the concerns of local industry being hurt by cheap Chinese imports were also conveyed.

Pakistan sought adjustments in the 1st phase. On the insistence of China that all concerns would be addressed in the second phase, Pakistan agreed to start negotiations on the TRM of the next phase based on principles of reciprocity in favor of Pakistan and to the 1st phase being independent of second phase. However, during the 6th meeting it transpired that both sides had different interpretations of the two agreed principles.

China's proposed TRM for the second phase of the CPFTA entails overall tariff elimination on 90 per cent of tariff lines. On 70 per cent tariff lines, duties would be immediately reduced to zero on the date of entry into force of the second phase of CPFTA whereas the remaining 20 per cent tariff lines would be divided into two equal slabs.

On the first 10 per cent of these tariff lines, duties would be reduced to zero within five years and on the remaining tariff lines within ten years.

The 7th meeting on the negotiations of the second phase of CPFTA was held in Islamabad on December 6-7, 2016. Pakistan once again conveyed its concerns to China on the impact of the 1st phase of the CPFTA.

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"Since Pakistan's concerns cannot be addressed through the Chinese interpretation of the two agreed principles, Pakistan proposed that before entering into the second phase, China may grant immediate concessions on 35-40 tariff lines of Pakistan's prime export interest with the objective to abate the concerns of local industry as well as a confidence building measure," the sources added.

The Chinese side again insisted on commenting on the second phase and proposed that Pakistan may take longer and seek additional categories in the TRM to achieve a 90 per cent liberalization level. Both sides agreed to consult their respective stakeholders on each other's proposals and respond during the next meeting.

On the investment side, Pakistan referred to the protocol signed between the two countries in 2009 whereby Pakistan agreed to offer an incentive package to Chinese investment in the Special Investment Zones. China, in return, would reduce/eliminate tariffs on the products produced in these zones. Both sides agreed to hold further in-house consultations in order to explore ways and means to implement the protocol.

On the directives of Prime Minister's office, an inter-ministerial task force has been constituted to ensure proactive and sustained engagement with China for accelerated progress in matters related to MoU on Electronic Data Interchange (EDI) as part of determination of valuation rulings on major imports. The Additional Secretary (Trade Diplomacy) is the chairman of the task force with members from Ministry of Foreign Affairs and FBR.

According to sources, the Commerce Minister was also briefed about the bottlenecks in finalization of FTA with Thailand. He was apprised that incumbent Secretary Commerce personally visited Bangkok and held talks with his counterpart.

Pervaiz Malik expressed satisfaction over the progress of FTA negotiations and the preparation of the negotiating team and directed them to work vigorously to conclude the agreements in the best interest of Pakistan and at the same time address the concerns of the local industry.

Speaking to the negotiating team, the Minister argued that while negotiating an FTA with Thailand, Pakistan is also looking to access a huge untapped market of the whole East Asian Region. From the same region, the Minister added, Pakistan has already concluded successful FTAs with Malaysia and Indonesia.

Earlier, the Pakistan's Ambassador to Belgium Naghmana Hashmi and Pakistan's Economic Minister in Brussels, Omer Hameed called on Minister for Commerce and briefed him about the situation of bilateral trade between Pakistan and Brussels and appraised him on the areas of trade & investment between the two countries.

Pervaiz Malik directed them to work relentlessly to boost exports of Pakistan to Brussels and to look for opportunities to increase trade, investment and cooperation between the two countries.

The Commerce Minister later also visited the National Tariff Commission Office in Islamabad where he was given a briefing by Chairman NTC, Qasim M. Niaz about the structure, working, achievements and problems faced by NTC.

Commerce Minister, Mohammad Pervaiz Malik expressed satisfaction over the performance of NTC and pledged full support of the Commerce Ministry in resolving the issues faced by them.

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Q2CY17: Advances to private sector register robust growth: SBP

RECORDER REPORT

KARACHI: Broad-based and robust growth has been witnessed in advances to private sector during the second quarter of this calendar year (CY17), supported by consistent monetary easing and positive prospects of real economy.

According to the Quarterly Performance Review (QPR) of the Banking Sector for the quarter ended 30th June, 2017, released by State Bank of Pakistan (SBP) on Friday, overall, banking sector has remained in sound and stable state. Banking sector has earned profit (before tax) of Rs 150.4 billion with strong Return on Assets (ROA) and Return on Equity (ROE) of 1.8 percent and 21.9 percent, respectively.

Outlook for third quarter of CY17 (3QCY17); the SBP is expecting that the upcoming quarter is likely to witness slack growth in banking assets amidst seasonal net retirements from the major sectors, ie, textile and sugar. However, the current momentum of growth in advances and low interest rate environment may provide some impetus to flow of financing to private sector.

Growth in investments, on the other hand, depends upon the government's institutional choice and pattern of borrowing from the banking system, the report said and added that deposits are expected to grow in the coming quarter, but any deceleration in advances growth will have a bearing on deposit growth.

"Profitability of the banking sector is expected to remain modest under low interest rate environment. Rising interest earning from growing volume of advances is expected to keep the drop in profitability under check," it added.

On the capital adequacy front, given high Capital Adequacy Ratio (CAR), the banking sector is expected to remain sound and resilient in the next quarter. Any slowdown in advances growth will push the credit risk weighted assets downwards which may improve the CAR. However, rising trend in market risk weighted assets, if continues, may slightly slow down the upward movement in CAR, the SBP reported.

As highlighted by the report, the key development of the quarter is broad based and robust growth in advances to private sector which is also the prime reason behind 8.3 percent growth in the asset base.

The gross advances (domestic) to private sector have increased by 6.1 percent in comparison to 4.0 percent growth recorded in the corresponding period of last year. Besides seasonal financing need for commodity procurement, the financing demand has come from various sectors including chemical/pharmaceutical, production and transmission of energy, agribusiness, food and allied products, construction, transport, storage, etc.

Moreover, the continued growth in auto financing has pushed consumer financing up. The surge in advances may be attributed to enabling macroeconomic conditions such as monetary easing which has lowered the cost of borrowing and positive feedback from the real economy – particularly the consistent activity in large scale manufacturing.

The asset quality of the banking sector has improved further as Gross Non Performing Loans (NPLs) ratio has moved down to 9.3 percent as of end June 2017 from 9.9 percent as of end March 2017 (and 11.1 percent as of end June, 2016).

Investments have increased by 5.6 percent and Government papers remain the prime attraction. There is a change in investment pattern, though, as banks have mostly invested in short-term MTBs. Continuous rise in investment in Government securities has further strengthened the already comfortable liquidity position of the banking system.

The deposit base of the banking sector has moved up by 6.5 percent, slightly lesser than 6.8 percent in Q2CY16. The deceleration in deposit growth is mainly caused by dip in financial institutions' deposit – which are transitory in nature. On the other hand, the customer deposits – relatively more stable funding source and comprising 96.5 percent share in overall deposit base – has surged by 7.7 percent; higher than 6.0 percent during the corresponding period last year.

Banking sector has earned profit (before tax) of PKR 150.4 billion with strong ROA of 1.8 percent and ROE of 21.9 percent. Encouragingly, interest earnings (year-to-date) have increased by 1.0 percent in Q2CY17 (against 8.6 percent decline during the same period last year) on account of income on advances.

Capital Adequacy Ratio of the banking sector at 15.6 percent is well above the minimum required level of 10.65 percent and advocates that banks have enough buffers to meet additional financing of the market.

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Power situation better than before: PM

CHASHMA (Mianwali): Prime Minister Shahid Khaqan Abbasi on Friday said the government would end power load-shedding in the country by the end of this year, and complete the ongoing power projects by next June.

Addressing a gathering at the inauguration of the 'C-4', the Prime Minister said his government would add 10,000MW to the national grid by end of its term.

He said 'C-4' was a step forward for the PAEC in achieving its target of adding 8800MW to the national grid by the year 2020.

The Prime Minister said his government would achieve the target, given by Muhammad Nawaz Sharif to the PAEC.

He said the C-4 project started injecting power into the national grid only after a period of eight months since the operationalisation of C-3, and termed it a matter of pride for the entire nation. The three power units of Chasma were providing 900MW of less expensive electricity, he added.

He said "The power supply situation today is much better in the country as compared to what it was a few years back."

Prime Minister Shahid Khaqan Abbasi recalled that the government of Prime Minister Muhammad Nawaz Sharif was in power when Pakistan entered into an agreement with China for construction of Chasma's Unit One project and termed it the foundation of a strong Pakistan-China cooperation in civil

nuclear power projects.

He said Pakistan has put in place a reliable nuclear power project and it is being ensured that all these projects fully comply with the safeguards of the International Atomic Energy Agency (IAEA). All future nuclear power plants are also being constructed under the same guidelines, he added.

He said three nuclear power projects were already operational and were providing less expensive electricity.

He pointed that it was a matter of satisfaction that K-2 and K-3 power plants in Karachi are being completed at a fast pace, and would provide less expensive and clean energy.

He said Pakistan has been indigenously operating the plants under the Karachi Nuclear Power Project for four decades without any foreign assistance.

The Prime Minister lauded the contributions of the Pakistan Atomic Energy Commission (PAEC) in power generation, health and agriculture. He said Pakistan earned precious foreign exchange through cotton crop, while 18 cancer hospitals were providing quality healthcare to people.

Shahid Khaqan Abbasi also appreciated the cooperation of China in civil nuclear power generation projects and urged the Chinese companies to invest more in nuclear power projects.

"Our government has initiated large projects with China under the China Pakistan Economic Corridor and its benefits are causing a trickle-down effect," he added.

He said progress is visible on projects of roads, Thar coal and Gwadar, while GDP has risen to over 5 per cent and hoped it would be 6 percent next year.

The government, he said, is desirous of greater participation of the private sector in the CPEC projects. He said the Chinese government has also showed its keen interest in injecting more funds in to various projects.

Prime Minister Shahid Khaqan Abbasi thanked the Government of China, EXIM Bank of China and China Atomic Energy Commission for their support in making Pakistan self-sufficient in electricity.

The event was attended by Interior Minister Ahsan Iqbal, Minister of State for Water and Power Abid Sher Ali, Chairman PAEC Mohammad Naeem,

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Chinese ambassador Sun We Dong, DG SPD Lt Gen Mazhar Naveed and Member Power PAEC Syed Yousaf Raza, representatives of the Chinese companies and senior officials.—APP

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2014 to 2016
Exports declined in almost every sector: ADB

TAHIR AMIN

ISLAMABAD: The Asian Development Bank (ADB) has said that Pakistan's exports in almost every sector declined from 2014 to 2016.

"Even in the primary sector, which posted a significant increase in gross and value-added exports in 2015, there was a considerable decline in 2016," said the ADB's latest report "2017 edition of Key Indicators for Asia and the Pacific."

The domestic content in the output of the most of the sectors remained quite high (above 90%). Even in the high-technology industries, such as electrical and optical equipment manufacturing where the domestic content of the products tends to be comparatively lower, the share was well above 80%, indicating the relative upstream position of Pakistan's sectors in the global value chains (GVCs), they participate in. As in many other economies, Pakistan also experienced economic growth from 2014 to 2016 even as trade contracted, pointing to the movement toward the localization of supply to serve domestic demand.

In 2016 (or the most recent year for which data are available), gross capital formation as a percentage of the GDP ranged from a low of 15.6% in Pakistan to a high of 54.0% in Bhutan where the construction of hydropower projects is driving expanded investment and accelerating economic growth.

The largest average annual increase in the ratio of nonperforming loans (NPLs) to total gross loans between 2015 and 2016 occurred in Brunei Darussalam (4.2 percentage points), India (3.3 percentage points), and the Kyrgyz Republic (1.8 percentage points). The largest average annual declines were observed in Maldives (–3.4 percentage points), Pakistan (–1.3 percentage points), Kazakhstan and Armenia (–1.2 percentage points).

Stock markets in Fiji, New Zealand, and Pakistan were the region's top performers in 2016. In Pakistan, an improved growth outlook—supported by better security, macroeconomic stability, and strengthened economic fundamentals—was reflected in a sovereign rating upgrade from Standard & Poor's and significant gains in share prices of 13.2 percent on an annual basis.

In Southeast Asia, several economies experienced declining inflows in 2016 due to global economic uncertainty. South Asia was the exception within the region because of stable FDI flows to India and increased flows to Pakistan arising from economic reform and improvements in security.

Other regional economies receiving more than $10.0 billion in remittances in 2016 included the Philippines ($29.9 billion), Pakistan ($19.8 billion), Bangladesh ($13.7 billion), and Vietnam ($13.4 billion).

The largest increase in tax revenue during the 2014-2016, measured as a percentage of GDP, occurred in Nauru (3.7 percentage points), followed by Tonga (1.8 percentage points) and Nepal and Pakistan (1.6 percentage points each). The largest declines occurred in Solomon Islands (3.3 percentage points), Afghanistan (2.1 percentage points), and Tajikistan (1.3 percentage points).

The report states that 22 percent people in Pakistan still lack regular access to adequate food, with the prevalence of undernourishment.

The key indicators 2017 provide the latest available economic, financial, social, and environmental statistics for the 48 regional members of ADB.

"Key Indicators 2017 will be a useful tool for ADB member countries, researchers, media, and citizens for monitoring the region's development progress," said ADB Chief Economist Yasuyuki Sawada. "Data plays a critical role in helping decision-makers prioritize policies to meet their development goals and the report brings together comparable statistics on a broad range of development themes."

A key addition to this year's report is an analysis on sex-disaggregated data that ADB researchers conducted through 3 pilot surveys. Despite strong evidence linking women's asset ownership to the attainment of development goals, such sex-disaggregated data needed to monitor progress in the 2030 Sustainable Development Goals (SDGs) are scarce. The pilot surveys have produced rich data on asset ownership at the individual level, and provide valuable lessons for future statistical work on the subject.

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HBL makes $225m payment to DFS

RIZWAN BHATTI

KKARACHI: Habib Bank Limited (HBL) has paid $225 million to New York State's Department of Financial Services (DFS) by borrowing the amount from abroad.

This fine was imposed on HBL's New York branch by DFS for non-compliance of laws and regulations designed to combat money laundering and illicit financing. Earlier, the DFS was seeking a fine of $630 million, however on Sep 7, 2017, HBL reached a settlement with DFS for payment of a fine amounting to $225 million. A high official of the HBL told Business Recorder on Friday that as the HBL has reached a settlement with the DFS through a Consent Order under the New York Banking for payment of $225 million penalty, it was paid successfully on Friday. "Although, HBL was required to pay the entire amount within 14 days of executing this Consent Order, we have paid immediately," he added.

Replying to a question, he confirmed that the penalty amounting to $225 million was financed through a foreign loan. "This payment will cause no adverse impact on the country's foreign exchange reserves as it has been made through borrowing from abroad," he added.

He also said that since $225 million payment is a penalty, therefore it needs to reflect in the third quarter (3QCY17) accounts of the bank as a one-time expense.

Meanwhile, according to material information sent to Pakistan Stock Exchange, the charges mentioned in the Notice of Hearing issued earlier are being dismissed as part of this resolution, while formal steps for voluntary closure of HBL New York Branch are under way.

HBL remains committed to strengthening its compliance process, operation and controls, while improving services standards throughout its network of over 1700 branches, 2000 ATMs and 15,000 POS terminals. HBL expresses its sincere appreciation to its customers for their support, loyalty and patronage, it added.

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THE RUPEE
Modest gains

RECORDER REPORT

KARACHI: Rising trend prevailed on the money market on Friday as the rupee tended higher against the dollar in the process of trading, dealers said.

INTER-BANK MARKET RATES: The rupee was unchanged against the dollar for buying and selling at Rs 105.40 and Rs 105.41 respectively, they said.

In the final Asian trade, the euro reached a 2-1/2-year high versus the dollar, as a meeting by the European Central Bank gave bulls cause for short-term optimism and did little to support the beleaguered US currency.

Asked when the central bank will decide on potential policy tapering, ECB President Mario Draghi said on Thursday the bulk of these decisions will probably be taken in October. That was enough to make euro bulls upbeat on the single currency's near-term outlook.

But Draghi also said the ECB must take into account the weakening of inflation owing to the strong euro, with the central bank having opted to lower some of its inflation projections to reflect a firming common currency.

The dollar was trading against the Indian rupee at Rs 63.885, the greenback was available at 4.184 versus the Malaysian yuan and the US currency was at 6.460 in relation to the Chinese yuan.

OPEN MARKET RATES: The rupee picked up 20 paisas in relation to the dollar for buying and selling at Rs 105.80 and Rs 106.00 respectively, they said.

The rupee, however, lost 70 paisas in terms of the euro for buying and selling at Rs 126.50 Rs 128.00 respectively, they said.

Open Bid	Rs. 105.80
Open Offer	Rs. 106.00

Interbank Closing Rates: Interbank Closing Rates for Dollar on Tuesday.

Bid Rate	Rs. 105.40
Offer Rate	Rs. 105.41

RUPEE IN LAHORE: The Pakistani rupee continued to keep going up against the US dollar in the local currency market on Friday.

According to currency dealers, the dollar resumed trading on a negative note following sufficient supply in the currency market.

Consequently, it further slipped to Rs 105.60 and Rs 106.10 on buying and selling counter, respectively, as compared to the overnight closing rates of Rs 105.80 and Rs 106.20 respectively, they added.

The local currency, however, remained under pressure for the second consecutive day versus the pound sterling.

The pound's buying and selling rates further drifted from Thursday's closing of Rs 136.80 and Rs 137.80 to Rs 137.40 and Rs 138.40 respectively, they said.

RUPEE IN ISLAMABAD AND RAWALPINDI: The value of rupee against the remained uncharged at the open currency markets of Islamabad and Rawalpindi here on Friday.

The dollar opened at Rs 107.10 (buying) and Rs 107.20 (selling) against same last rate. It closed at Rs 107.10 (buying) and Rs 107.20 (selling) in evening session.

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WHT: 50 top units under LTU-I's radar

MUHAMMAD ALI

KARACHI: Large Taxpayers Unit (LTU-I) Karachi has taken 50 top taxpayers from banking, cement, textile, sugar, telecom, aviation and petroleum sectors on its radar for stiff monitoring of withholding taxes, it is learnt.

The sources disclosed here that the LTU-I, Karachi, decided to initiate the monitoring of withholding taxes under section 161 and section 205 of the Income Tax Ordinance, 2001 and for the purpose, the directives were made to all five commissioners in LTU-I, Karachi, to identify top 10 taxpaying units each for monitoring of withholding taxes.

They said that notices in this regard were being served to the taxpayers, asking them to provide WHT statements; adding that this exercise was not only aimed at plugging revenue leakage but also to achieve uphill annual revenue budgetary target of Rs 1343 billion for current fiscal year.

Sources said that LTU-I, Karachi was assigned a revenue target of Rs 1216 billion in last fiscal year however the largest revenue collection arm of Federal Board of Revenue (FBR) remained away from its target by Rs 84 billion.

Therefore, the LTU-I, Karachi has no other option but to utilize all means to generate Rs 211 billion additional revenue to achieve the assigned annual revenue budgetary target of Rs 1343 billion for current financial year.

Replying to a question, sources said that the withholding tax statements for the tax years 2015-16 and 2016-17 were being submitted and the department was now in a process of its reconciliation.

Moreover, sources said that department was anticipating generating substantial revenue chunk from the said exercise. They said that the tax collecting authority was also pondering upon covering those areas that had escaped taxes for various reasons.

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Foreign investors OICCI highlights importance of transparent policies

KARACHI: The Overseas Investors Chamber of Commerce and Industry (OICCI) has highlighted the importance of consistent, transparent and predictable long term policies for improving the perception of foreign investors towards Pakistan business environment.

The OICCI highlighted these matters in a meeting held in Karachi between SECP's acting chairman Zafar Abdullah and a delegation of Overseas Investors Chamber of Commerce and Industry (OICCI). Acting chairman of SECP, Zafar Abdullah appreciated the initiative of OICCI in promptly highlighting genuine concerns and operational difficulties in implementing some of the provisions of the newly introduced Companies Act 2017.

The meeting held at SECP office was also attended by the SECP's Commissioner Tahir Mahmood where OICCI team led by the Secretary General, M Abdul Aleem appreciated the proactive engagement of SECP leadership with the key stakeholders and presented the top ten concerns of the OICCI members emanating from the newly introduced Companies Act 2017 which affects the foreign investors.

The Key issues discussed during the meeting with SECP, in order of priority, related to 1) extensive scope of Related Party Transactions under section 208; 2), Section 452 relating to Companies' Global Register of Beneficial Ownership which is considered by OICCI as discriminatory and highly negative for attracting large investors; 3) Section 244 wherein all Unclaimed Dividend/shares after 3 years are to be deposited with Government of Pakistan as highly unfair with the shareholders and is not in line with the practice in developing economies in the region.

OICCI also presented its concern on Section 155 & 166 (Number of Directorships/Selection of Independent Directors), Section 172 (Disqualification orders), Section 180 (Liabilities of directors and officers) and Section 153 (Ineligibility of certain persons to become directors). SECP's acting chairman and Tahir Mahmood, expressed their full support for addressing the genuine concerns taken up by OICCI and assured that a couple of issues which are within the jurisdiction of the SECP will be resolved under the law very soon whereas other matters will also be addressed, if agreed by Regulators, through legislative process. In the meantime some obvious practical difficulties of the business entities to comply with provisions of the Companies Act 2017 would be facilitated by deferring the timelines for compliance.

Commenting on the meeting, M Abdul Aleem said, "The SECP has always given due consideration to foreign investors concerns communicated by OICCI and the meeting today was one more example of the SECP's endeavor to give full support to the government's effort to boost FDI in the country."

OICCI is the largest chamber of commerce in terms of economic contributions in Pakistan. The nearly 200 OICCI members contribute about a third of the country's total tax collections, invested $2.2 billion, last year in new investments and employ about one million people with a significantly larger contribution to the socio economic development of the community through their substantive CSR initiatives.—PR

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Volume of business rises on cotton market

RECORDER REPORT

KARACHI: Volume of business went up on the cotton market on Friday owing to active buying from some leading buyers, dealers said.

The official spot rate stayed put at Rs 6100, they said. In the ready session, nearly 40,000 bales of cotton changed hand between Rs 6000-6300, they said. In Sindh, seed cotton prices were at Rs 2600-2800 and in Punjab rates were at Rs 2600-2900 as per 40 kg, they said.

According to the market sources, trading activity showed visible increase owing to strong demand from leading buyers, particularly from Denim Industries. Cotton analyst, Naseem Usman said that China is also seen some interested in the cotton buying, besides, he said that present trend in the market is matching with the psychological levels of buyers.

Adds Reuters: ICE cotton futures inched lower on Thursday ahead of weekly US export sales data due on Friday, while traders remained cautious of the impact of Hurricane Irma on the crops.

Cotton contracts for December settled down 0.23 cent, or 0.31 percent, at 74.27 cents per lb. They traded within a range of 73.37 and 74.48 cents a lb.

Total futures market volume fell by 19,530 to 26,236 lots. Data showed total open interest gained 3,184 to 237,984 contracts in the previous session.

The following deals reported: 1600 bales from Mirpurkhas at Rs 6000/6100, 2000 bales from Sanghar at Rs 6000/6100, 3000 bales from Tando Adam at Rs 6000/6100, 5000 bales from Shahdadpur at Rs 6050/6100, 600 bales from Khipro at Rs 6100, 400 bales from Maqsoodo at Rs 6100, 400 bales from Sahrai at Rs 6100, 1000 bales from Hyderabad at Rs 6100/6125, 800 bales from Daulatpur at Rs 6100/6150, 1000 bales from Nawabshah at Rs 6100/6150, 800 bales from New Saeedabad at Rs 6150, 400 bales from Khairpur at Rs 6150, 200 bales from Vehari at Rs 6200, 400 bales from Rajanpur at Rs 6200, 200 bales from Gojra at Rs 6200, 400 bales from Chistian at Rs 6200, 800 bales from Alipur at Rs 6200, 600 bales from Mianchanu at Rs 6200/6240, 600 bales from Haroonabad at Rs 6200/6250, 600 bales from Chichawatni at Rs 6200/6290, 600 bales from Hasilpur at Rs 6200/6300, 1400 bales from Burewala at Rs 6200/6300, 1600 bales from Khanewal at Rs 6235/6300, 400 bales from Layyah at Rs 6275, 400 bales from Mianwali at Rs 6275, 600 bales from Fazilpur at Rs 6300 and 400 bales from Lodhran at Rs 6300, dealers said.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2016-17 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/16" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate For	Ex-Gin Price	Upcountry Expenses	Spot Rate Ex-Karachi	Spot Rate Ex-Karachi As on 07.09.2017	Difference Ex-Karachi in Rupees
37.324 Kgs Equivalent	6,100	145	**6,245**	**6,245**	NIL
40 Kgs	6,537	155	**6,692**	**6,692**	NIL

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Cotton hits contract high

NEW YORK: ICE cotton futures touched a contract high on Friday on concerns that hurricane Irma, now headed towards Florida, could hurt the natural fiber crops in Georgia and South Carolina.

Cotton contracts for December settled up 0.32 cent, or 0.43 percent, at 74.59 cents per lb. It traded within a range of 74.04 and 75.75 cents a lb.

Though Irma is expected to become a tropical storm by the time it reaches Georgia the potential for crop damage is still very large, said Gabriel Crivorot, analyst at Societe Generale in New York.

Hurricane Irma lashed Cuba and the Bahamas as it drove towards Florida on Friday after hitting the eastern Caribbean with its devastatingly high winds. It was predicted to slam southern Florida on Sunday.

“The impact of Irma is still unknown at this point, but with the hurricane threatening Georgia and the Carolinas, we have to brace ourselves for more losses and quality problems,” Plexus Cotton said in a note.

“Traders will likely remain on edge for another 4-5 weeks, until we know more about actual yields and the quality mix of the US crop,” Plexus Cotton added.

Total futures market volume rose by 9,361 to 35,659 lots. Data showed total open interest gained 3,134 to 241,118 contracts in the previous session.

Certificated cotton stocks deliverable as of Sept. 7 totalled 8,728 480-lb bales, down from 8,730 in the previous session.

Earlier in the day, the US Department of Agriculture reported net upland sales of 116,100 running bales for the 2017/2018 marketing year in its weekly export sales report.

The dollar index was down 0.38 percent. The Thomson Reuters CoreCommodity CRB Index, which tracks 19 commodities, was down 0.93 percent.—Reuters

New York cotton

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The fluctuations observed during the day:

	Current Session						Prior Day		
	Open	High	Low	Last	Time	Set	Chg	Vol	Set
Oct’17	75.20	76.15	75.19	75.59	14:45 Sep 08	75.59	0.56	19	75.03
Dec’17	74.50	75.75	74.04	74.59	14:45 Sep 08	74.59	0.32	18951	74.27
Mar’18	73.00	74.00	72.55	73.41	14:45 Sep 08	73.41	0.49	5883	72.92

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Rising budget deficit

The consolidated federal and provincial budgetary figures for 2016-17 reveal the highest fiscal deficit during the tenure of the PML-N government attributed to two factors: one, the 2018 scheduled elections prompted the incumbent administration to raise expenditure while revenue, typically overstated in budgets, failed to meet its target resulting in a higher than budgeted deficit which, incidentally, has been the usual practice during the tenure of previous administrations as well; and two, the failure of provinces to generate the surplus identified by the federal government which accounts for a shortfall of 163 billion rupees from the budgeted amount of 339 billion rupees.

The budget deficit, so revealed these latest released accounts, rose to 5.8 percent instead of the 4.2 percent of Gross Domestic Product (GDP) that is noted in the budget documents for the current fiscal year (2017-18) which was presented to parliament on 26th May 2017. While the fiscal year ends on 30th June and the budget presented a couple of weeks earlier than has been the norm due to the onset of Ramazan yet it is very disturbing that the actual deficit was underestimated by a whopping 1.6 percent six weeks before the end of the fiscal year. Needless to add, such significant underestimation of the deficit for last fiscal year on which projections for the current year are naturally based makes a mockery of the entire budget exercise.

There have been two consistent though major shortcomings with respect to decision-making in the Ministry of Finance during the past four years. First, the emphasis has been on data manipulation to show a performance that is better than ground realities indicate – be it in calculating key macroeconomic indicators or be it in terms of the budget itself notably by overstating revenue collections and understating expenditure, specifically current expenditure. This trend has disabled the ministry from taking informed decisions in a timely manner. And secondly, there is a lack of consultations with other stakeholders, including the provincial finance ministers. The federal finance ministry has consistently shown a disinclination to take provinces along with its policy decisions and this is amply reflected in the failure to negotiate a National Finance Commission Award that has been due since 2015 and is spearheaded by the federal finance minister. While during the Sharif administration, the unmitigated support extended to Ishaq Dar allowed him to ignore all concerns with respect to his data manipulation and flawed policies, yet this has not been in evidence since the Abbasi administration was established on 1st August 2017.

There has been a steady whittling in the power sphere previously enjoyed by incumbent finance minister with many divisions/departments no longer under the administrative control of the Finance Ministry, particularly the Ministry of Statistics and Privatisation Commission; however, this by itself would not resolve the serious issues that face the economy today. His supporters minimize his contribution to the current state of the economy by arguing that overspending is the usual practice in the run-up to the elections, which is certainly true, but there are numerous flawed policies supported or initiated under his watch for the past four years that have led the economy to the current impasse in any case.

There is therefore an urgent need to revisit a lot of these policies as well as flawed data and one would hope that the new administration begins to take decisions premised on more accurate data as well as take advice from economists within its own ranks.

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Anti-money laundering regulations and fiscal laws — I

Syed Shabbar Zaidi

General perception about money laundering 'Money laundering' in general sense means, actions and processes of projecting money acquired as proceed of crime as untainted money. This subject gained international significance from the 1960s onwards with reference to narcotics and illicit drug trade from South America, the Golden Crescent and the Golden Triangle to the western world.

Weak documentation system, unorganized business structures, weak fiscal compliance and lack of governance in the public sector in under-developing countries provide greater avenues to launder money. In almost all of the cases, however, ultimate destination of tainted funds is developed world. In the following articles international developments on these matters will also be discussed, however, this part is restricted to Pakistan's legislation and developments in 2016.

Like other socio-economic-political aspects a new order also emerged on the matter of money laundering after 9/11. 'Combating terrorist financing' overtook the status previously held by narcotics and illicit drug trade. Now, financing of terrorism has been appropriately placed as the foremost subject to be handled by anti-money laundering regulations around the world. In the following paragraphs and a series of articles on the matter, we will try to understand the primary concept of anti-money laundering.

Revelations about offshore companies in 2016 generated people's interest in this subject on an unprecedented scale. This is commonly termed as the 'Panama Leaks'. Initial feeling in general, was that all offshore companies and assets are created of the funds laundered from Pakistan. Public at large, therefore requires basic understanding of the subject.

Pakistan's regulatory status on anti-money laundering provisions

In Pakistan, the primary regulation dealing with this subject is the 'Anti-Money Laundering Act', 2010, the 'Anti-Money Laundering Regulations 2015' and the 'Anti-Money Laundering and the Combating the Financing of Terrorism (AML/CFI) Regulations for Banks and DFIs' issued by State Bank of Pakistan dated December 26, 2016.

The Anti-Money Laundering Act, 2010 (AML Act) has not defined the term AML. Nevertheless under Section 3 of the Act a person is taken to be involved in the offence of money laundering if he:

(a) Acquires, converts, possesses, uses or transfers, knowing or reasons to belief that such property is proceeds of crime;

(b) Conceals or disguises the true nature, origin, location, disposition, movement or ownership of property, knowing or reasons to believe that property is proceeds of crime;

(c) Holds or possesses on behalf of any other person any property knowing or having reason to believe that such property is proceed of crime; and

(d) Participates in, associates, conspires to commit, attempts to commit, aids, abets, facilitates, or counsels the commission of the acts specified in clauses (a), (b) or (c).

This is very wide definition that requires detailed deliberations to examine each and every aspect of the matter. This will be undertaken in the following articles on the subject. In the present article we emphasize the relationship with actions under the Income tax laws and the present AML law.

Before proceeding further it would be better to place the definition of money laundering as contained in

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Section 3 of the Indian Prevention of Money Laundering Act, 2002.

Section 3 of that Act defines money laundering:

"3. Offence of Money-laundering: Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money laundering"(emphasis is ours)

There is a fundamental difference between the Indian and Pakistan definitions. As per our understanding in the Indian definition there are two acts in question to form a money laundering event. These are (i) availability of proceeds of crime and (ii) projecting it as untainted money. Pakistan's definition is a step further. Here only the availability, including use, of proceed of crime is considered as an act of money laundering. This appears to be an aggressive approach that requires reconsideration.

Notwithstanding the Indian law, if we concentrate on Pakistan law there are two essential elements in this offence. First is the identification of 'property in question'. There has to be some property identified to initiate proceedings under the AML. Unless the property is identified proceedings essentially remain an enquiry or a suspicious.

The second step is identification of the crime that has resulted in that property. Crime is a very wide term. The AML has defined the said term in a restricted manner under 2(q) as under:

"(q) 'proceeds of crime' means any property derived or obtained directly or indirectly by any person from commission of a "predicate offense' or a 'foreign serious offense'".

'Predicate crime' under the Act means an offence specified in the Schedule to the Act.

'Foreign serious offense' means an offence against the law of a foreign state stated in the certificate by or on behalf of the government of that foreign state and which if would have been committed in Pakistan would have been classified as predicate crime.

Predicate crimes under the Pakistan law

The AML Act, 2010 includes as a Schedule the list of predicate crimes. It includes various statutes and the action under those acts which are defined as predicate crimes. This means that properties acquired, through such acts as have been identified in those statutes, will be treated as proceed of crime and holding or acquiring the same shall be treated as an act of money laundering. As stated earlier under the AML Act, 2010 a very wide definition of money laundering has been adopted and it is therefore required that same should be comprehensively understood in that particular context unless amended.

Financial and fiscals crimes included in the predicate crimes

In this article, we would limit our discussion to the list of predicate crimes included in the Schedule of the AML Act, 2010 which relates to statutes relating to finance and tax matters. These are:

1. Foreign Exchange Regulations Act, 1947;

2. Securities & Exchange Act, 2015

3. Customs Act, 1969;

4. Sales Tax Act, 1990;

5. Income Tax Ordinance, 2001; and

6. Federal Excise Act, 2005.

Crimes referred to in other statutes and relevant; however, the following paragraphs restrict the discussion on the AML Act, 2010 and Income Tax Ordinance, 2001. These provisions were inserted in AML regulations in 2016. The subject matter of the discussion in this article is the relevance/interaction between these two different statutes.

Nature of law relating to concealment of income under income tax laws and AML

In this connection at the

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outset, the foremost question is the link between AML regulations and the matter of taxability of income and evasion of taxes under the income tax laws. These are, in principle, two subjects dealing with different aspects of financial transactions. There can be indirect relationships and outcome, however direct relationship between these two subjects is the matter in question. The salient features of the respective regulations may be summarized as under:

(a) Income tax laws deal with the taxation of income; these also provide for procedures for identifying and taxing concealed and undisclosed income. Intrinsically, income tax regulations are not concerned with legality of business or otherwise. All incomes exceeding a certain sum, whether or not from legal business, are to be taxed under the income tax laws. There can be situations where the businesses are legal, such as trading in commodities, etc., whereas tax due to state on such activities, if any, is not paid. It is described as concealment of income and non-payment [evasion] of tax. In short, concealment of tax does not necessarily mean that the said funds are projected as untainted money; and

(b) Anti-money laundering laws essentially deal with the provisions and regulations which identify and prohibit the manners through which properties acquired through an act of crime, whatsoever, are placed into regular system of finance and banking. It is in principle, concerned with illegal businesses only. In short, it is the process of placement, layering and integration of property being proceed of crime. In this case there is a necessary linkage between evasion of tax and projecting the same as untainted money.

We are not aware of any other jurisdiction including India where penalties and prosecution, under the fiscal regulations are included in the predicate crime under anti-money laundering regulations

Amendments in 2016 in the AML law

In Schedule to the anti-money laundering law the following inter alia have included in 2016 in the list of predicate crime. The predicate crimes as per the Schedule to the AML Act includes following sections of the Income Tax Ordinance 2001:

1. Section 192: Prosecution for false statement in verification;

2. Section 192A: Prosecution for concealment of income;

3. Section 194: Prosecution for improper use of NTN; and

4. Section 199; Prosecution for abatement.

All such cases will be treated as predicate crime only if the tax sought to be evaded is Rs one million and above.

In order to understand correct and complete perspective of the matter being raised in this article it would be essential to understand the nature of the crime under the income tax regulations. Concealment of income under Section 192A of income tax regulations interalia include 'suppression of any sale, production or receipts chargeable to tax under the Ordinance'. This provision essentially encompasses a wide range of wrong acts. Nevertheless, this provision does not, in any manner, necessarily conceive that business or activity where there has been a suppression of sales or production is illegally conducted activity and the money so accumulated/acquired has been projected as untainted money. The default or penal action of the person engaged in such activity is an action of evasion of tax due from that business. There may not be an action of placement, layering and integration of funds generated from evasion of tax to regular banking and financial systems which is deemed to be necessary ingredient of AML. Income Tax laws provide mandatory penalties for such action under Section 111 of the Ordinance and prosecution under the provisions of Section 192A of the Income Tax Ordinance, 2001 before civil court including imprisonment can be charged on that person. Once that action is undertaken the question before the legislature should have been whether the crime charged under Section 192A of the Income Tax Ordinance can concurrently be treated as AML. In short, the question before us is whether or not concealment of income and resultant evasion of tax due, without any further action of layering and integration is an act of money laundering that has to be prosecuted under the AML Act. The apparent answer is in the negative; however, the law says otherwise.

The Indian law on the subject of anti-money laundering being Prevention of Money Laundering Act, 2002 is almost similar in nature to the AML Act, 2010 of Pakistan. However, as indicated in the earlier paragraphs India has not made the error of including offences like the one spelled out in Section 192A under the AML Act. In India only the offence of willful attempt to evade tax under Section 51 of the Black Money (Undisclosed Foreign Income & Assets) and Imposition of Tax Act 2015 (Black Money) is treated as a predicate crime under AML of India.

An in-depth analysis of the two statutes reveals that the matter of concealment of income and evasion of tax under the income tax proceedings and AML regulations needs to be revisited also on account of multiplicity of regulators. Under the AML law, the prime agency dealing with the matter is Financial Monitoring Unit (FMU), a body constituted under the AML Act, primarily and appropriately located at the State Bank of Pakistan. Income tax proceedings are handled by various departments and Federal Board of Revenue. We do not find any provision to deal with the enforcement of predicate offence being Section 192A or similar sections in the AML law.

In the case of income tax proceedings as referred above, prosecution is undertaken by income tax authorities and matters end up with the Special Judge designated to undertake such prosecution. In this situation the role, the manner of involvement and issue of any notice by FMU concurrently do not seem to be a proper and an appropriate operation of law. Unless otherwise amended every action of 192A and any other provision of Income Tax Ordinance would require concurrent action by income tax authorities and FMU. This is equally true for all other fiscal regulations.

The second and the important question is the extent of charge of the state over proceed of a crime. As per the AML Act the charge of the state is over the 'whole proceed' of crime not the sum limited to tax evaded or can there be a definition that crime is limited to the amount of tax. On the other hand, income tax laws' ambit is limited to the amount of tax being evaded. If we reexamine the matter then it means that by including the concealment of income in the AML Act, 2010 the state may have obtained the right to take into possession the 'whole property' not only being a portion being state's share in the form of tax. In commercial and financial terms this is a very important difference and this aspect needs clarification from the regulators.

Furthermore, there is a concept of 'limitation of time' under the Income Tax Ordinance, 2001. It would be presumed that such time limitation, which is five years from the date of acquisition of assets, being proceed of crime, will also apply to the AML Act. There is also need to reexamine and clarify that aspect.

Both AML and actions under the income tax laws for unearthing concealed income and severe action against tax evaders are important for the state, however, as explained in the aforesaid paragraph there is a need to clarify the matter as to whether or not all the offences under the Income Tax Ordinance, 2001 referred to in the Schedule to the AML Act, 2010 should be included in the AML Act, 2010. In case if such 'inclusion' is to be retained then there is a need to provide a practical mechanism for undertaking actions under the respective statutes. The present state of affairs is problematic both for the citizens and the state of Pakistan. We support effective implementation of AML and anti-tax evasion practices in Pakistan. There is, therefore, a need for practical synchronization of these two subjects.

Suggestions and solution

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The summary conclusion of this discussion is:

(i) The definition of money laundering as contained in Section 3 of the AML Act, 2010 needs to be suitably amended;

(ii) The fiscal crimes included in the list of predicate crimes as per Schedule to the AML Act, 2010,specially those inserted in 2016, relating to income tax law need be reexamined; and

(iii) The re-examination, as suggested above, should at initial stage include only those offences of evasion of tax which are proceeds of an illegal business or accumulation of money not allowed under any act / prohibited under any other law.

Unless such amendments are made there cannot be proper and effective implementation of the AML Act, 2010.

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(b) Anti-money laundering laws essentially deal with the provisions and regulations which identify and prohibit the manners through which properties acquired through an act of crime, whatsoever, are placed into regular system of finance and banking. It is in principle, concerned with illegal businesses only. In short, it is the process of placement, layering and integration of property being proceed of crime. In this case there is a necessary linkage between evasion of tax and projecting the same as untainted money.

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1. Section 192: Prosecution for false statement in verification;

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All such cases will be treated as predicate crime only if the tax sought to be evaded is Rs one million and above.

In order to understand correct and complete perspective of the matter being raised in this article it would be essential to understand the nature of the crime under the income tax regulations. Concealment of income under Section 192A of income tax regulations interalia include 'suppression of any sale, production or receipts chargeable to tax under the Ordinance'. This provision essentially encompasses a wide range of wrong acts. Nevertheless, this provision does not, in any manner, necessarily conceive that business or activity where there has been a suppression of sales or production is illegally conducted activity and the money so accumulated/acquired has been projected as untainted money. The default or penal action of the person engaged in such activity is an action of evasion of tax due from that business. There may not be an action of placement, layering and integration of funds generated from evasion of tax to regular banking and financial systems which is deemed to be necessary ingredient of AML. Income Tax laws provide mandatory penalties for such action under Section 111 of the Ordinance and prosecution under the provisions of Section 192A of the Income Tax Ordinance, 2001 before civil court including imprisonment can be charged on that person. Once that action is undertaken the question before the legislature should

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have been whether the crime charged under Section 192A of the Income Tax Ordinance can concurrently be treated as AML. In short, the question before us is whether or not concealment of income and resultant evasion of tax due, without any further action of layering and integration is an act of money laundering that has to be prosecuted under the AML Act. The apparent answer is in the negative; however, the law says otherwise.

The Indian law on the subject of anti-money laundering being Prevention of Money Laundering Act, 2002 is almost similar in nature to the AML Act, 2010 of Pakistan. However, as indicated in the earlier paragraphs India has not made the error of including offences like the one spelled out in Section 192A under the AML Act. In India only the offence of willful attempt to evade tax under Section 51 of the Black Money (Undisclosed Foreign Income & Assets) and Imposition of Tax Act 2015 (Black Money) is treated as a predicate crime under AML of India.

An in-depth analysis of the two statutes reveals that the matter of concealment of income and evasion of tax under the income tax proceedings and AML regulations needs to be revisited also on account of multiplicity of regulators. Under the AML law, the prime agency dealing with the matter is Financial Monitoring Unit (FMU), a body constituted under the AML Act, primarily and appropriately located at the State Bank of Pakistan. Income tax proceedings are handled by various departments and Federal Board of Revenue. We do not find any provision to deal with the enforcement of predicate offence being Section 192A or similar sections in the AML law.

In the case of income tax proceedings as referred above, prosecution is undertaken by income tax authorities and matters end up with the Special Judge designated to undertake such prosecution. In this situation the role, the manner of involvement and issue of any notice by FMU concurrently do not seem to be a proper and an appropriate operation of law. Unless otherwise amended every action of 192A and any other provision of Income Tax Ordinance would require concurrent action by income tax authorities and FMU. This is equally true for all other fiscal regulations.

The second and the important question is the extent of charge of the state over proceed of a crime. As per the AML Act the charge of the state is over the 'whole proceed' of crime not the sum limited to tax evaded or can there be a definition that crime is limited to the amount of tax. On the other hand, income tax laws' ambit is limited to the amount of tax being evaded. If we reexamine the matter then it means that by including the concealment of income in the AML Act, 2010 the state may have obtained the right to take into possession the 'whole property' not only being a portion being state's share in the form of tax. In commercial and financial terms this is a very important difference and this aspect needs clarification from the regulators.

Furthermore, there is a concept of 'limitation of time' under the Income Tax Ordinance, 2001. It would be presumed that such time limitation, which is five years from the date of acquisition of assets, being proceed of crime, will also apply to the AML Act. There is also need to reexamine and clarify that aspect.

Both AML and actions under the income tax laws for unearthing concealed income and severe action against tax evaders are important for the state, however, as explained in the aforesaid paragraph there is a need to clarify the matter as to whether or not all the offences under the Income Tax Ordinance, 2001 referred to in the Schedule to the AML Act, 2010 should be included in the AML Act, 2010. In case if such 'inclusion' is to be retained then there is a need to provide a practical mechanism for undertaking actions under the respective statutes. The present state of affairs is problematic both for the citizens and the state of Pakistan. We support effective implementation of AML and anti-tax evasion practices in Pakistan. There is, therefore, a need for practical synchronization of these two subjects.

Suggestions and solution

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The summary conclusion of this discussion is:

(i) The definition of money laundering as contained in Section 3 of the AML Act, 2010 needs to be suitably amended;

(ii) The fiscal crimes included in the list of predicate crimes as per Schedule to the AML Act, 2010,specially those inserted in 2016, relating to income tax law need be reexamined; and

(iii) The re-examination, as suggested above, should at initial stage include only those offences of evasion of tax which are proceeds of an illegal business or accumulation of money not allowed under any act / prohibited under any other law.

Unless such amendments are made there cannot be proper and effective implementation of the AML Act, 2010.

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MoF refutes allegations levelled by PTI leaders

ISLAMABAD: PTI leaders on Thursday criticised the economic performance of the Government of Pakistan in a press conference. The Ministry of Finance responds to the undue criticism as follows:

The PTI leaders instead of taking a holistic view of the economy, presented a distorted picture of selected economic indicators, while deliberately ignoring many important milestones achieved in economy.

It needs to be borne in mind that GDP had reached the lowest level of 0.36% in 2008 and thereafter growth remained patchy with an average of 2.8% between 2008-2013. Inflation was in double digits in 2008-09 reaching the highest level in the history at 25.3% in August 2008. Overall during 2008-2013 inflation on average hovered above 12%. The policy rate was as high as 14% in 2008-09. The agriculture credit disbursement in 2008-09 was Rs.233.1 billion while on average it was at Rs.264.3 billion between 2008-2013. Forex reserves were at historically low levels and there were predictions of Pakistan going into default. Doors were closed by various multilateral and bilateral agencies for funding program. Credit rating agencies like S&P and Moody's had downgraded Pakistan's ratings.

Pakistan has seen a visible economic improvement during the last four years, due to successful implementation of a comprehensive programme of economic revival aimed at higher economic growth and macro-economic stability.

It is important to note that the GDP growth which was very unstable during 2008-13 has now been stabilized. In FY2014 GDP growth crossed 4% at a time when the country was confronted with a number of security challenges and settlement of IDP's issues. Despite challenges, the growth momentum remained above 4% for the last three years in a row and reached a decade high of 5.3% in 2017.

This sustained and broad based growth was on account of remarkable performance of agriculture, industry and services along with pro growth supportive policies of the government whereby agriculture credit disbursement increased from Rs.336.3 billion in FY2013 to Rs.704.5 billion in FY2017. For FY2018 it is targeted at Rs.1 trillion. Similarly, subsidized intensive fertilizer off take, agriculture Kisaan package, and a number of other incentives given to the farming sector has provided the needed support to the agriculture sector.

Likewise the industrial sector grew from 0.75% in FY2013 to 5.02% in FY2017.In FY 2017 industrial sector maintained its growth momentum above 5% for three consecutive years since FY 2015. The growth in Electricity Generation & Gas Distribution was at -26.38 % in FY2013 and has now improved to 3.40% in FY2017. The LSM sector posted a phenomenal growth of 5.63% in FY2017.

Services sector grew from 5.13% in FY2013 to 5.98 % in FY2017 on account of increase in aggregate demand and better output in agriculture and industrial sector.

The performance of the banking sector has also remained impressive. Its asset base reached Rs 15.831 trillion by end December 2016 compared to Rs. 10.487 trillion by end December, 2013, registering a growth of 50.9%. Capital Adequacy Ratio (CAR) at 16.2% as of end December 2016 compared to 14.9% as of end December 2013 is much stronger and higher than the minimum required level of 10.65%.

Total investment increased by 50.1% over FY 2013. It increased from Rs.3, 348.3 billion in FY2013 to Rs. 5,026.8 billion while as percentage of GDP it increased from 14.96% in FY2013 to 15.78% in FY2017.

Worker's remittances increased from $13.9 billion in FY2013 to $19.3 billion in FY2017. Unlike the claims made in the press conference FDI improved

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from $1.456 billion in FY2013 to $2.410 billion in FY2017, thus posting a growth of 65.5%.

The foreign exchange reserves which were at the lowest level of $7.58 billion in February, 2014 have increased to $20.304 billion as on 6th September, 2017.

The flows of credit to private sector improved to Rs.747.9 billion in FY 2017 compared to a decline of Rs.7.6 billion in FY 2013. Policy rate has been reduced to 5.75%, which was at the lowest level in last 45 years. In June 2013 it was at 9%.

Fiscal deficit reduced to 5.8% in FY2017 against 8.2% of GDP in FY2013, despite increase in development and social protection spending.

Due to these improvements in the economy, the international credit rating agencies increased Pakistan's credit ratings.

In BISP the number of beneficiaries has increased from 3.7 million in FY2013 to 5.6 million in 2017. Its allocation increased from Rs 40 billion in FY 2103 to Rs 121 billion this year.

Poverty has been reduced. According to the Cost of Basic Needs (CBN) method from 64.3% in FY2002 to 29.5% in FY2014 and under the old Food Energy Intake method (FEI), reduced from 34.66% in FY2002 to 9.31% in FY2014.

The present government improved relations with International Financial Institutions. The country has witnessed the resumption of policy lending from the World Bank and Asian Development Bank, which was suspended for lack of a stable macroeconomic framework before June 2013. After achieving macroeconomic stability and the requisite increase in foreign reserves, Pakistan was also declared eligible again for IBRD facilities.

Pakistan and IMF successfully completed the Extended Fund Facility (EFF) program which indicates government's commitment in implementing structural reforms in the areas of taxation, energy, monetary and financial sectors as well as public sector enterprises. It may be noted that earlier program with the IMF remained unsuccessful.

Energy

Before the present government, energy outages were common. Cities faced load- shedding of 12 to 14 hours while in rural areas it was 16 to 18 hours. The average shortfall stood at 5,000 MWs prior to PML-N tenure, which has been reduced by effective management of resources to a level of 2,000MWs and is likely to be eliminated by end of 2017.

A normal Thermal power project takes around 3-4 years to construct and become functional and this time frame is 6-8 years for Hydro power project. The increase in shortfall is mainly due to rise in electricity demand in the last 4 years (from peak demand of about 19,000MWs in 2013 to a peak demand of 24,000+ MWs in 2017).

When the present government came into power, it initiated work on various projects, which includes 3,600 MWs of RLNG power plants, 2,640 MWs of coal power generation and various other power generation projects. These projects will add a total of 9,900 MWs, which are expected to be online in the next 12 months, which will minimize the electricity shortfall. Further the government has also undertaken broad based power sector reforms under the framework of the National Power Policy 2013. Implementation of these reforms has resulted in improved availability of electricity. The country's second LNG import Terminal is expected to become operational before end of 2017; the terminal will add an additional 600 mmcfd of RLNG in the country, making the total share of RLNG at 1,200 mmcfd. This landmark project will reduce Pakistan's gas deficit by 30 %, provide fuel for 3,600 MWs of new power generation plants being set up in Punjab and reduce reliance on expensive fuels like diesel and furnace oil.

Debt

With regard to debt, the claim that PML-(N) government borrowed record Rs.10.8 trillion is incorrect and based on incorrect projections. The statement is only intended

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to mislead the general public by including projections of such debt and liabilities which are not part of government debt.

Moreover, the contention of large borrowing from external sources is incorrect. Out of total debt, external debt proportion fell from 21.4% of GDP in 2013 to 20.6% of GDP in 2017. Against the total external debt, the largest component is multilateral and bilateral concessional debt, which constitutes around 85% of the total.

External debt sustainability has increased manifold during the tenure of present government as recent debt sustainability analysis shows that external debt would remain on a downward trend over the medium term and staying well below the risk assessment benchmarks. The increased sustainability of external public debt is also evident from the fact that the 'Share of external loans maturing within one year' has been reduced from 68.5% of official reserves at the end of June 2013 to 31.9% at the end of December 2016 showing improvement in foreign exchange stability and repayment capacity.

Exports

Regarding the claim that our export have gone down while exports from India and Bangladesh increased is not correct as almost all countries suffered downward trend due to overall depressed world economic growth. Further comparison with Bangladesh is not appropriate as Bangladesh having status of Least Developed Countries (LDCs) still enjoys many concessions. Likewise discussing imports, it may be noted that in FY 2017, import bill rose mainly due to increase in import of machinery group. The growth in import of machinery is a sign of growth in economy. As per SBP, the import bill of machinery US $ 4.9 billion in FY 2009 rose to US $ 7.9 billion in FY 2017.

Taxes

With regard to the claim that direct taxes had registered a decline, it is clarified that the share of direct taxes in total taxes has increased over the years. In 1990-91 the direct taxes were just around 20% of total taxes. It increased to 31.1% in 2004-05. , In FY 2016-17 the share of direct taxes reached at 40% and it has become the single largest tax collected by FBR. The government is focused on further increasing the share of direct taxes through various policy and administrative reforms including broadening of tax base.

Substantial progress has been made in the efforts to bring potential taxpayers in the tax net during the last four years. As a result of these efforts the number of income tax return filers which was around 766,000 for the tax year 2012 has exceeded to 1.26 million in the tax year 2016 and would further increase in coming years.

The reforms program has started paying dividends in shape of higher tax revenues and an efficient, modern, transparent and taxpayers' friendly revenue organization. The revenue collection has witnessed a substantial increase during last four years. The net collection increased from Rs.1, 946 billion in 2012-13 to Rs.3, and 362 billion in FY 2016-17, registering an overall growth of around 73%. In absolute terms revenue collection has been increased by Rs.1.4 trillion. The tax-GDP ratio of the country has reached to 12.5% in FY 2016-17.

Sales tax refunds

The pendency of total sales tax refund claims as on 30-06-2017 is to the tune of Rs.139 billion which was 3.9% of revenue target of Rs.3, 521 billion for the year 2016-17. It is further added that the pendency as on 01-07-2013 was Rs.100 billion which was 5% of revenue target of Rs. 2,007 billion for the year 2012-13. The comparison shows that since the present government took over in 2013, the refund pendency has decreased as percentage of revenue target. As on today the figures of pending refunds have further been reduced, since the present government has already issued more than Rs 26 billion refunds in July and August, 2017.

PTI's views on economy are an attempt to sensationalize the public by presenting a very bleak picture of the economy which merely reflects their negative approach to things. They altogether ignored the positive developments during the last four and half years of the present government which have been acknowledged internationally.—PR

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Lobby indulges in manipulating Aptma polls: KP members

BUREAU REPORT

PESHAWAR - The All Pakistan Textile Mills Association (Aptma) members from Khyber Pakhtunkhwa region has alleged that a lobby in the association is engaged in manipulating the upcoming election of the association and has deprived the KP of its turn for the top slot of the body.

According to details, the APTMA KP region has fielded Ahmad Kuli Khan Khattak of Bibojee Group of Companies for the office of the central chairmanship. But, another candidate, Shahzad Ayub of M/s Zainab Textile Mills Limited, Industrial Estate Hattar has also jumped into the election array in violation of the election procedure laid down in Memorandum and Articles of the Association of the Aptma.

The Aptma KP members said, “According to Memorandum and Articles of the Association, the aspiring candidate is required to submit his nomination papers either with Regional Office or directly with Principal Office (PO), Karachi. But, Shahzad instead of filing nomination papers in PO Karachi or KP Region Peshawar submitted nominations with Punjab Region Office, Lahore.”

Sources in KP textile sector has said that Zainab Textiles Mills have suspended operations since the last two years or so and the entire machinery of Zainab Textile Mills Ltd has already been sold out and the buyer has already shifted almost all the machinery from the mill premises.

Furthermore, the SNGPL has already disconnected their gas connection due to non-payment of bills and the owner of the mills are actively seeking quotations from parties for selling the mills’ remaining assets including land.

The Aptma members from KP Region had objected to the filing of the nominations of Shahzad with Punjab Regional Office and alleged that the election committee of Aptma is in the grip of powerful lobby. The election commission of Aptma is used to be comprised of three members ie Khyber Pakhtunkhwa, Sindh + Balochistan and Punjab, while chairman of the committee always remained a representative of the later. “Interestingly, KP region also nominated its representative on election commission and Principal Office also notified it, but very soon he was de-notified through issuing a revised notification to keep KP out of the panel,” the KP members said.

“Khyber Pakhtunkhwa has a few Textile mills which already operate under very difficult circumstances. They lie outside the cotton growing belt which leads to higher freight costs bringing raw material to the mills. They also face unique security challenges which other provinces don’t. It is the right of any member of the KP Aptma to run for central chairmanship after six years,” the KP members stated.

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Country's economy improved in four years

Ministary of finance says PTI's views on economy reflect its negative approach to things

Our Staff Reporter

ISLAMABAD - The Ministry of Finance has said that Pakistan has seen a visible economic improvement during the last four years due to successful implementation of a comprehensive programme of economic revival aimed at higher economic growth and macro-economic stability.

The ministry issued statement on Pakistan Tehreek-e-Insaf (PTI) leaders' press conference in which they criticised the economic performance of the government of Pakistan. According to the statement, the GDP growth which was very unstable during 2008-13 has now been stabilised. In FY2014, GDP growth crossed 4 percent at a time when the country was confronted with a number of security challenges and settlement of IDP's issues. Despite challenges, the growth momentum remained above 4 percent for the last three years in a row and reached a decade high of 5.3 percent in 2017, the statement said.

Agriculture credit disbursement increased from Rs336.3 billion in FY2013 to Rs704.5 billion in FY2017. For FY2018 it is targeted at Rs1 trillion. Similarly, subsidised intensive fertiliser off take, agriculture Kisaan package, and a number of other incentives given to the farming sector has provided the needed support to the agriculture sector. Likewise, the industrial sector grew from 0.75 percent in FY2013 to 5.02 percent in FY2017. In FY2017, industrial sector maintained its growth momentum above 5 percent for three consecutive years since FY2015. The growth in Electricity Generation & Gas Distribution was at -26.38 percent in FY2013 and has now improved to 3.40 percent in FY2017. The LSM sector posted a phenomenal growth of 5.63 percent in FY2017.

Services sector grew from 5.13 percent in FY2013 to 5.98 percent in FY2017 on account of increase in aggregate demand and better output in agriculture and industrial sector. The performance of the banking sector has also remained impressive. Its asset base reached Rs15.831 trillion by end December 2016 compared to Rs10.487 trillion by end December, 2013, registering a growth of 50.9 percent. Capital Adequacy Ratio (CAR) at 16.2 percent as of end December 2016 compared to 14.9 percent as of end December 2013 is much stronger and higher than the minimum required level of 10.65 percent.

Total investment increased by 50.1 percent over FY2013. It increased from Rs3,348.3 billion in FY2013 to Rs5,026.8 billion while as percentage of GDP it increased from 14.96 percent in FY2013 to 15.78 percent in FY2017. Worker's remittances increased from $13.9 billion in FY2013 to $19.3 billion in FY2017. Unlike the claims made in the press conference, FDI improved from $1.456 billion in FY2013 to $2.410 billion in FY2017, thus posting a growth of 65.5 percent, the statement highlighted.

The foreign exchange reserves which were at the lowest level of $7.58 billion in February 2014 have increased to $20.304 billion as on September 6, 2017. The flows of credit to private sector improved to Rs747.9 billion in FY2017 compared to a decline of Rs7.6 billion in FY2013. Policy rate has been reduced to 5.75 percent, which was at the lowest level in last 45 years. In June 2013 it was at 9 percent.

Fiscal deficit reduced to 5.8 percent in FY2017 against 8.2 percent of GDP in FY2013, despite increase in development and social protection spending. Due to these improvements in the economy, the international credit rating agencies increased Pakistan's credit ratings. In BISP the number of beneficiaries has increased from 3.7 million in FY2013 to 5.6 million in 2017. Its allocation increased from Rs40 billion in FY 2103 to Rs121 billion in 2017.

According to the Cost of Basic Needs (CBN) method, poverty has been reduced from 64.3 percent in FY2002 to 29.5 percent in FY2014 and under the old Food Energy Intake method (FEI), poverty has been reduced from 34.66 percent in FY2002 to 9.31 percent in FY2014. The present government improved relations with the international financial institutions. The country has witnessed the resumption of policy lending from the World Bank (WB) and Asian Development Bank (ADB), which was suspended for lack of a stable macroeconomic framework before June 2013. After achieving macroeconomic stability and the

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requisite increase in foreign reserves, Pakistan was also declared eligible again for IBRD facilities.

Pakistan and IMF successfully completed the Extended Fund Facility (EFF) programme which indicates the government's commitment in implementing structural reforms in the areas of taxation, energy, monetary and financial sectors as well as public sector enterprises. It may be noted that earlier programme with the IMF remained unsuccessful.

Before the present government, energy outages were common. Cities faced loadshedding of up to 12 to 14 hours, while in rural areas it was 16 to 18 hours. The average shortfall stood at 5,000MW prior to the PML-N tenure, which has been reduced by effective management of resources to a level of 2,000MW and is likely to be eliminated by end of 2017. A normal Thermal power project takes around 3-4 years to construct and become functional and this time frame is 6-8 years for Hydro power project. The increase in shortfall is mainly due to rise in electricity demand in the last four years (from peak demand of about 19,000MW in 2013 to a peak demand of 24,000MW in 2017). When the present government came into power, it initiated work on various projects, which includes 3,600MW of RLNG power plants, 2,640MW of coal power generation and various other power generation projects. These projects will add a total of 9,900MW, which are expected to be online in the next 12 months, which will minimise the electricity shortfall.

Further the government has also undertaken broad based power sector reforms under the framework of the National Power Policy 2013. Implementation of these reforms has resulted in improved availability of electricity. The country's second LNG import terminal is expected to become operational before end of 2017; the terminal will add an additional 600mmcfd of RLNG in the country, making the total share of RLNG at 1,200mmcfd. This landmark project will reduce Pakistan's gas deficit by 30 percent, provide fuel for 3,600MW of new power generation plants being set up in Punjab and reduce reliance on expensive fuels like diesel and furnace oil.

With regard to debt, the claim that PML-N government borrowed record Rs10.8 trillion is incorrect and based on incorrect projections. The statement is only intended to mislead the general public by including projections of such debt and liabilities which are not part of the government debt. Moreover, the contention of large borrowing from external sources is incorrect. Out of total debt, external debt proportion fell from 21.4 percent of GDP in 2013 to 20.6 percent of GDP in 2017. Against the total external debt, the largest component is multilateral and bilateral concessional debt, which constitutes around 85 percent of the total.

External debt sustainability has increased manifold during the tenure of present government as recent debt sustainability analysis shows that external debt would remain on a downward trend over the medium term and staying well below the risk assessment benchmarks. The increased sustainability of external public debt is also evident from the fact that the 'share of external loans maturing within one year' has been reduced from 68.5 percent of official reserves at the end of June 2013 to 31.9 percent at the end of December 2016 showing improvement in foreign exchange stability and repayment capacity.

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With regard to the claim that direct taxes had registered a decline, it is clarified that the share of direct taxes in total taxes has increased over the years. In 1990-91, the direct taxes were just around 20 percent of total taxes. It increased to 31.1 percent in 2004-05. In FY2016-17, the share of direct taxes reached at 40 percent and it has become the single largest tax collected by FBR. The government is focused on further increasing the share of direct taxes through various policy and administrative reforms including broadening of tax base.

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would further increase in coming years. The reforms program has started paying dividends in shape of higher tax revenues and an efficient, modern, transparent and taxpayers' friendly revenue organisation. The revenue collection has witnessed a substantial increase during last four years. The net collection increased from Rs1,946 billion in 2012-13 to Rs3,362 billion in FY2016-17, registering an overall growth of around 73 percent. In absolute terms, revenue collection has been increased by Rs1.4 trillion. The tax-GDP ratio of the country has reached to 12.5 percent in FY2016-17.

The pendency of total sales tax refund claims as on June 30, 2017 is to the tune of Rs139 billion which was 3.9 percent of revenue target of Rs3,521 billion for the year 2016-17. It is further added that the pendency as on July 1, 2013 was Rs100 billion which was 5 percent of revenue target of Rs2,007 billion for the year 2012-13. The comparison shows that since the present government took over in 2013, the refund pendency has decreased as percentage of revenue target. As on today the figures of pending refunds have further been reduced, since the present government has already issued more than Rs26 billion refunds in July and August, 2017.

PTI's views on economy are an attempt to sensationalise the public by presenting a very bleak picture of the economy which merely reflects their negative approach to things, the statement said. They altogether ignored the positive developments during the last four and half years of the present government which have been acknowledged internationally, the statement said.

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LNG prices likely to decrease in Nov

Fawad Yousafzai

ISLAMABAD - The prices of LNG is likely to decrease considerably, after the completion of second terminal in November, as the latest LNG cargo was priced at 11.62 percent of the Brent which is far cheaper as compare to the previous import at 13.37 percent of Brent.

“Recently we have received two cargos one priced at 12.29 percent of Brent oil while the latest one at 11.62 percent of the Brent,” official sources told The Nation. It is hoped that the prices of four more cargos will further come down, the source said. In August, six cargoes were received at 13.37 percent of Brent but in September the prices may be down which will be further decreased after the commissioning of the second LNG terminal in November.

Pakistan built its first LNG terminal in 2015 and in the beginning the price agreed with Qatar for each LNG cargo discharged in a particular month was 13.37 percent of preceding three month average of Brent value. Commissioned on March 28, 2015, the terminal has the capacity to re-gasify 600-630 million standard cubic feet per day. The terminal continues to receive a monthly average of six consignments. It is expected that after the second terminal come online it will double the annual import capacity to about 9 million tons.

After the commissioning of second LNG terminal, the import of 600 million cubic feet of gas per day or six cargoes a month will be required. The more the import increases the prices of LNG will decrease for the local consumers. So far, more than 6 million tons of LNG has been imported through the country’s only LNG terminal, which is located at Port Qasim.

It is pertinent to mention here that another consortium is expected to decide this month regarding the construction of a third LNG terminal for about $700 million Meanwhile, All Pakistan CNG Association (APCNGA) Central Chairman Ghiyas Parach has said that new LNG terminal will result increased imports, reduced supply-demand gap and further reduction in transportation costs. Paracha said that reduced price of imported gas will cut the price of electricity which will benefit all the sectors, cut the cost of doing business, improve competitiveness and boost exports. Initially, the reduced cost of transportation of gas will benefit fertiliser, textile, general industry and the CNG sectors, he said.

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Relief as Habib Bank episode ends

The Newspaper's Staff Reporter

KARACHI: A sigh of relief swept through financial circles in the country on Friday as the difficulties of HBL, the country's largest commercial bank, ended with a fine and nothing more.

The quantum of the fine, at $225 million, is substantial, coming in at more than two-thirds of last year's total profit after tax, but poses no risk to the stability of the bank or the country's financial system, as was feared.

The worst case scenario, according to a report from Arif Habib Ltd, is that the bank will pay no dividend in the next 12 months. "The fine will be financed via a foreign loan," says the report, adding that it will be reflected in third quarter calendar year 2017 results.

This mitigates any adverse impact on the country's forex reserves. The brokerage and investment house is optimistic about the bank's future, pointing to the recently acquired licence for operations in China as providing the basis for future growth.

Fears of wider risks disappear following the out-of-court settlement

The Capital Adequacy Ratio (CAR) of the bank will decline by two percentage points to settle at 13.4pc after the payment, according to the report. Under State Bank regulations, this is meant to be at 11pc.

"Resultantly, we expect the bank to raise its tier II capital in order to beef up its CAR to the previous level. The bank is not expected to raise tier I equity and therefore no dilution will take place." Other market players estimated that tier I capital of the bank may come down to 10.1pc from 12pc as a result.

But fears of any risk to the solvency or stability of the bank receded rapidly in the wake of the announcement of an out-of-court settlement, as well as all chatter about any systemic risk to the overall financial system. HBL's share price rose by 5pc on Friday, the first day of trading since the announcement of the consent order.

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Cotton prices move higher on strong demand

The Newspaper's Staff Reporter

KARACHI: Sustained buying from leading spinners helped cotton prices remain steady on Friday despite the fact that the New York cotton market remained under profit selling for the second consecutive day.

There were large- to medium-sized buying lots originating from leading spinners who entered the market in order to meet a surge in cotton yarn demand from the denim manufacturing industry.

Reports suggest that along with strong demand for the yarn from domestic denim industry, there is rising demand from China too.

There are reports that the government is going to give further incentive to the textile industry in the form of rebate to arrest falling exports.

The New York cotton market remained under correction for second day where cotton prices moved lower on profit selling. The prices have touched seasonal peak level at US75.26 cents per lb on the devastation caused by Hurricane Harvey in the cotton growing state of Texas. As a result, cotton prices in the domestic market. It is encouraging to note that trading was intense in both Punjab and Sindh varieties.

The Karachi Cotton Association (KCA) spot rates were also firm at overnight level.

The following major deals were reported to have changed hands on ready counter on Friday: 1,600 bales, Mirpurkhas, at Rs6,000 to Rs6,100; 2,000 bales, Sanghar, at Rs6,000 to Rs6,100; 3,000 bales, Tando Adam, at Rs6,000 to Rs6,100; 5,000 bales, Shahdadpur, at Rs6,050 to Rs6,100; 1,000 bales, Hyderabad, at Rs6,100 to Rs6,125; 800 bales, Daulatpur, at Rs6,100 to Rs6,150; 1,000 bales, Nawabshah, at Rs6,100 to Rs6,150; 800 bales, New Saeedabad, at Rs6,150; 800 bales, Ali Pur, at Rs6,200; 1400 bales, Burewala, at Rs6200 to Rs6300; 1,600 bales, Khanewal, at Rs6,235 to Rs6,300; and 600 bales, Fazilpur, at Rs6,300.

THE FOLLOWING ARE THE KCA OFFICIAL SPOT RATES FOR 2015-16 FOR LOCAL DEALINGS IN PAK RUPEES FOR BASE GRADE 3 STAPLE LENGTH 1-1/32" MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL			
Rate For	**Ex-Gin Price**	**Upcountry Expenses**	**Spot Rate Ex-Karachi**
37.324 Kgs Equivalent	**6,100**	**135**	**6,245**
40 Kgs	**6,537**	**145**	**6,692**

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MARKETS

FOREX

Exchange Rates for Currency Notes (Rs)

	Interbank market*		Open market**	
	Buying	Selling	Buying	Selling
USA	105.30	105.50	105.80	106.00
UK	138.29	138.55	138.50	139.75
Euro	127.11	127.35	126.50	128.00
S.Arabia	28.08	28.13	27.90	28.20
UAE	28.67	28.72	28.60	28.90
Japan	0.9738	0.9756	0.9712	0.9912

*forex.com.pk **ECAP

KIBOR

Karachi Interbank offered rates

	Bid	Offer
Three months	5.90	6.15
Six months	5.91	6.16
One year	5.96	6.46

LIBOR

Special US dollar bonds for Sep 07

Three months	1.31722 %
Six months	1.45167 %

THE NEWS
Saturday, 9th September, 2017

Advances to private sector up 6.1 percent in April-June

KARACHI: Gross advances to private sector rose 6.1 percent for the quarter ended 30 June as compared to four percent growth in the period under review, the central bank said on Friday.

The State Bank of Pakistan (SBP), in its quarterly performance review of the banking sector, said the asset quality of the banking sector further improved as gross non performing loans ratio moved down to 9.3 percent as of end June 2017 from 9.9 percent as of end March 2017 (and 11.1 percent as of end June, 2016).

Banking sector earned profit (before tax) of Rs150.4 billion with strong return on assets of 1.8 percent and return on equity of 21.9 percent. “Encouragingly, interest earnings (year-to-date) have increased by 1 percent in Q2CY17 (against 8.6 percent decline during the same period last year) on account of income on advances,” SBP said in a statement.

The central bank said capital adequacy ratio of the banking sector at 15.6 percent is well above the minimum required level of 10.65 percent and banks have enough buffers to meet additional financing of the market.

“Key development of the quarter is broad based and robust growth in advances to private sector which is also the prime reason behind 8.3 percent growth in the asset base,” it added. Besides seasonal financing need for commodity procurement, SBP said the financing demand has come from various sectors, including chemical/pharmaceutical, production and transmission of energy, agribusiness, food and allied products, construction, transport and storage.

“Moreover, the continued growth in auto financing has pushed consumer financing up,” it added. “The surge in advances may be attributed to enabling macroeconomic conditions such as monetary easing which has lowered the cost of borrowing and positive feedback from the real economy – particularly the consistent activity in large scale manufacturing.”

The central bank said investments increased 5.6 percent and government papers remained the prime attraction. “There is a change in investment pattern, though, as banks have mostly invested in short-term MTBs (market treasury bills),” it added. “Continuous rise in investment in government securities has further strengthened the already comfortable liquidity position of the banking system.” The banking sector’s deposit base rose 6.5 percent in Q2CY17, slightly lesser than 6.8 percent in Q2CY16.

“The deceleration in deposit growth is mainly caused by dip in financial institutions’ deposit – which are transitory in nature,” SBP said. “…the customer deposits – relatively more stable funding source and comprising 96.5 percent share in overall deposit base – has surged by 7.7 percent; higher than 6 percent during the corresponding period last year.”

THE NEWS
Saturday, 9th September, 2017

ADB says Pakistan enjoys growth despite trade contraction

KARACHI: Pakistan has experienced economic growth despite contraction in external trade, pointing to the movement towards the localisation of supply to serve domestic demand, Asian Development Bank (ADB) said on Friday.

The country, which is one of the most populous economies in the region, recorded a decade high growth of 5.3 percent during the last fiscal year of 2016/17.

Manila-based lender, in a report, said share of exports of goods and services in GDP has been decreasing during the last six years, while share of imports has been increasing during the period.

The country's household consumption is growing year on year. It soared 6.9 percent during the last year, ADB said in its 48th edition of 'Key Indicators for Asia and the Pacific 2017' report. Share of household consumption expenditure to GDP ratio stands at 80 percent.

ADB's statistical review provides data on a comprehensive set of economic, financial, social, environmental, and sustainable development goal indicators for its 48 regional members. The Bank said private sector offtake is on the upward trend.

Banking credit to private sector is, however, one of the lowest in the region as it accounts for half of GDP as compared to more than 100 percent in Fiji, Vietnam, China, Australia and Japan, its data revealed.

Nonperforming bank loans to GDP ratio is one of the highest at 10 percent, only less than Afghanistan and Maldives. The Asian Development Bank said Pakistan is one of the region's four largest recipients of official development assistance and other official flows to the agriculture sector, amounting to $291.7 million in 2015.

Alone South Asia's agriculture sector received nearly $1.5 billion in dole-outs during 2015. Agriculture sector's value addition to GDP ratio stood at 24.6 percent in 2016 in the country where acreage covers half of its land.

Forest area covers a minuscule 1.9 percent of total land area, which is one of the lowest in the region. The country has been annually receiving an average $744 million as financial and technical assistance between 2008 and 2015.

Share of gross capital formation in GDP declined during the past six years. Non-infrastructure investment accounted for 63 percent of gross fixed capital formation. Meanwhile, President Takehiko Nakao at ADB said the bank would continue to lend financial and technical support to Pakistan to improve infrastructure and regional connectivity.

"There is an immense potential for regional connectivity projects in the CAREC (Central Asia Regional Economic Cooperation) region," Nakao said in a statement on Friday. He met with Finance Minister Ishaq Dar in Urumqi, China.

The Bank further said external debt to gross national income ratio is one of the lowest in the region, standing below 50 percent. It said stock markets in Fiji, New Zealand, and Pakistan were the region's top performers in 2016.

"In Pakistan, an improved growth outlook—supported by better security, macroeconomic stability, and strengthened economic fundamentals—was reflected in a sovereign rating upgrade from Standard & Poor's and significant gains in share prices of 13.2 percent on an annual basis," it added. ADB said more than half of urban population in Pakistan lives in slums, informal settlements or inadequate housing.

The proportion, however, slid 3.2 percent during the four years for which data is available, it added. Urban population living in slums in the country dropped to 45.5 percent in 2014 from 48.7 percent in 2000. India brought this proportion down to 24 percent from 41.5 percent during the period.

THE NEWS
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Cotton stable

Karachi

Active trading was recorded at the Karachi Cotton Exchange on Friday, while spot rates remained firm.

The spot rates stood unchanged at Rs6,100/maund (37.324kg) and Rs6,537/40kg. Ex-Karachi rates also remained firm at Rs6,245/maund and Rs6,692/40kg after an addition of Rs145 and Rs155 as upcountry expenses, respectively. An analyst said market prices remained firm after witnessing an increase for the last two days, as cotton arrivals improved in the market following huge demand.

A total of 27 transactions were recorded of around 26,000 bales at a price of Rs6,000 to Rs6,300/maund.

Transactions were reported from Mirpurkhas, Sangahar, Shahdadpur, Tando Adam, New Saeedabad, Nawabshah, Hyderabad, Daulatpur in Sindh and Burewala, Haroonabad, Vehari, Mian Channu, Haroonabad, Rajanpur, Gojra, Chistian, Fazilpur, and Lodhran in Punjab.