

ANNUAL REPORT  
**2016**

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Competition Commission  
of Pakistan

「  
**CREATING A  
LEVEL  
PLAYING  
FIELD**  
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A high-speed photograph of a water splash against a light green background. The water is captured in mid-air, forming a central column that is about to hit a surface, creating a large, intricate splash with many smaller droplets. The lighting highlights the texture and movement of the water.

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The Competition Commission of Pakistan strives to foster a robust economy and to help promote economic growth by encouraging and enforcing free competition in all spheres of commercial and economic activity. The Commission wishes to enhance economic efficiency and protect consumers from anti-competitive behaviour.

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# CHAIRPERSON'S MESSAGE

Vadiyya Khalil

Chairperson



The FY 2016 was both exciting and challenging for the Commission. I feel proud to share that the London-based Global Competition Review (GCR) awarded 3-star rating to the Commission in the annual ranking of the World's top competition authorities, bringing us at par with the competition authorities of Turkey, Portugal, Switzerland, Sweden, Singapore, Poland, New Zealand,

Mexico and Austria.

GCR is the highly acclaimed Competition Law Journal that evaluates the performance of the world's leading competition authorities and rates each authority on a scale of one to five stars. While discussing our performance, GCR acknowledged the Commission's "balanced approach towards both enforcement and advocacy, a focus on the staff's capacity building, and improvement in internal processes." The GCR further stated: "There seems to be a consensus that the Commission remains a relatively open and transparent body."

In accordance with its mandate to promote free competition to enhance economic efficiency and to protect consumers from anti-competitive practices, the Commission continued to implement a vigorous law enforcement agenda, along with various policy and education initiatives. Furthermore, in order to bring efficiency in its working, the Commission introduced several amendments to the existing regulations, put in place task management and management information systems, and improved the employees' performance evaluation process.

The Commission's enforcement actions are aimed at fostering competition and ensuring a compliant business environment. This year, thirteen enquiries relating to abuse of dominance, collusive behavior, and deceptive marketing practices in important sector such as telecom, fast moving consumer goods, automobile, real estate, and fertiliser were conducted.

The Commission's enforcement orders are reflective of its impartial, just, and thorough approach in adjudication. Orders are passed only after detailed scrutiny of the argument and proofs presented by the investigation team and then giving ample opportunity of hearing to the parties. This year, the Commission passed some important orders including one in the poultry business where the Commission slapped a penalty of PKR 100 Million on Pakistan Poultry Association for price fixing. Similarly, in another case, the Commission imposed a penalty of PKR 30 Million on Pakistan Engineering Council for setting a minimum rating requirement for insurance companies to participate in the insurance coverage of public civil works thus placing several insurance companies at competitive disadvantage.

Stopping fraud against consumers is at the heart of the Commission. Our Office of Fair Trade (OFT) remains

vigilant to the marketing practices by companies to protect consumers and firms from fraud advertising and copyright violations. The Commission passed four orders imposing penalties on companies engaged in deceptive marketing practices.

The Commission also continued to review mergers and acquisitions to prevent the occurrence of any anti-competitive merger. This year, the Commission reviewed two mergers in the second phase to determine if they substantially lessen competition by creating or strengthening a dominant position. The first merger was in the telecom sector where the Commission allowed Mobilink to acquire Warid Telecom with certain conditions in the larger interests of the consumers. Similarly, the Commission issued the detailed Phase II Review order in the matter of integration of Islamabad, Lahore, and Karachi Stock Exchanges, approving the merger while imposing conditions to remedy certain competition concerns. Moreover, No Objection Certificates (NOCs) were issued to 62 acquisitions, 9 mergers, and 3 joint ventures.

Under its advocacy mandate, the Commission conducts workshops, publishes studies, and pursues advocacy opportunities to promote competition and educate policymakers and other stakeholders about the benefits of competition. This year the Commission embarked on the 'National Roadshow on Competition Law,' dubbed as the "Competition Caravan" to create awareness among the businesses, MNCs, big companies, and small and medium enterprises alike. As part of the Road Show, the Commission's teams toured 22 cities and held 40 interactive sessions at the chambers of commerce and trade associations.

Another important function that the Commission performs is reviewing policy frameworks for fostering competition and making suitable recommendations to the government on policies and laws that affect competition. The Commission issued three Policy Notes to the federal and provincial governments on different tax policies affecting competition in important sectors of the economy.

Strengthening the capacity of our staff is pivotal in effectively enforcing competition law in Pakistan. In this run, the Commission worked closely with the International Trade Centre in coordinating the technical assistance of the EU funded Trade Related Technical Assistance programme in Pakistan. The activities fell in two categories. One pertained to the development of three modules for various target groups

while the other category pertained to the development of in-house capacity for competition assessment. With ITC's assistance, the Commission benefitted from technical oversight of King's College, London, for the preparation of the competition law and economics module and from the Merger Department of the EU Directorate General of Competition in Brussels.

Our future priorities include enforcement of the law, enhancing the strength and technical expertise of our enforcement staff, and meaningful advocacy for improving compliance.

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CHAPTER

THE

COMMISSION





## MS. VADIYYA KHALIL

### CHAIRPERSON

Ms. Khalil was appointed Chairperson of Competition Commission of Pakistan in December 2014. She has previously served as the Commission's Member for Mergers & Acquisitions and Advocacy from 2010-2013.

Her career is notable for her leadership and strategic decision making roles in various financial sector organisations that have resulted in the successful implementation of numerous projects by major economic actors in Pakistan. Her time in the financial sector exceeds two decades in corporate and commercial banking and spans both international and national banks including Credit Agricole, ANZ Grindlays,

MCB Bank Limited, Askari Commercial Bank, and the National Bank of Pakistan.

Ms. Khalil has a Master's Degree in Management Sciences from the University of Kent, the UK specialising in Corporate Strategy, Operations Research, Techniques of Management, Marketing, Global Modelling, and Accounting. She has studied the Italian Language and Literature at the University of Perugia, Italy and holds a Diploma in French from Alliance Française, Paris. Her professional executive education has focused on Leadership, Corporate Finance and Mergers and Acquisitions.



## DR. JOSEPH WILSON

### MEMBER

Dr. Joseph Wilson was appointed as Member on 12 November 2013. He oversees Competition Policy & Research.

He has over 21 years of experience of public service, law practice, teaching, and research. Prior to joining the Commission, he was an Associate Professor of Law at the Lahore University of Management Sciences (LUMS).

Dr. Wilson has Doctorate of Civil Law (D.C.L.) from McGill Faculty of Law, Montreal Canada, and Master of Laws (LL.M.) degrees. He also holds an LL.M. from the University of Georgia, USA. He is a member of the State Bar of New York, USA, and Lahore High Court Bar and also serves on the International Advisory Board of the Loyola University Chicago's Institute for Consumer Antitrust Studies, USA.



## MUEEN BATLAY

M E M B E R

Mr. Mueen Batlay was re-appointed as Member on 14 January 2014. He oversees Mergers and Acquisitions.

Prior to joining the Commission, he worked in the fields of investment banking, education and public policy. He specialises in investment advisory and consulting services, project finance, public-private partnership projects, privatisation, and capital market development.

He has also worked with the Government of Sindh where he contributed to the economic reforms programme. Mr. Batlay holds a Master of Public Policy with emphasis on international trade and finance from the Kennedy School of Government at Harvard University.



## DR. SHAHZAD ANSAR

M E M B E R

Dr. Shahzad Ansar was re-appointed as Member on 27 January 2014 and holds the portfolios of Advocacy and the Office of Fair Trade.

Dr. Ansar has a PhD. in Business Administration with a specialisation in Microfinance and a Master's degree in Engineering Geology. He is a Certified SME Manager in the Doctorate category and holds International Advanced Diploma in Human Resource Management. He also has certifications in Intellectual Property Laws, Marketing, and Personal Finance from Nipomo,

California, USA.

Dr. Ansar has over 30 years of experience in management, business development and project finance. He has run energy projects and has also worked with the Federal Ministry of Industries & Production as CEO of its sector development company.

Mr. Ansar has a vast teaching experience and has offered services to the Virtual University of Pakistan, the University of Central Punjab, Civil Services Academy, and the University of South Asia, Lahore.



## IKRAM UL HAQUE QURESHI

M E M B E R

Mr. Qureshi was appointed as Member on 17 December 2014. He oversees the Cartels and Trade Abuses, Competition Policy & Research, and Information Systems & Technology.

He has previously served as Director General (Legal and Corporate Affairs) and Registrar of the Commission from 2008-2014.

He has previously worked with the Securities and Exchange Commission of

Pakistan (SECP), Pakistan Telecommunications Company Ltd (PTCL), and the Government's Infrastructure Project Development Facility (IPDF).

Mr. Qureshi has an LL.M in Corporate Law.



Chairperson



Member



Member



Member



Member

# CHAPTER MINISTRY OF FINANCE

*The Ministry of Finance is responsible for the economic and financial management of the country. The Ministry focuses on broader areas relating to financial and fiscal policy including economic growth, economic stabilisation, inflation, poverty reduction, public debt management and economic reform. Its domain extends to important financial matters such as the preparation of the annual budget for the consideration and approval of Parliament. The Ministry of Finance and the Competition Commission of Pakistan work closely together to strengthen the regulatory framework in the country and thus promote economic growth and foster the necessary conditions for a vibrant economy.*



## MR. ISHAQ DAR

F E D E R A L M I N I S T E R

Senator Mohammad Ishaq Dar is the Federal Minister for Finance, Revenue, Economic Affairs, Statistics, and Privatisation. He has a B.Com (Hons) (Gold Medalist) from the University of Punjab, Lahore. .

He has 42 years of professional experience in audit, financial advisory, management consultancy, business, commerce, and industry, both in private and public sectors, in Pakistan and abroad.

He started his career as a Trainee Chartered Accountant with the Institute of Chartered Accountants in England and Wales (ICAEW) in 1970 and became its Associate Member (ACA) in 1974. He became an Associate Member of the Institute of Chartered Accountants of Pakistan (ICAP) in 1975.

His post-qualification professional experience earned him Fellowship (FCA) of ICAEW in 1980 and of ICAP in 1984. Subsequently, he also became a Fellow Member (F.P.A) of the Institute of Public Finance Accountants

of Pakistan. Senator Dar was awarded Life Membership of ICAEW in January 2012.

He has also worked as Director Finance at a British Textiles Group in London. He remained National Partner in a Chartered Accountants firm dealing with tax, corporate and financial management, audit and consultancy matters of the clients, including public sector and public-listed companies. He has also served as Chairman/Chief Executive and Director of a Non-Banking Financial Institution (Public-Listed) in Pakistan.

Senator Dar is presently the Chairman Senate Standing Committee on Industries and Production, and Member of other Standing Committees including Finance, Revenue, Economic Affairs, Statistics and Planning and Development, Commerce and Investment. In recognition of his Parliamentary services, the Government of Pakistan conferred on him Nishan-e-Imtiaz (the highest civil award for Pakistani nationals) in 2011.



## DR. WAQAR MASOOD KHAN

F I N A N C E S E C R E T A R Y

Dr. Khan is an eminent economist with wide-ranging experience of both public and private sectors. He has a Ph.D. in Economics and M.A. in Political Economy from Boston University, Massachusetts, USA and has an M.A. in Economics and L.L.B. from the University of Karachi.

Prior to his current assignment as Federal Secretary Finance, Dr. Khan has held various senior positions in the Federal Government including Special Secretary to the Prime Minister, Secretary Economic Affairs Division, Secretary Petroleum & Natural Resources, and Secretary Ministry of Textiles.

His experience in academia includes teaching, Macroeconomics at the Pakistan Institute of Development Economics (PIDE). He has several institutional and personal publications to his credit. Dr. Khan has served on the Boards of important national and international institutions including Islamic Development Bank (IDB), National Bank of Pakistan (NBP), Pakistan International Airlines (PIA), PTCL and Pak-Oman Investment Company etc.

# 3

CHAPTER  
**THE  
COMMISSION'S  
STRUCTURE**



## OFFICE OF SECRETARY TO THE COMMISSION

The Commission's Secretariat was established under the COMPETITION COMMISSION (CONDUCT OF BUSINESS) REGULATIONS, 2007. It is headed by the Secretary to the Commission and its framework includes procedure and conduct of business of the Commission in accordance with the approved procedures, functions and powers of the Chair, duties and responsibilities of the Secretary, and keeping of the common seal of the Commission.

The Secretary represents the Commission at any forum as authorised by the Commission or Chairperson, issues notices and minutes of the meetings of the Commission, and certifies the decisions or documents used in hearings by the Commission. Other powers and duties can be assigned to the secretariat or the Secretary based on organisational exigencies.

During the year, the Secretariat arranged sixteen meetings of the Commission.

## CARTELS AND TRADE ABUSES DEPARTMENT

The Cartels and Trade Abuses Department plays a critical role in the enforcement work of the Commission.

Cartels result from arrangement(s) between firms designed to limit or eliminate competition between them with the objective of increasing their prices, profits and without any countervailing benefits. This is generally done by fixing prices, limiting outputs, sharing markets, allocating customers or territories, bid rigging in procurement contracts or a combination of these. Cartels are harmful to consumers and society as a whole due to the fact that the participating companies charge higher prices (and earn higher profits) than in a competitive market without the pressure of improving quality.

A firm is in a dominant position if it has the ability to behave independently of its competitors, customers, suppliers and, ultimately, the final consumer. A dominant firm with such market power would have the ability to sell products of inferior quality setting prices above the competitive level or reduce innovation below the level that would exist in a competitive market. Under Pakistan's competition law, it is not illegal to hold a dominant position, since this can be obtained by legitimate means, e.g., by inventing and selling a better product or providing services of incomparable quality. Instead, the Act does not allow companies to abuse their dominance.

## EXEMPTIONS DEPARTMENT

Consistent with global best practices in competition law, the Act recognises that certain practices or agreements that would otherwise be prohibited may provide an overall benefit to consumers e.g., improving production, distribution, and technological development, which would outweigh the adverse effect of reducing competition in the market. § 5 of the Act allows undertakings to apply for **exemptions** should the pro-competitive effects of a prohibited practice or agreement be deemed advantageous. Proving efficiencies is always the responsibility of the undertaking requesting the exemption and the Commission may grant such an exemption after thorough analysis and, when necessary, hearing the parties likely to suffer anti-competitive injury from such an exemption.

## OFFICE OF FAIR TRADE

While the **Cartels and Trade Abuses Department** addresses *distortions* that take place on the *supply* side – anti-competitive practices like price fixing or exclusive dealing restrict supply among competitors, or a significant market power charging higher prices than a competitive market would allow – the **Office of Fair Trade** addresses distortions that can arise on the demand side of the transaction: consumers' choices in the marketplace are affected, for example, by deceptive advertising that gives consumers a false or misleading impression that a product or service is worth more than it is.

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OFT also conducts inquiries into the affairs of any undertaking as may be necessary.

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## MERGERS & ACQUISITIONS DEPARTMENT

In a dynamic economy, the Commission expects the corporate structure to be changing constantly either where two or more previously independent undertakings *merge*, where an undertaking acquires control of another undertaking, or where a *joint venture* is created, performing on a lasting basis all the functions of an autonomous economic entity. These are methods by which firms can increase their size and expand into existing or new economic activities, increase economic efficiency, acquire intellectual

property, diversify, expand into different geographic markets, or pursue financial and R&D synergies, *etc.*

The objective of merger review and control by the **Mergers and Acquisition Department** is not to prevent mergers *per se*, but to prevent the creation of dominant positions able to act independently from market forces or reduce the number of players to an extent that facilitates cartelisation.



## ADVOCACY & MEDIA DEPARTMENT

Competition Advocacy is the pursuit of competition policy by means other than law enforcement. Advocacy functions are of central importance to the Commission's work, both supporting and being supported by its enforcement responsibilities, and help develop the interface between itself and various stakeholders. The Commission's advocacy responsibilities, divided between the **Advocacy and Media** and **Competition Policy and Research Departments**, include:

- ▶ Conducting studies for promoting competition;
- ▶ Creating awareness about competition issues and creating a competition culture
- ▶ Recommending pro-competitive changes to law and policy
- ▶ Communicating relevant information to stakeholders;
- ▶ Conducting competition-related enquiries, including in response to complaints and references from the Government;
- ▶ Preparing an annual report on all its activities for the Government to lay before Parliament and for other stakeholders.

The Advocacy and Media Department oversees the

Commission's communication with the media and its publications, a central feature of its outreach. Commission's publications focus on (i) a comprehensive guide for business – as potential offenders and victims - on their rights and duties under the law, including advice on corporate compliance programme and (ii) a consumers' guide to the law and the rights it confers, and how to pursue them and (iii) training materials for students of business, economics, and law in partnership with key universities.

The Department also manages the meetings under the umbrella of the Competition Consultative Group, making active use of this in managing its relations with its various stakeholders to help it to mobilise support, and to provide them with an outlet for any complaints they may have. The Department follows the principle of imaginative publicity.

The power for the Commission to hold open public hearings on any matter affecting the state of competition in Pakistan is expressly provided under the law. Such a power has been highly effective in enabling the Commission to involve many conflicting sides of an issue with a view to finding common ground. At the same time, public hearings help focus on the Commission's public policy analysis and generate widespread support for policy changes to strengthen competition in the economy.

## COMPETITION POLICY AND RESEARCH DEPARTMENT

The Competition Policy and Research Department conducts competition assessments and market studies to analyse the state of competition in each sector selected: identifying the markets and competitors, examining the market structure, looking for barriers to entry and exit, signs of anti-competitive conduct considering economic interests and the principal beneficiaries, and identifying government policies or institutions that limit competition.

Competition assessments analyse the strength of competition in the relevant market(s), and identify any factors impeding more effective competition. Key issues are: (i) the structure of the market, (ii) entry and exit

barriers and (iii) anti-competitive conduct. Where competition is found to be limited, an estimate of the likely extent of the harm that results from this is made. The assessment concludes with a view on whether there are competition problems in the sector that require correction, and if so, what the most appropriate remedies are.

Competition assessments analyse the strength of competition in the relevant markets, and identify any factors impeding more effective competition.

The Office is responsible for exploring bilateral relations with competition agencies and with donor agencies for possible technical assistance.

## OFFICE OF INTERNATIONAL & EXTERNAL AFFAIRS

The Office of International Affairs (OIA) was established as the focal coordinating point to liaise with international agencies and organisations such as UNCTAD, OECD, and the International Competition Network (ICN). In addition, the Office is responsible for exploring bilateral relations with competition agencies and with donor agencies for possible technical assistance. In essence, the Office is the communications focal point for all international activities.

The OIA is currently involved in two ICN working groups, specifically in the working groups on cartels and mergers. It also contributes to the workings of OECD and UNCTAD. The Office also handles the liaison and cooperation relationships with other competition agencies in the world, be it on a bilateral or regional basis.



## OFFICE OF THE REGISTRAR OF THE COMMISSION

The Office of the Registrar issues Show Cause Notices, arranges hearings, and assists the Original and Appellate Benches of the Commission by providing administrative and legal support. The Registrar has been authorised to represent the Commission as its official spokesman in litigation matters before the various courts of Pakistan.



## LEGAL DEPARTMENT

The Legal Department provides support to the Commission in legal matters. Its main functions include initiating legal proceedings against the defaulting undertakings in pursuance of the policy decisions and orders of the Commission; engaging legal counsel and keeping a close liaison with them regarding the provision of information required and interface with them in all legal issues; advising the Commission in matters of policy and legal decisions; providing legal advice to undertakings and external agencies as and when called for; drafting the necessary Implementing Rules and Regulations; vetting the legal statements to be submitted to the Courts and other forums; suggesting suitable amendments in the Act; preparing the guidelines for various topics, and handling any other assignment referred to it by the Chair and the Commission.



## CORPORATE AFFAIRS

The internal operations and day-to-day functioning of the Commission come under the aegis of corporate affairs and are supported by the Administration, Accounts, and Human Resources Departments. The Commission has placed major emphasis on the improvement of the facilities, policies, and procedures.

Each year has been the witness to improvements in the areas of operations, staffing and computerised information system.



### Finance Department

The Accounts Wing is responsible for accounts and internal controls. There is an increasing emphasis on cost control within the Commission, in part due to the limited budget available.

### Administration Department

The Administration Wing provides administrative and logistical support to the Commission and its employees. Its mandate includes general office management, transport management, assets management, and security and safety.

### Human Resource Department (HR)

The Human Resources Wing is involved with the planning and assessment of the number of employees and the skills mix that is needed. It is also accountable for the review, design and drafting of job descriptions for current and prospective vacancies, as well as for the recruitment of talent. HR reviews the employees' performance on a regular basis through performance appraisals. To improve the efficiency levels of Commission's officers and staff, each employee is required to undertake relevant training sessions and development programmes.

## INTERNAL AUDIT DEPARTMENT

Internal Audit (IA) is an independent appraisal function within the Commission. The work of IA is governed under the Internal Audit Charter, which covers the role to review the adequacy and effectiveness of the Commission's governance, processes, control and risk management in implementing agreed strategies across the organisation. IA aims to add value, improve operational efficiency, economy and effectiveness of management process, risk management, and internal control systems.

*IA aims to add value, improve operational efficiency, economy and effectiveness of management process.*



## INFROMATION SYSTEMS & TECHNOLOGY DEPARTMENT

Information Systems and Technology (IS&T) manages and supplies all IT-related services to support the Commission's goal of increasing productivity and efficiency of its employees. IT is organised into three programme areas: IT Infrastructure Group, Systems Development Group, and Design/Multimedia Group. This year, IT accomplished the automation of Legal/Court Cases, employees attendance record register, inventory assets and tracking, and human resource profiles.

*The Commission is working on an increased digitalised process management system, spearheaded by the IT Department.*



The Commission is working on an increased digitalised process management system, spearheaded by the IT Department. A digital forensics laboratory has been set up with basic equipment already in place. The Department is able to perform some forensic work and upgradation as per emerging technologies.

## CHAPTER

# STOPPING ANTI-COMPETITIVE CONDUCT

## MANDATE

*Section 3 of the Competition Act, 2010 deals with abuse of dominant position and Section 4 prohibits agreements between businesses and decisions by trade associations that can distort competition in a market. The Cartels & Trade Abuse Department investigates potential violations of Section 3 & 4 of the Act and recommends relevant actions to the Commission. Where necessary, the department also prepares policy notes for issuance by the Commission under Section 29 of the Act.*



# ORDERS PASSED



## PAKISTAN POULTRY ASSOCIATION (PPA)

March 2016

The Commission took notice of a series of newspaper advertisements by the Pakistan Poultry Association (PPA) for violating the competition law by advertising the rates of: (a) live broiler chicken; (b) broiler chicken meat (collectively broiler chicken) and; (c) chicken eggs.

After completing an enquiry and the legal proceedings, the Commission passed an order. The Order said that PPA had notified the prices of three different products in two distinct

relevant markets, i.e. the markets for a) broiler chicken and b) chicken eggs, which was a price fixing decision by the association. By notifying the prices of poultry products, PPA's actions had the potential of influencing pricing trends in the market and manipulating the behaviour of market players.

The Commission imposed a penalty of PKR 100 million on PPA and told them to stop advertising the rates of poultry products.

**PKR 100**  
MILLION

## PAKISTAN ENGINEERING COUNCIL

April 2016

SPI Insurance Company Limited sent a complaint to the Commission against Pakistan Engineering Council (PEC). The complaint said that the provisions in PEC's standard bidding documents restricted insurance companies not having an 'AA' rating from participating in public-sector civil work projects. It was also noted that no such restriction for 'AA' rating was placed for banks providing guarantees.

After completing the legal proceedings, the Commission passed an Order. The order said that PEC had included provisions in its standard bidding documents that restricted insurance companies not having an 'AA' rating from providing bid and performance guarantees to civil works projects in the public-sector. The practice had the effect of foreclosing the market to two-thirds of insurance providers, a restrictive trading condition that reduced the choice available to consumers.



PEC's requirement was only applicable to insurance companies and not to banks providing the same services. This constituted dissimilar trading conditions on similar transactions.

The Commission imposed a penalty of PKR 30 Million on PEC for restricting competition in the market for insurance coverage of public civil works, in violation of Section 4 of the Act. PEC was also directed to amend the standard bidding documents, and to refrain from engaging in similar practices in the future.

**PKR 30**  
MILLION

# ENQUIRY REPORTS

## CABLE, INTERNET AND TELEPHONY SERVICES IN BAHRIA TOWN, RAWALPINDI

June 2016

Residents of Bahria Town, Rawalpindi could only subscribe to PTCL's Cable, Internet and Telephony Services (CIT Services) as no other options or substitute service providers were available. Despite the demands of residents, Bahria Town management was not allowing Nayatel to provide services in phases 1-6.

The Commission initiated an inquiry to see whether Bahria was abusing its dominance. The inquiry report found that since phases 1-6 were exclusively managed by Bahria Town, no CIT Service provider could operate without their prior approval. Bahria Town's dominant position arose from the fact that it had full responsibility for developing the real estate project, which included utility and other services. By denying Nayatel permission to provide its services, Bahria Town had restricted choice to residents to PTCL's services only.

The inquiry concluded that Bahria Town was prima facie abusing its dominant position by excluding Nayatel from providing its CIT Services. A Show Cause Notice was issued to Bahria Town in the matter.



## INCREASE IN AIRFARES BY PRIVATE AIRLINES

February 2016

The Commission took, *suo moto*, notice of concerns raised in the media and by the Parliament relating to the change in airfares of two private airlines during the national carrier, Pakistan International Airlines' (PIA)'s pilots strike from 1 - 7 October 2015 and 2 - 9 February 2016. It was alleged that during the course of the strikes fares charged by the private airlines had seen increases of up to 300%. The Commission's inquiry found that neither Airblue nor Shaheen held a dominant position in the relevant market for domestic passenger air travel in Pakistan during the PIA pilots strike.

The inquiry also analysed airfares charged during PIA's strike and compared them with those charged during the months immediately preceding each strike. Routes examined included return flights between Karachi and Islamabad, and Karachi and Lahore.

The inquiry observed that Airblue and Shaheen employed a Revenue Management System allowing them to set fares based on supply and demand, size of the aircraft, the route, time of booking ticket, passenger load on other airlines etc. Under such systems lower fares were charged when bookings were made in advance and higher fares were charged based on the availability of seats closer to the flight schedule.

The inquiry found that during the first strike (1 - 6 October 2015), Airblue's fares on Karachi-Islamabad (KHI-ISB) route increased by 1.5% and on the Islamabad-

Karachi (ISB-KHI) route by 12.1% as compared to the average fares of September. On the Karachi-Lahore (KHI-LHE) and Lahore-Karachi route the increase was 3.17% and 15.01% respectively.

Shaheen's fares on the KHI-ISB route increased by 22.4% and on the ISB-KHI by 22.9%. On the KHI-LHE and LHE-KHI route the increase was 16.6% and 23.3%, respectively.

During the second strike, Airblue's average fares on the KHI-ISB route increased by 31% and increased on the ISB-KHI route by 4%. On the KHI-LHE route fares increased by 21% and LHE-KHI route fares increased by 1% .

The average fares of Shaheen on the KHI-ISB route increased by 9.3% and on the ISB-KHI route by 0.4%. On the KHI-LHE route fares increased by 13.28% and LHE-KHI route fares fell by 3.10%.

The inquiry concluded that on the routes examined the increase in airfares was not as exorbitant as was alleged. Rather the increase was merely due to an increase in demand, brought about by the pilots strike, and the normal operation of the Revenue Management System whereby last minute bookings were charged a higher rate. No , *prima facie*, violation of Section 3 of the Act was therefore, made out.

## CHAPTER

# CURTAILING DECEPTIVE MARKETING PRACTICES

## MANDATE

*Section 10 of the Competition Act deals with consumer protection and prohibits companies from distributing false & misleading information, comparison of goods and fraudulent use of trademark, firm name, or product labelling and packaging.*



# ORDERS PASSED



## K&N FOODS VS DAWN FOODS

February 2016

K&N Foods complained that Dawn Foods was copying the product labelling and packaging of its frozen meat products. The complaint further said that the fraudulent use of term 'Combo Wings' by Dawn Foods violated its trademark, which could mislead consumers and harm the business interest of its competitors.

The Commission conducted an inquiry and found that Dawn Foods was resorting to 'parasitic copying' or 'copycat packaging' of K&N's products. This was misleading and deceptive resulting in eventual

dilution of K&N's brand identity and goodwill. The inquiry said that though the term "Combo Wings" was not registered with the Intellectual Property Organisation it was used in a manner that was deceptive. On recommendations of the inquiry report, a show cause notice was issued to Dawn Foods.

After hearings, the Commission's bench imposed a penalty of PKR 20 Million on Dawn Foods for deceptive marking practices and directed them to cease use of copycat packaging.

## ATLAS HONDA VS SHAFIQUE SONS, PAK HERO INDUSTRIES AND UNITED MOTOR COMPANY

February 2016

Atlas Honda Limited filed a complaint against three companies, Shafiq Sons, Pak Hero, and United Motors, for copying its registered "Wing Device" logo. Atlas Honda was manufacturing motorcycles since 1962 in a joint venture relationship with Honda Motor Company of Japan, giving it substantial goodwill and reputation.

Atlas Honda said that the motorcycles manufactured by Shafiq Sons, Pak Hero and United Motors were indistinguishable from its own. The company alleged that its registered logo/trademark was an identity of Honda motorcycles and the act of the undertakings was misleading the customers and was capable of harming the business interest of Atlas Honda Ltd.

The Commission' inquiry found that the respondents were using Atlas Honda's registered

"Wing Device" logo in a manner that was misleading consumers. The Respondents failed to justify that they were entitled to use the Wing Device logo.

On recommendations of the inquiry report, the Commission issued a show cause notice to the respondents. In its order, the Commission's bench directed Shafique & Sons and Pak Hero Industries (Pvt) Ltd that their respective brand name JINAN and PAK HERO will accompany their new logos on all their products and promotional material at all times to avoid any future likelihood of deception.

Furthermore, the bench directed United Motors to use its brand names SHINA STAR and UNITED SEVEN STAR along with its existing logo in all of its products and promotional materials.

## RECKITT BENCKISER PAKISTAN

August 2015

The Commission started an enquiry after taking notice of a televised marketing campaign for Dettol Surface Cleaner. The marketing campaign made four distinct claims regarding the efficacy of the product:

1. *'Phenyl is highly ineffective against germs';*
2. *'Only Dettol Surface Cleaner can kill more germs than Phenyl';*
3. *'Dettol Surface Cleaner can kill 99.9% of germs'; and*
4. *'Dettol Surface Cleaner can kill germs 10 times more than Phenyl'.*

Regarding the first claim, Reckitt submitted that it was based on a comparative disinfectant efficacy study carried out by its own laboratories between Dettol Surface Cleaner and unbranded ordinary phenyl. The Commission found that the study did not substantiate the claim against all types and brands of phenyl, and was thus misleading and capable of harming the business interests of phenyl manufacturers.

In relation to the second claim, the Commission said that in the absence of a comparison with other surface cleaners available in the market, it would not be appropriate to say that only Dettol Surface Cleaner could kill more germs than Phenyl.

Regarding the third claim, the Commission held that while the term germs included all disease-carrying microorganisms such as bacteria, virus, fungi, and protozoa etc, the product had only been tested against three species of bacteria. Furthermore, laboratory conditions were quite different from household conditions, making the claim misleading for consumers.

Concerning the fourth claim, the Commission stated that the study only substantiated it with respect to unbranded ordinary phenyl. Hence, the claim was capable of misleading consumers and harming the business interest of Reckitt's competitors.

The Order passed by the Commission found these claims to be five distinct violations of § 10 of the Act. Reckitt Benckiser gave commitments to rectify three of its claims. The Commission took a lenient view and imposed a token penalty of PKR 250,000 for each violation, amounting to a total of PKR 1.25 Million. The Commission directed Reckitt to revise the claim 'Kills 99.9% of Germs' within thirty days and file a compliance report.

# DECEPTIVE CLAIMS BY COMPANIES

# 99.9% BACTERIA FREE

# PAKISTAN'S

"NO. 1 RATED ANTI-BACTERIAL SOAP"

## SCHEME CLAIMED

- TO BE APPROVED BY CAPITAL DEVELOPMENT AUTHORITY (CDA)
- 12 MINUTES DRIVE FROM THE SERENA HOTEL
- 5 MINUTES FROM CDA ENCLAVE AND CHAK SHEHZAD
- HIDDEN DEVELOPMENT CHARGES

# ENQUIRIES INITIATED

## RECKITT BENCKISER VS COLGATE PALMOLIVE

January 2016

Reckitt Benckiser complained to the Commission about the deceptive advertising campaign of Colgate Palmolive's product 'Max All Purpose Cleaner'. According to the complaint, claims such as "99.9% Bacteria Free" and "24 Hours Long Lasting Freshness" were printed on the packaging. Moreover, other claims that were made without reasonable basis included; protection against "Cold and Flu", "Skin Infections" and "Food Poisoning", with a disclaimer reading "Based on laboratory testing with concentrate usage." The complaint further stated that Colgate Palmolive misleadingly compared 'Max APC' with Reckitt Benckiser's 'Dettol Surface Cleaner' (Dettol).

The Commission initiated an inquiry and found that the claims were made without reasonable basis, resulting in misleading comparison of the two products. The Commission issued show cause notice to Colgate-Palmolive.

## EDEN BUILDERS

February 2016

The Commission took a, *suo moto*, notice of print and electronic advertisements by Eden Builders for deceptively marketing its housing scheme 'Eden Life Islamabad'. The scheme claimed to be duly approved by the Capital Development Authority (CDA) and located at a drive of 12 minutes from the Serena Hotel Islamabad and five minutes from the CDA Enclave and Chak Shehzad. The advertisements also mentioned the price of plots with various sizes, but were hiding the development charges to be recovered later.

The Commission's inquiry found that Eden Builders had no supporting evidence to substantiate its claims. A show cause notice was issued to Eden Builders for deceptive marketing practices.

## RECKITT BENCKISER VS PROCTOR & GAMBLE

January 2016

The Commission received a complaint from Reckitt Benckiser against Proctor & Gamble's marketing campaign for one of its products, 'Safeguard', which claimed to be "Pakistan's No.1 Rated Antibacterial Soap".

The Commission initiated an inquiry and found that Proctor & Gamble failed to provide substantial justification for its product 'Safeguard' being "Pakistan's No.1 Rated Anti-bacterial Soap." This resulted in deceiving consumers as well as harming the business interests of other competitors. The Commission issued a show cause notice to Proctor & Gamble for indulging in, *prima facie*, deceptive marketing practices.





## GREEN FIELD DEVELOPERS

March 2016

Green Field Developers advertised its housing project 'Green City' located in Fateh Jang, near Islamabad. The advertising campaign gave an impression that the project was situated in Islamabad rather than Fateh Jang. The company also used the official logos of different government departments in their brochure and on their website implying that it had obtained No Objection Certificates (NOC's) and necessary government approvals.

The Commission's inquiry found that Green Field extensively used the name of 'Capital City Islamabad' in all of its promotional material, including the website. It could not provide a reasonable basis for using the name of Islamabad as Fateh Jang is located outside Islamabad's parameter. The Company also failed to show any approvals to use the logos of various government departments. The Commission issued show cause notice to the housing scheme, 'Green City' for misleading the consumers about the location of the project.

## DAIRY COMPANIES' TEA WHITENERS

March 2016

The Commission received a complaint against certain dairy companies for advertising dairy drinks and tea whiteners as 'milk,' misleading consumers about the quality and properties of the products in question.

The Commission's inquiry evaluated the packaging, marketing practices including the television commercials, and information on their websites of the four companies including Shakarganj Food Products, Haleeb Foods, Noon Pakistan and Engro Foods.

Shakarganj's tea whitener 'Quadrat' packaging did not indicate that it was a liquid tea whitener. Instead, it contained pictures reflecting its multiple uses.

Haleeb Foods' dairy drink 'All Max' contained the words 'Dairy Drink' on its packaging, however the

disclosure on the website was misleading. For 'Dairy Queen', Haleeb Foods failed to provide a satisfactory data regarding its ingredients.

Noon Pakistan's dairy drink 'Dairy Rozana' was available in markets despite the company claiming it was discontinued. The words 'Dairy Drink' were also missing on the packaging which could mislead the consumers into believing that the product was milk.

Engro Foods' 'Dairy Omung' gave a firm impression that Dairy Omung was milk and not a Dairy Drink. Moreover, the disclosure on the website revealed that Dairy Omung was an alternative to loose milk, which was misleading consumers and harming the business interest of other competitors.

The Commission issued show cause notices to Shakarganj Foods, Haleeb Foods, Noon Pakistan, and Engro Foods for indulging in deceptive marketing practices.



## ELECTRIC CABLE MANUFACTURERS

May 2016

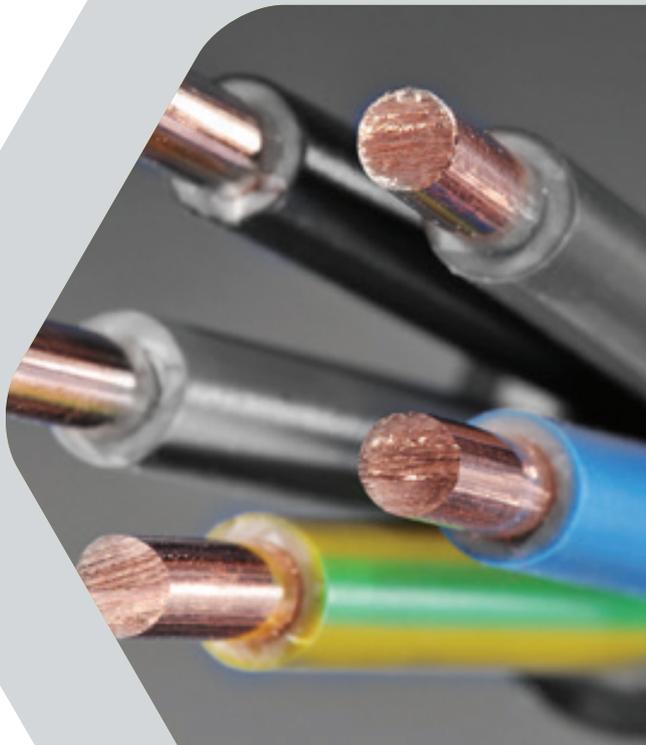
Certain companies included cash or cash coupons of various denominations in the packaging of their electric wire cable bundles. The purpose was to attract the contractors/electricians hired by consumers. However, the packaging and other promotional material for these products did not indicate the presence of coupons or the value being charged from consumers in the final price.

The Commission issued show cause notices to 18 electric cable manufacturers for keeping consumers in the dark about cash or cash coupons in the electric wire cable bundles.

The non-disclosure of cash or cash coupons was a deception as consumers were paying the price for something they were unaware of. Moreover, the Commission found that the companies in question had also compromised on the quality of their products to offset the cost of enclosing free coupons and cash.

Omission of material information about products not only misled the consumers and gives an undue competitive edge to the companies over their competitors.

Based on the above findings, the Commission's inquiry recommended to issue show cause notices to 18 cable manufacturers.



## SCHEME CLAIMED

IT WAS IN ISLAMABAD INSTEAD OF FATEHJANG WHICH IS NOT IN ISLAMABAD'S PARAMETER AND USING GOVERNMENT LOGOS TO IMPLY THAT NOC HAD BEEN OBTAINED

## DAIRY COMPANIES

ADVERTISING DAIRY DRINKS AND TEA WHITENERS AS 'MILK'

DECEPTIVE PACKAGING WHICH LABELLED DAIRY DRINKS AS 'MILK'

## CABLE MANUFACTURERS

OMISSION OF MATERIAL INFORMATION ABOUT PRODUCTS NOT ONLY MISLED THE CONSUMERS AND GIVES AN UNDUCE COMPETITIVE EDGE TO THE COMPANIES OVER THEIR COMPETITORS



*The inquiry report concluded that, prima facie, Shainal Foods had resorted to the fraudulent use of logo, packaging, colour scheme, and design of National Food's products*

## AGRITECH VS TARA FERTILISER

June 2016

The Commission received a complaint from Agritech alleging that Tara Fertiliser copied Agritech's trademark, 'Tara SSP', as well as its packaging for one of its products. The Commission conducted an inquiry and found that Tara Fertiliser used the trademark 'Tara', as part of its business name, without any authorisation. Tara Fertiliser copied substantial elements from 'Tara SSP' for branding one of its products. The trademark duplication and similarity of packaging not only misled consumers but also harmed the business interest of other competitors.

The Commission issued a show cause notice to Tara Fertiliser for deceptive marketing practices.

## NATIONAL FOODS VS SHAINAL AL-SYED FOODS

June 2016

The Commission received a complaint from National Foods alleging that Shainal Food had resorted to copycat packaging its trademarks and logos. The complaint also said that the colour scheme and design were also similar.

The Commission conducted an inquiry and found that Shainal Foods was preparing, packing, marketing, supplying, and selling various food products using a trademark and logo copied from National Foods. The inquiry also found that the colour scheme and design of the packaging of Shainal Foods' products was similar to that of the packaging of National Foods' products, which could mislead the consumers.

The inquiry report concluded that, *prima facie*, Shainal Foods had resorted to the fraudulent use of logo, packaging, colour scheme, and design of National Food's products, potentially harming the business interest of National Foods as well as misleading the consumers.

The Commission issued a show cause notice to Shainal Foods for deceptive marketing practices.

## AL REHMAN OIL MILLS VS VARIOUS CORPORATIONS

June 2016

The Commission received a complaint from Al Rehman Oil mills Bahawalpur for fraudulent use of its registered trademark 'Taizgaam'. The companies involved were; Niaz Corporation, Hamza Corporation, Muslim Corporation, Mian Traders, Bahawalpur Oil Mills, Riaz Oil Mills, Baloch Oil Mills, Azhar Kiryana Store, and Waqas Oil Mills.

The Commission conducted an inquiry and found that these companies were using the registered trademark without due authorisation. The Commission issued a show cause notice to the companies.

## TELENOR PAKISTAN

June 2016

The Commission received a complaint against Telenor Pakistan that its claim "Pakistan ka sab say behtareen network-Telenor", was without a reasonable basis.

“

The Commission found that Telenor's absolute claim was not only distributing misleading information to consumers but was also making a false comparison of its services, potentially harming other competitors.

”

The Commission consulted Pakistan Telecommunication Authority (PTA) to determine the validity of the claim. The Quality of Service (QOS) report by PTA, which, *inter alia*, rates the performance of telecom networks through Key Performance Indicators (KPI), was reviewed. According to the report, Telenor was not the best network in Pakistan.

The Commission found that Telenor's absolute claim was not only distributing misleading information to consumers but was also making a false comparison of its services, potentially harming other competitors. A show cause notice was issued to Telenor for in deceptive marketing practices.

## FERTILISER COMPANY

TRADEMARK DUPLICATION AND SIMILARITY OF PACKAGING NOT ONLY MISLED CONSUMERS BUT ALSO HARMED THE BUSINESS INTEREST OF OTHER COMPETITORS

## FOOD COMPANY

FRAUDULENT USE OF LOGO, PACKAGING, COLOUR SCHEME, AND DESIGN OF ANOTHER FOOD'S PRODUCTS COMPANY, POTENTIALLY HARMING THE BUSINESS INTEREST OF THAT COMPANY AS WELL AS MISLEADING THE CONSUMERS

## OIL MILL

USING TRADEMARK WITHOUT DUE AUTHORISATION

## TELECOM COMPANY

DISTRIBUTING MISLEADING INFORMATION TO CONSUMERS BUT WAS ALSO MAKING A FALSE COMPARISON OF ITS SERVICES, POTENTIALLY HARMING OTHER COMPETITORS

## CHAPTER

# 6 APPROVING MERGERS, ACQUISITIONS, AND JOINT VENTURES

## MANDATE

*Under Section: 11 the undertakings intending to acquire, merge; and meet the pre-merger notification thresholds, have to apply for clearance from the Commission.*

## CONDITIONAL APPROVAL TO MOBILINK-WARID MERGER GRANTED

March 2016

The Commission received a pre-merger application from Pakistan Mobile Communication Limited (Mobilink) for the acquisition of Warid telecom. The Commission undertook a comprehensive competitive analysis of the merger to determine if it substantially lessens competition by creating or strengthening a dominant position. The assessment was undertaken on the basis of extensive consultation with the merger parties, competitors, and the Pakistan Telecommunication Authority (PTA).

While conducting its assessment, the Commission noted that the merger raised competition concerns, which were alleviated by countervailing factors and efficiencies. The Commission identified some persisting concerns in areas of spectrum concentration, infrastructure sharing, non-compete obligations, and joint control for which conditions have been imposed.

In relation to the spectrum concentration, the Commission made spectrum sharing obligatory upon determination of inefficiently/underutilized capacity by PTA. With respect to infrastructure sharing, the

Commission directed the parties to provide guest operators on their cell sites a first option to buy the site, directly or through an auction if there is more than one guest operator. To facilitate entry in the future, the Commission imposed an obligation to provide wholesale access to potential Mobile Virtual Network Operators (MVNOs).

To address the concern regarding the non-compete agreement, the term and scope of the non-compete obligations was restricted. A firewall was created between Mobilink and Abu Dhabi Group's other businesses in the telecom industry. The remedies imposed on VimpelCom and Telenor Group by virtue of the Commission's order dated 17 March 2011 to address the issue of joint control have been further strengthened through appointment of a third party reviewer who will report independent assessment of compliance to the Commission.

## PSO'S SHAREHOLDING IN PRL APPROVED

March 2016

The Commission granted approval to the acquisition of up to 26.67% shares in Pakistan Refinery Limited (PRL) by Pakistan State Oil Company Limited (PSO). The approval was granted by the bench comprising Ms. Vadiyya Khalil, Chairperson, Mr. Ikram Ul Haque Qureshi, Member Cartels & Trade Abuses and Legal and Dr. Shahzad Ansar, Member OFT & Advocacy. While passing the Order, the Commission also disposed off a complaint filed by Hascol Petroleum Limited (Hascol) regarding potential discontinuation of supply of refined petroleum products by PRL to PSO's competitors

after the acquisition.

The Commission observed that with imports readily available, PSO would have no incentive to foreclose the supply of refined petroleum products from PRL to its competitors such as Hascol. Furthermore, with downstream petroleum industry heavily regulated by Oil and Gas Regulatory Authority, there is no chance of PSO raising prices for competitors or end consumers.

## APPROVING THE INTEGRATION OF STOCK EXCHANGES

November 2015

The Commission issued the detailed Phase II Review Order in the matter of integration of Islamabad, Lahore, and Karachi Stock Exchanges, approving the merger while imposing conditions to remedy certain competition concerns. A bench comprising of Vadiyya Khalil, Chairperson, Mueen Batlay, Member Mergers & Acquisitions, Shahzad Ansar, Member OFT & Advocacy, and Ikram Ul Haque Qureshi, Member Cartels & Trade Abuse, and Legal heard the matter and passed the Order.

In its detailed judgment, the Bench found no legal barriers to entry at this stage, and if at any time in the post-merger scenario, the Commission found the integrated exchange to be engaging in abuse of its dominant position, it had the power to penalize the undertaking and rectify such a situation under the provisions of § 3 of the Competition Act. With regards to new entry by brokers, the Order emphasized that the Base Minimum Capital (BMC) requirements to be set by SECP must not be onerous in comparison to the existing requirements and should be in line with international best practices. The Commission approved the merger subject to these conditions: PSE will carry out the divestment of 40% of its shares to a strategic investor within one year of the date of integration; the sale of 20% of the shares of PSE to the public will also be carried out within the timelines specified; and, more than fifty-percent of the directors on the board of PSE shall be independent and shall be nominated/

approved by SECP until the divestment is made to the strategic investor. Furthermore, the Commission stipulated that PSE will establish an SME counter within one year to facilitate smaller new companies to list on the exchange.

The Commission also recommended that SECP should facilitate the entry of new exchanges to the market as and when it may be deemed appropriate.

Moreover, that new financial requirements being specified in the Securities Brokers Regulations, 2015 must not be burdensome for existing brokers, and that SECP should ensure that any new exchanges entering the market are provided due access to the clearing and settlement functions, irrespective of the shareholding of PSE in CDC and NCCPL.



## ACQUISITION OF SHARES

1. Acquisition of 12.73% shares of Masood Textile Mills Limited by Zhejiang Xinao Industry Co, Limited. (02-07-2015)
2. Acquisition of 20% shares of Packages Construction (Private) Limited by IGI Insurance Limited. (06-07-2015)
3. Acquisition of sole control of Pirelli & C.S. P.A by China National Tire & Rubber Company Limited. (27-07-2015)
4. Acquisition of 20% shares of Elengy Terminal Limited by International Finance Corporation. (27-07-2015)
5. Acquisition of (i) manufacturing, sale and supply of oil immersed distribution transformers with ratings of up to 10 kVA and (ii) fixed assets pertaining to power transformers of Siemens (Pakistan) Engineering Company Limited by Validus Engineering (Pvt) Limited. (03-08-2015)
6. Acquisition of 100% shares of Foundation Securities (Private) Limited by Askari Bank Limited. (04-08-2015)
7. Acquisition of 14% shares of Moody International Private Limited by TUV Austria Holding AG. (10-08-2015)
8. Acquisition of 78% shares of Invest and Finance Securities Limited jointly by M/s. Muzzammil Aslam, Asim Ali, Fayyaz Ilyas, Shakeel Ilyas, Irfan Pardesi & Hayat Javed. (11-08-2015)
9. Acquisition by Imerys SA of certain assets of BASF SE located in Georgia, USA. (11-08-2015)
10. Acquisition of sole control over Alcatel Lucent S.A. by acquiring its 50% to 100% shares by Nokia Corporation. (17-08-2015)
11. Acquisition of OCS Pakistan (Private) Limited by Muller & Phipps Pakistan (Private) Limited. (19-08-2015)
12. Acquisition of 88% shares of National Power Construction Corporation (Private) Limited by Mansour Al Mosaid Company for Trading and Contracting (Limited Liability Company). (04-09-2015)
13. Acquisition and simultaneous merger of the Pakistani Branch Operations of HSBC Bank Oman S.A.O.G with and into Meezan Bank Limited. (30-09-2015)
14. Acquisition of 14.22% shares of Security General Insurance Limited by ACIL. (06-10-2015)
15. Acquisition of 20% shares of JBF Global Pte. Ltd. Singapore by KKR Investors. (08-10-2015)
16. Acquisition of 100% shares of Standard Chartered Services of Pakistan (Pvt) Limited and acquisition of 20% certificates of Standard Chartered Mobaraba by Orix Leasing Pakistan Limited. (22-10-2015)
17. Acquisition of 100% shares of Dawood Hercules Fertilizer Limited by Fatima Fertilizer Company Limited. (27-10-2015)
18. Acquisition of Primatics Financials (Private) Limited by Technologies, Inc. through its subsidiary Giant Acquisition Corporation. (27-10-2015)
19. Acquisition of 2.04% shares of IGI Insurance Limited by Syed Babar Ali. (27-10-2015)

20	Acquisition of 15.8% shares of Nizam Energy Pvt Limited by Acumen Fund Inc. (17-11-2015)
21	Acquisition of 18.90% shares of Appollo Pharma Limited by Muller & Phipps Pakistan (Pvt) Limited. (24-11-2015)
22	Acquisition of 379,831,434 shares (100% shares) of Wi-Tribe Pakistan Limited by H.B. Offshore Investments Limited. (27-11-2015)
23	Acquisition of 29.95% shares of Singer Pakistan Limited by Poseidon Synergies (Private) Limited. (28-12-2015)
24	Acquisition of 10% shares of Tapal Energy (Pvt) Limited by Sithe Mauritius Limited Kingpin Investments Limited. (28-12-2015)
25	Acquisition of 30% shares of Riken Automobiles Parts (Wuhan) Co. Limited by KS Kolenschmidt, GMBH through KSPG (China) Investment Company Limited. (29-12-2015)
26	Acquisition of 138,645,020 (69.48%) shares of Descom Chemicals Limited by (1) Nimir Holdings (Private) Limited (2) Terranova Limited (3) Mr. Saeed-uz-Zaman (4) Mrs. Nusrat Jamil and (5) Mr. Muhammad Yahya Khan. (31-12-2015)
27	Acquisition of 152.20 million shares of Engro Powergen Thar (Private) Limited by CMEC Thar Power Investments Limited. (31-12-2015)
28	Acquisition of 68.00 million shares of Sindh Engro Coal Mining Company Limited by CMEC Thar Investments Limited. (31-12-2015)
29	Acquisition of 17.78% shareholding of Speed (Pvt.) Limited by Habib Bank Limited. (29-01-2016)
30	Acquisition of 51% shareholding of first microfinance bank by HBL. (29-01-2016)
31	Acquisition of 100% shares of Clariant Chemical Pakistan (Pvt) Limited by Clariant Plastics and Coatings FZE. (29-01-2016)
32	Acquisition of 29.9% shares of Nordex S. E. By Acciona s. A. (02-02-2016)
33	Acquisition of 49% shares of Pakistan Aluminum beverage cans Ltd by Mr. Muhammad Salim Mukaty and family. (10-02-2016)
34	Acquisition of shares of NRSP Microfinance Bank by Kreditanstalt FUR Wiederaufbau. (10-02-2016)
35	Acquisition of 100% shares of Powertek Eergy Sdn. Bhd by Final Capital Sdn Bhd Bhd from Powertek Investment Holdings Sdn. Bhd. (17-02-2016)
36	Acquisition of 5.4% shares of Engro Powergen Thar (Pvt.) Limited by Liberty Mills Ltd. (19-02-2016)
37	Acquisition of 23.1% shares of Fauji Kabirwala Power Company Limited, as a result of the cross-border acquisition of 100% shares of Powertek Energy Sdn Bhd by Final Capital Sdn Bhd. (22-02-2016)
38	Acquisition of Cameron International INC by Schlumberger Holdings Corporation. (22-02-2016)
39	Acquisition by IGI Insurance Limited and Syed Hyder Ali of 2,200,000 shares of Tri-Pack Films Limited. (25-02-2016)
40	Acquisition of shares of Pakistan Refinery Limited by PSO. (01-03-2016)
41	Acquisition of 52.2% Shares of Brainchild Communications (Pvt.) Limited by Brainchild Communications Singapore PTE Limited. (03-03-2016)

## AMALGAMATIONS

Amalgamation of Stnadard Chartered Leasing Limited with and into Orix Leasing Pakistan Limited. (22-10-2015)

Amalgamation of JK Farming Systems Limited with and into ATF Mango Farms (Pvt) Limited. (03-03-2016)

## JOINT VENTURES

Joint venture agreement between Hub Power Company Limited and China Power International Holding Limited. (24-11-2015)

Joint Venture between OMYA Singapore PTE. Ltd and Packages Limited. (30-06-2016)

Joint Venture involving Ajinomoto Sea Regional Headquarters Co. Ltd and Siza (Pvt) Limited. (30-06-2016)

42.	Acquisition of 80% shares of Azad Pattan a 640 MW Pakistan Hydropower project by Power Universal. (08-03-2016)
43.	Acquisition of the entire shareholding of Warid Telecom (Pvt) Limited by PMCL and amalgamation of PMCL and Warid. (21-03-2016)
44.	Acquisition of 15% shares of M/s HASCOL Petroleum Ltd by M/s Vitol Dubai limited. (22-03-2016)
45.	Acquisition of 35% shares of M/s Daewoo Pakistan Express Bus Services Limited by Elahi Electronics. (28-03-2016)
46.	Acquisition of 25% shares of Ansaar Management (Private) Limited by Places for People Group Limited. (01-04-2016)
47.	Acquisition of 25% shares of Ansaar Management (Private) Limited by Homeless International Limited. (01-04-2016)
48.	Acquisition of shares of Starwood Hoggdels & Resorts by Marriott International Inc. (01-04-2016)
49.	Acquisition of 2,500,000 shares of IGI Insurance Limited by Syed Babar Ali. (01-04-2016)
50.	Acquisition of 2,500,000 shares of IGI Insurance Limited by Syed Hyder Ali. (01-04-2016)
51.	Acquisition of 10.0% shares of Noon Pakistan Limited by Fauji Fertilier Bin Qasim Limited. (14-04-16)
52.	Acquisition of 74.83% shares of Associatted Services Limited by Macter International Limited. (20-04-2016)
53.	Acquisition of 100% shares of Asia Care Health & Life Insurance Company Limited. (25-04-2016)
54.	Acquisition of 10% shares of CDC Pakistan Limited held by Citibank Overseas Investment Corporation by PakChina Investment Co. Ltd. (29-04-2016)
55.	Acquisition of 30.48% shares of Kohat Textile Mills Limited by Saif Holdings Limited. (19-05-2016)
56.	Acquisition of 77.78% shares of Hudson Pharma (Private) Limited by ILL. (19-05-2016)
57.	Acquisition of 25,000,000 shares of Packages Construction (Pvt) Limited by IGI Insurance Limited. (20-05-2016)
58.	Acquisition of 51% (23,157,000) shares of Singer Pakistan Limited by Poseidon Synergies (Private) Ltd, Mr. Haroon Ahhmad Khan & Mrs. Nighat Haroon Khan. (10-06-2016)
59.	Acquisition by Akzo Nobel N.V of BASF IC, a division of BASF SE. (10-06-2016)
60.	Acquisition of 10% shares of CDC Limited from Citibank Overseas Investment Corporation by Habib Bank Limited. (10-06-2016)
61.	Acquisition of 51% shares of East West Life Assurance Company Limited by Army Welfare Trust. (14-06-2016)
62.	Acquisition by Sanofi of the Consumer Healthcare business of the Boehringer Ingelheim group of companies. (30-06-2016)

## MERGERS

Merger of Techno Glass Industries Limited with and into Ghani Glass Limited. (03-08-2015)
Merger between Moody International Pvt. Ltd. and TUV Austria Holding A.G. (10-08-2015)
Merger of Huma Kraft Products (Pvt) Limited and Prime Mechanical Works (Pvt) Limited. (19-08-2015)
Merger of Total Oil Pakistan (Private) Limited with and into Total PARCO Pakistan Limited. (24-11-2015)
Merger of KASB Bank Limited with and into BankIslami Pakistan Limited. (24-11-2015)
Merger of Lahore Stock Exchange & Islamabad Stock Exchange with Karachi Stock Exchange. (27-11-2015)
Merger of Inbox Business Technologies (Pvt) Limited, Inbox Consulting (Private) Limited and Inbox Corporation (Private) Limited. (21-03-2016)
Merger of Astro Plastics (Pvt) Limited with and into Ismail Industries Limited. (29-04-2016)
Merger of Patek (Private) Limited and Tower Share (Pvt) Limited. (14-06-2016)

## CHAPTER

# REVIEWING POLICY FRAMEWORKS

## MANDATE

*Under Section 29(b) the Commission can review Policy frameworks for fostering competition and making suitable recommendations to Federal and Provincial governments.*



## REFORMING THE DISCRIMINATORY RATE OF SALE TAX CHARGED TO STEEL UNITS OPERATING ON SELF-GENERATED ELECTRICITY

June 2016

The Commission issued a Policy Note to the Federal Board of Revenue (FBR) to eliminate discrimination meted out to some market players of the steel industry by imposing different sales tax rate.

Madina Steel complained to the Commission that mechanism of charging sales tax by the Federal Board of Revenue (FBR) was discriminating between units operating on electricity supplied by DISCOs and those running on alternate energy.

The Commission found that Madina Steel was charged General Sales Tax (GST) at 17% of *ad valorem* production simply on account of producing its own electricity through the use of renewable energy sources i.e., bagasse & rice husk. Those units buying electricity from DISCOs were charged GST at PKR 9 per unit of electricity consumed.

The Commission was of the view that the practice of implementing a different rate of sales tax on the players of the same industry based on the source of electricity was discriminatory as it discouraged new firms to enter into the market and prevented those who intended to innovate and invest in improving the efficiency of the production process from doing so. Moreover it set perverse incentives, led to market stagnation, and prevented any cost savings being passed on

to the end consumer.

The different method of calculating sales tax on companies producing their own energy from alternative/renewable sources was against the spirit of the Government's Policy that offered incentives to producers of renewable/alternate energy.

The Commission recommended that all units in the steel sector be charged sales tax on the same basis rather than differentiating on the source of power they use for production.

*The Commission recommended that all units in the steel sector be charged sales tax on the same basis rather than differentiating on the source of power they use for production.*

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## IMPOSITION OF 16% TAX BY PUNJAB GOVERNMENT FOR PROVIDERS OF INTER-CITY CARRIAGE OF GOODS SERVICES

May 2016

The Commission received a concern from the Sialkot Dry Port Trust (SDPT) against certain tax exemptions on the circulars issued by the Punjab Revenue Authority (PRA) and Sindh Revenue Board (SRB) granting an exemption from sales tax to informal transporters of goods provided by the PRA and SRB. The exemptions included the imposition of 16% sales tax by PRA and 15% sales tax by SRB on services provided for inter-city carriage of goods by rail or road. Moreover, the suspension on the levy of sales tax to the extent of transportation of oil through oil tankers and transportation of goods by informal non-corporate transporters of goods operating through 'truck addas'.

The Commission took notice of the circulars issued by the PRA and the SRB on 1st September 2015 and 24 July 2015, respectively granting exemptions to the informal transporters of goods from sales tax. The exemption created an arbitrary distinction between services providers, with some entities liable to pay sales tax while other providers

were excluded. Although it had the effect of lowering the cost for one segment, it was solely based on an advantage provided by the government. The corporate providers of inter-city carriage of goods services, such as SDPT, amongst others were placed at a competitive disadvantage because of the exemption.

The Commission's Policy Note recommended that the PRA and SRB shall withdraw the exemptions granted in order to ensure a level playing field for all market players. The Commission also recommended that Item 48 of the Punjab Sales Tax on Services Act, 2012 shall be amended to remove the exemption provided to individual owners of vehicles for carriage of goods.

## REGISTRATION OF POTENTIALLY DECEPTIVE FIRM NAMES

November 2015

The Commission issued a Policy Note to the federal and provincial governments recommending that they suitably amend, within their territorial jurisdictions, the Partnership Act, 1932, the Societies Registration Act, 1860, the Voluntary Social Welfare Agencies (Registration & Control) Ordinance, 1961, the Trusts Act, 1882 and the Co-Operative Societies Act, 1925, to bar registration of potentially deceptive firm names to minimise the potential for deceptive marketing practices.

The registration of deceptively similar names of undertakings was a competition concern as it might lead to the dissemination of misleading information to consumers. Such information could also cause harm to the value of brands in which businesses had invested heavily. Such actions might lead to or amount to deceptive marketing practices in violation of § 10 of the Competition Act.

The Policy Note also recommended that the relevant

name registration authorities at the federal and provincial levels, such as the Registrar of Firms, the Registrar of Joint Stock Companies and the Registrar of Co-Operative Societies, take steps to create a coordination and cross-verification mechanism amongst themselves so that potentially deceptive firm names could not be registered anywhere in the country.

## IMPOSITION OF 15% REGULATORY DUTY ON THE IMPORT OF STEEL BILLETS

October 2015

The Commission issued a Policy Note to Federal Government recommending it to amend the Statutory Regulatory Order (SRO) 18(I)/2015 pertaining to 15% regulatory duty on imported steel billets. In the steel industry, both integrated steel manufacturing units and non-integrated re-rolling mills used steel billets as an intermediary product in the production of end steel products. The cascading nature of tariff structure, which was introduced by the Federal Government, was disturbed by the imposition of regulatory duty on imported steel billets. The disproportionate duty structure was creating barriers to expansion for the existing re-rolling mills and barriers to entry for potential aspirants in the growing market.

The Commission noted that the regulatory duty structure raised the prices of imported steel billets affecting only the non-integrated re-rolling mills. This pushed them to purchase billets from the integrated players, and placing them at competitive disadvantage.

The Policy Note recommended that the federal Government amend the subject SRO to maintain the previous cascading nature of tariff structure in the steel industry thus allowing a reduction in RD to 10% on imported steel billets. The Government was also advised not to raise the RD any further as it would seriously distort competition in the relevant market.

*The Policy Note recommended that the federal Government amend the subject SRO to maintain the previous cascading nature of tariff structure in the steel industry thus allowing a reduction in RD to 10% on imported steel billets.*

## CHAPTER

# ADVOCATING THE LAW

## MANDATE

*Section 29 of the Competition Act empowers the Commission to promote competition through advocacy which is essential to promote a competition culture.*

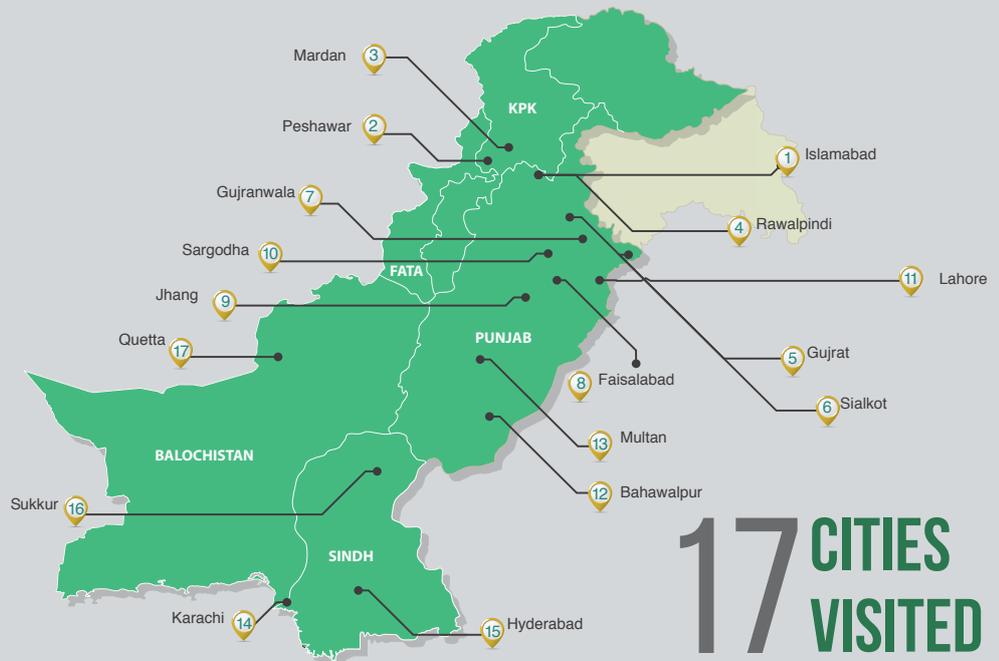


## NATIONAL ROAD SHOW

The Commission organized a National Road Show on Competition Law, dubbed as the Competition Caravan, between December 2015 and January 2016 in 22 cities of the country. The aim was not only to create awareness of the Competition Law but also to encourage voluntary compliance amongst the businesses, MNCs, big corporations, and small and medium enterprises alike.

The Commissions' different teams led by the Chairperson and Members travelled across Pakistan, holding 40 interactive sessions at the chambers of commerce and trade associations. They explained the benefits of competition in the economy to the participants and received direct feedback on competition-related matters.

Addressing the various sessions, the Chairperson Vadiyya Khalil said that the main objective of the competition law is to enhance economic efficiency and create a level playing field. "It is pro-competition, pro consumer protection, pro-growth and therefore it is Pro-business. The law protects you, the businesses, from any anti-competitive or deceptive behavior of another entity or competitor. We want the businesses to know 'the power' that they have under this law and that is why we are here today," she said.



17 CITIES VISITED



Journey towards a  
**Competitive Economy**

## ISLAMABAD CHAMBER

4 December 2015

The first session of the Competition Caravan took place at Islamabad Chamber of Commerce and Industry. The inaugural seminar was addressed by the Chairperson Vadiyya Khalil and attended by the Chambers' President Atif Ikram Sheikh, members of the Executive Committee and the General Body of the Chamber in large number. Chamber's

President warmly welcomed the CCP team and termed the advocacy initiative as a much-needed effort to create familiarisation of the competition law. Members of the Commission Dr. Shahzad Ansar and Ikram Ul Haque Qureshi gave presentations explaining the substantive provisions of the law and answered questions.

The Chairperson CCP receives a shield from President ICCI Atif Ikram Sheikh



## KHYBER PAKHTUNKHWA CHAMBER

7 December 2015

The first destination of the Caravan in Khyber Pakhtunkhwa was Peshawar where Khyber Pakhtunkhwa Chamber of Commerce and Industry hosted a seminar. The Commission was represented by the Chairperson Vadiyya Khalil, Members Mueen Batlay, Dr. Shahzad Ansar, Ikram Ul Haque Qureshi, and DG Cartels & Trade Abuses Shaista Bano. The President of the Chamber Zulfiqar Ali Khan, Senior Vice President Ammad Khalid Rasheed, Vice President Shuja Muhammad, the other office

bearers attended the seminar.

The Chambers' President thanked the Commission for visiting KPK Chamber. He also brought certain competition issues in the knowledge of the CCP team. Participants discussed certain issues such as the escalating school fees, deceptive marketing in the manufacturing of medicines and misleading packaging. The concerns were noted by the Commission for necessary action.

CCP team along with President KPCCI



## MARDAN CHAMBER

8 December 2015

The Mardan Chamber of Commerce & Industry (MCCI) hosted a well-attended seminar. The President of MCCI, Zahir Shah said that the enforcement of the competition law was particularly important for the progress of underdeveloped cities like Mardan and urged the businessmen to benefit from the interactive session.

Members of the Commission Dr. Shahzad Ansar, Mueen Batlay, and Shaista Bano, gave presentations on substantive provisions of the

Law and cited various case studies to brief the participants. Dr. Shahzad Ansar appreciated the active role played by the Mardan Chamber for the promotion of business and industry in the region. The discussion highlighted certain competition issues e.g. instances of deceptive marketing practices in the confectionary industry and problems faced by the marble industry.

President MCCI receiving shield from the CCP team



## RAWALPINDI CHAMBER

9 December 2015

The Caravan entered Punjab by holding a seminar at the Rawalpindi Chamber of Commerce & Industry (RCCI). Mian Humayun Parvez, President RCCI, former presidents, office bearers and Members of RCCI and the business community in large number attended the seminar. Mr. Parvez appreciated the work done by the Commission and urged the business community to get acquainted with the Competition Law. He announced to appoint the Chamber's General Secretary as a focal person to keep a liaison with the Commission regarding the competition compliance code.

Dr. Shahzad Ansar, Member of the Commission, gave presentation on the Office of Fair

Trade (OFT), and, Shaista Bano, Director General Cartels and Trade Abuses gave an overview of the competition regime in Pakistan and explained the substantive provisions of the Competition Act. In the questions and answers session, the participants highlighted certain competition issues, for instance; dealing with bid rigging in public procurement, fluctuating poultry prices, prices of medicines and competition issues in the cars industry.

Vadiyya Khalil receiving souvenir from President RCCI



## GUJRAT CHAMBER

14 December 2015

The seminar at the Gujrat Chamber of Commerce and Industry was attended by businessmen representing electric fan, furniture, steel, and leather industries. The president of the Chamber, Mian Muhammad Ijaz, welcomed the Commission's team. The team included Members Dr. Shahzad Ansar, Ikram Ul Haque Qureshi and Directors Noman Laiq and Asfandyar Khattak. The Chamber's Senior Vice President Ch. Waheed ud Din, and the Executive Committee members were also present.

The presentations, delivered by the Members of the Commission, focused in refraining trade associations from involving in anti-competitive activities such as price fixing and others. Those activities eventually end up distorting competition in the market, harming consumer interest and inflicting losses to the national economy. President of Gujrat Chamber termed the presentations on competition law extremely useful for its members. He extended full support to the Commission in implementing the Competition Law.

CCP team with the Chamber's President and members



## SIALKOT CHAMBER

15 December 2015

Member CCP, Ikram  
Ul Haque Qureshi  
addressing the seminar  
at SCCI



The seminar at Sialkot Chamber of Commerce and Industry (SCCI) was attended by the Vice President Syed Ahtesham Mazhar, Executive Committee and general body members, and businessmen of the area in large number. Dr. Shahzad Ansar, Ikram Ul Haque Qureshi, and Mueen Batlay represented the Commission. In their presentations, the substantive provisions of the competition law and the functioning of the Commission were explained.

The participants brought pertinent issues concerning competition, particularly those faced by the small and medium enterprises, in the notice of Commission and requested the removal of entry barriers in various sectors of the economy to pave the way for smooth business. They also highlighted the problems caused by the energy shortage.

## GUJRANWALA CHAMBER

16 December 2015

CCP team and GCCI  
members after the  
seminar



Trade activities of Gujranwala mostly revolve around the Small and Medium Enterprises (SME). The sector has a lot of potential for growth, innovations and is actively working for the development and growth of commerce & industry in Gujranwala. The advocacy session at Gujranwala Chamber of Commerce and Industry was attended by its President Sameeullah

Naeem, Vice President, members of the Executive Committee and general body in large number. The Chamber's President said the implementation of the competition law is crucial for a smooth business environment. He urged CCP to hold more of such advocacy sessions for the businessmen in the future.

The session was addressed by CCP Members Dr. Shahzad Ansar, Ikram Ul Haque Qureshi, and Mueen Batlay. Several competition issues were raised during the session concerning steel billets, fan industry, discriminatory preference for gas supply and issues related to Afghan Transit Trade route.

## FAISALABAD CHAMBER

17 December 2015

The seminar at Faisalabad Chamber of Commerce & Industry (FCCI) was attended by its President Ch. Muhammad Nawaz, Vice President Jamil Ahmed, Executive Committee and general body members. Whereas, the Commission's team was comprised of the Chairperson Vadiyya Khalil, Members Dr. Shahzad Ansar, Ikram Ul Haque Qureshi, Mueen Batlay and other senior officers. The Chairperson informed the participants about the competition compliance programme of CCP, which is aimed at creating a culture of competition in Pakistan. She asked the

Chamber's president to nominate a focal person to liaise with the Commission for the compliance programmer.

The Chamber's president urged businessmen to get acquainted with the provisions of the competition law to avoid involving in anti-competitive practices. He hailed the role of the Commission in discouraging cartelisation, abuse of dominance and other anti-competitive practices. During the questions and answers session, the participants highlighted several issues concerning competition.

CCP delegation and members of Faisalabad Chamber



## JHANG CHAMBER

18 December 2015

A seminar held at the Jhang Chamber of Commerce & Industry (JCCI) was attended by President of JCCI, Muhammad Umer Ramay, Executive Committee members and the businessmen in large number. Mr. Ramay said that the advocacy session has provided a unique opportunity not only to create awareness about the competition law but also to pave the way for regular future interactions which will help in improving business compliance.

During the questions and answers session, certain competition issues were highlighted pertaining to deceptive marketing practices by companies. The participants welcomed the advocacy initiative of CCP, and asked for more interactions in future.

A group photograph of CCP team with JCCI members



## SARGODHA CHAMBER

21 December 2015

Sargodha Chamber of Commerce & Industry (SCCI) is the centre of business activities for promoting trade and commerce in the region. A seminar held at the chamber was attended by the Chamber's President Mukhtar Mirza, Senior Vice President Muhammad Shakir Naveed, Vice President Amjad Javed, members of the Executive Council, the general body of SCCI and the business community in large number. Mukhtar Mirza appreciated for holding the session and assured full support of his chamber in creating awareness of the law. He also highlighted certain competition issues in the area.

The seminar was addressed by Members Ikram Ul Haque Qureshi and Dr. Shahzad Ansar who briefed the participants on the major provisions of the competition law. The participants of the seminar evinced keen interest in the interactive session and asked several questions to get clarity on the role of CCP.

CCP delegation with members Sargodha Chamber



## LAHORE CHAMBER

25 January 2016

As part of the National Road Show, another seminar was held at the Lahore Chamber of Commerce & Industry (LCCI). The session was attended by the Chamber's Senior Vice President Almas Haider, members of the Executive Committee and general body in large number. Mr. Haider stressed the need to create widespread awareness and understanding of the competition law for promoting a culture of competition. He brought certain competition

issues into the notice of CCP. He appreciated the Road Show which he said, "will improve awareness among the stakeholders."

Members of the Commission gave presentations to explain the substantive provisions of the Competition Act and briefed the participants on the do's and don'ts under the competition law.

Dr. Shahzad Ansar presenting souvenir to Mr. Almas Haider, Senior Vice President LCCI



## BAHAWALPUR CHAMBER

28 January 2016

The seminar at Bahawalpur Chamber was attended by Zafar Sharif, President BCCI, Senior Vice President, Vice President and Members of the chamber in large number. The Commission's team included Members Dr. Shahzad Ansar, Ikram Ul Haque Qureshi, and senior officers. The President BCCI in his address termed the implementation of the competition law crucial for the

CCP team with BCCI members at the session



economy and appreciated CCP's efforts to promote the voluntary compliance of the law.

Addressing the participants, Dr. Shahzad Ansar said that the Competition Caravan was successfully progressing and the business community was taking great interest in the seminars organized by the Commission. In presentations, the participants were briefed on procedures relating to filing of complaints, merger filings, merger thresholds and other rules and regulations.

## MULTAN CHAMBER

29 January 2016

Multan Chamber of Commerce and Industry (MCCI) enjoys the singular distinction of being the premier chamber of Southern Punjab representing economic activities by virtue of its central location in the industrial and commercial activity within the region. It is also affiliated with the Federation of Pakistan Chambers of Commerce and Industry. The seminar there was attended by Khwaja Muhammad Yousaf, former President MCCI, senior members of the Executive Committee of MCCI and members of the chamber in large number along with businessmen representing small and medium enterprises, large and small corporate firms, national companies and multinational corporations.

The Commission was represented by the Members Dr. Shahzad Ansar and Ikram Ul Haque Qureshi and senior officers. The presentations focused the key provisions of the competition law, deceptive marketing practices and Voluntary Competition Compliance Code. In the interactive session, the participants highlighted various competition issues, particularly in the area of deceptive marketing practices and urged the resolution of these issues.

The session at MCCI



## KARACHI CHAMBER

11 January 2016

CCP team with member of KCCI



After touring the major cities of Punjab and Khyber Pakhtunkhwa, the Road Show strode to create awareness in Sindh and the first advocacy session was held at the Karachi Chamber of Commerce and Industry (KCCI). The

seminar was attended by President KCCI Younus Muhammad Bashir, Senior Vice President, Vice President, members of the Executive Committee and the business community in large number. The Commission's team comprised of the

Members Dr. Shahzad Ansar, Ikram Ul Haque Qureshi, Mueen Batlay, Director General International Affairs Ahmed Qadir and Director Advocacy & Media Asfandyar Khattak.

The participants of the seminar were briefed on the importance of competition law enforcement for creating a level playing field for businesses and the benefits drawn by the consumers from enforcement of the law. The President of the Chamber drew the Commission's attention towards certain competition issues and asked for their resolution. While welcoming the advocacy initiative of CCP, he offered the chamber's platform for more such interactive sessions to create awareness on the Competition Law. The questions and answers session provided an opportunity to the participants to ask several questions besides highlighting competition issues.

## HYDERABAD CHAMBER

12 January 2016

The Hyderabad Chamber of Commerce and Industry (HYDCCI) hosted another seminar that was attended by Senior Vice President Turab Ali Khwaja, members of the Executive Committee and the business community. The Commission's Members Dr. Shahzad Ansar, Ikram Ul Haque Qureshi, and Mueen Batlay gave presentations elaborating the substantive provisions of the Competition Law to the participants.

The Chamber's Senior Vice President, Turab Ali Khwaja, assured his Chamber's support in creating awareness of the law. The participants took an active part in the discussions and highlighted certain competition issues for the Commission's attention.

Mueen Batlay, Member CCP, presenting the souvenir to President HCCI



## SUKKUR CHAMBER

13 January 2016

The seminar at Sukkur Chamber of Commerce and Industry (SCCI) was attended by President Aamir Ali Khan Ghouri, Vice President, members of the Executive Committee and the business community. Mr. Ghouri appreciated the timely advocacy initiative by linking it to the country's needs of a competitive environment. He also announced to distribute the Voluntary Competition Compliance Code of the Commission among the members of the chamber for its

adoption by businesses.

Member Advocacy, Dr. Shahzad Ansar, said that the adoption of the Voluntary Competition Compliance Code by companies will help to create an environment of regulatory compliance and enable the corporate sector to benefit from the competitive economy. He said that the Commission will keep regular interaction with the Chambers of Commerce to facilitate the resolution of their problems concerning competition. Member Cartels & Trade Abuses and Legal, Ikram Ul Haque Qureshi, talked about removing entry barriers and discouraging discriminatory policies to maximise the benefits for consumers and the business community. Member Mergers and Acquisitions Mueen Batlay, briefed the participants on the merger regime. They also took questions from participants.

The session at Sukkur Chamber



## QUETTA CHAMBER

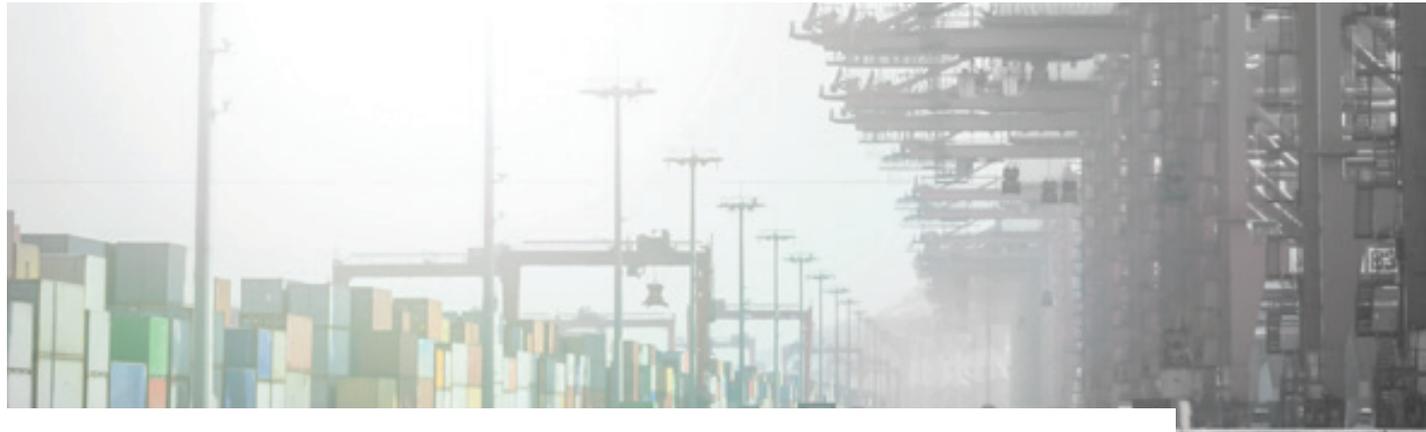
19 January 2016

The first session for the province of Balochistan held at the Quetta Chamber of Commerce and Industry (QCCI). The Caravan was led by the Chairperson Vadiyya Khalil, Members Dr. Shahzad Ansar, Ikram Ul Haque Qureshi and senior officers of the Commission. QCCI Vice President Samiullah Baloch, members of the Executive Committee and the business community attended the Advocacy session in large number.

QCCI Vice President Samiullah Baloch while welcoming the Competition Caravan said that the knowledge of Competition Law will help businessmen to protect their interests against anti-competitive practices. The participants of the seminar were briefed on the importance of competition law enforcement for creating a level playing field for businesses, the salient features of the law, and the benefits drawn by the consumers after getting protected from anti-competitive practices. In the questions and answers session, they highlighted several issues affecting competition in the province.

Seminar attendees





# TRADE ASSOCIATIONS

## PAKISTAN POULTRY ASSOCIATION (PPA), ISLAMABAD

5 January, 2016

The seminar at Pakistan Poultry Association was held at its office in Islamabad and was attended by its founder Chairman Khalil A Sattar, Chairman Khalid Saleem Malik, and members of the executive committee. Dr. Shahzad Ansar and Ikram Ul Haque Qureshi, Members of the Commission, and Ms. Shaista Bano Director General briefed the participants on the Competition Law and discussed the role of trade associations under the law.

In the question and answer session, the participants were told that associations could not take collective decisions, whatsoever about the prices, product supply, territorial distribution and any other aspect of business affecting competition. Competition issues were also highlighted during the interaction.

CCP team and members PPA after the session



## PAKISTAN ASSOCIATION OF AUTOMOTIVE PARTS & ACCESSORIES MANUFACTURERS (PAAPAM), LAHORE

26 January 2016

The automotive industry of Pakistan is the second largest payer of indirect taxes after the petroleum sector. The Pakistan Association of Automotive Parts & Accessories Manufacturers (PAAPAM) is the representative body of the automotive vending industry.

PAAPAM produces components ranging from motorcycles to trucks and buses. The seminar at PAAPAM was attended by President Mumshad Ali and Senior Member Tanvir Hayat Mir along with other members.



Dr Shahzad Ansar receiving the souvenir from President PAAPAM

Mumshad Ali said that competition plays a crucial role in business development by encouraging businessmen to invest

in technology so to bring innovation. He said PAAPAM will work together with CCP in creating awareness about the Competition Law by arranging seminars and other advocacy sessions for its members. CCP's Members Dr. Shahzad Ansar and Ikram Ul Haque Qureshi spoke at the session and answered the questions raised at the end of the session.

## SURGICAL INSTRUMENT MANUFACTURERS ASSOCIATION (SIMAP), SIALKOT

15 December 2015

The Surgical Instrument Manufacturers Association of Pakistan (SIMAP), Sialkot, represents the industry of surgical instruments manufacturing. During the seminar at SIMAP, the association's Chairman Muhammad Ashraf Raza and the members were present in large number. Members Ikram Ul Haque Qureshi, Dr. Shahzad Ansar, Mueen Batlay and Directors represented the Commission. Muhammad Ashraf Raza while addressing the seminar appreciated the advocacy initiative of CCP saying that competition was a must for economic growth and progress of business and trade. He proposed to hold a day-long awareness seminar on competition law for the businessmen involved in surgical instruments industry of Sialkot.

The participants of the seminar highlighted pertinent competition issues. They also requested for the removal of entry barriers in various sectors of the economy to pave the way for smooth business. They highlighted the problems caused by the energy shortage which was creating problems for businesses.



CCP delegation with the participants of the seminar

## PAKISTAN ELECTRIC FAN MANUFACTURING ASSOCIATION, GUJRAT

14 December, 2015

Owing to the importance of the industry, Pakistan Electric Fan Manufacturing Association (PEFMA) was included in the Road Show. The Competition Caravan was received by Imran Rafiq, Chairman and other members of the Association. The PEFMA president welcomed the CCP team and appreciated the National Road Show on Competition Law saying the initiative was very timely and beneficial for businessmen, particularly those associated with the SME industry.

CCP Members Dr. Shahzad Ansar and Ikram Ul Haque Qureshi, gave a briefing on relevant statutes of competition law. They informed the participants that competition was a must for eliminating entry barriers thus creating a conducive environment for local and foreign investment.

Members CCP  
presenting souvenir



## PAKISTAN BUSINESS COUNCIL (PBC)

15 January, 2016

Pakistan Business Council (PBC) is a business policy advocacy forum, comprising of private-sector businesses that have substantial investments in Pakistan's economy. While keeping its important role in easing out barriers for Pakistani businesses, PBC was included in Road Show. The seminar was attended by Vice President Atif Aslam Bajwa, CEO Ehsan Malik, and the Board Members in large number. The Commission's team was led by Chairperson Vadiyya Khalil, Members Mueen Batlay, Dr. Shahzad Ansar, Ikram Ul Haque Qureshi, DG Ahmed Qadir and other senior officers.

Mr. Malik CEO, and Mr. Bajwa underlined the need to create more awareness of the Competition Law for creating a culture

of competition. They said PBC was willing to work with CCP for creating awareness of the law. The participants took an active part in the discussion and brought certain competition issues in the knowledge of CCP.



▲ Group photo of CCP team with PBC officials

## FEDERATION OF PAKISTAN CHAMBER OF COMMERCE AND INDUSTRY (FPCCI), KARACHI

14 January 2016

The Federation of Pakistan Chamber of Commerce and Industry (FPCCI) is the apex body representing the country's trade, industry & service sectors. It liaisons among private sector and the government to promote exports, encourage foreign investment, and stimulate economic activity.



A group photo of CCP delegation and FPCCI officials

Under its umbrella, FPCCI has 46 Chambers of Commerce and Industry, 10 Women's Chambers of Commerce & Industry, 7 Chambers of Small Traders, 4 Joint Chambers of Commerce & Industry, 107 all Pakistan Associations, representing Industry, Trade and Service sectors. A seminar was held at the FPCCI head office, Karachi, which was attended by the Senior Vice President Khalid Tawab Khan, senior office bearers of FPCCI and its members in large number.

The Chairperson Vadiyya Khalil, Members Mueen Batlay, Dr. Shahzad Ansar and Ikram Ul Haque Qureshi, and DG Ahmed Qadir, represented CCP. Addressing the seminar, Khalid Tawab Khan said that competition law protected businesses from anti-competitive behaviour. He appreciated the role of CCP in promoting competition in the economy. Ms. Khalil urged the business community to improve voluntary compliance with the competition law. She said that Competition Policy was all about creating the best possible conditions for consumers, investors and innovative entrepreneurs.

## OVERSEAS INVESTORS CHAMBER OF COMMERCE AND INDUSTRY (OICCI), KARACHI

14 January 2016

The Overseas Investors Chamber of Commerce and Industry (OICCI) facilitates to promote foreign investments thereby playing a major role in the growth of commerce and industry of Pakistan. It is the oldest and largest investment chamber across the country. Due to its vital role on several fronts, it was included in the route of Competition Caravan. The seminar at OICCI was attended by General Secretary Abdul Aleem and members. Mr. Aleem briefed the participants on the role of OICCI and a perception and investment survey carried out by OICCI in 2015. He welcomed the advocacy initiative of CCP saying that it will help in creating awareness and understanding of the competition issues by the business community.

CCP team was led by the Chairperson Vadiyya Khalil who was accompanied by Members Shahzad Ansar, Mueen Batlay, Ikram Ul Haque Qureshi, and senior officers of the Commission. The Chairperson stressed the need to promote voluntary compliance with the law and asked OICCI to nominate a focal person for future coordination. Several competition issues were highlighted during the questions and answers session.

CCP team with OICCI members after the session



## AMERICAN BUSINESS COUNCIL OF PAKISTAN (ABC)

15 January 2016

The American Business Council of Pakistan (ABC) is a chamber of the U.S. businesses working in Pakistan over three decades. The seminar at the ABC was attended by its Senior Vice President Ahmed Jamal Mir and members of ABC. Mr. Jamal said that the competition law was important for protecting the rights of investors, particularly the foreign investors. He appreciated the CCP's efforts to create awareness of the law.

The Chairperson Vadiyya Khalil and Members Shahzad Ansar, Mueen Batlay, Ikram Ul Haque Qureshi, and senior officers of the Commission were present in the seminar. The participants were briefed on the substantive clauses of the Competition Act, adoption of the Voluntary Competition Compliance Code, and the benefits drawn by the business and consumers from a competitive economy. The participants took an active part in the discussion and highlighted various competition issues.

Dr. Shahzad Ansar  
presenting at ABC



CHAPTER

# INTERNATIONAL AFFAIRS

# 9



# CCP AWARDED 3-STAR RATING BY GLOBAL COMPETITION REVIEW

The Global Competition Review (GCR) awarded 3-star rating to the Competition Commission of Pakistan in the annual ranking of the World's top competition authorities, bringing it at par with the competition agencies of Turkey, Portugal, Switzerland, Sweden, Singapore, Poland, New Zealand, Mexico and Austria.

GCR is the London-based world's renowned Competition Law Journal and news service that evaluates the performance of the world's leading competition authorities and rates each authority on a scale of one to five stars. Pakistan and India are the only two South Asian countries to have been included in the Rating Enforcement 2016. While the Competition Commission of India (CCI) was downgraded to a 2-star rating, CCP's ranking was elevated to 3 stars out of 5 based on its performance during 2015. The maximum rating of 5-stars was given to the developed agencies of the world such as France's Competition Authority, Germany's Federal Cartel Office, Korea's Fair Trade Commission, US Department of Justice Antitrust Division, and the US Federal Trade Commission.

While discussing the performance, GCR acknowledged the Commission's "balanced approach

towards both enforcement and advocacy, a focus on the staff's capacity building, and improvement in internal processes." The GCR further stated: "There seems to be a consensus that the Commission remains a relatively open and transparent body."

The GCR also commented on the challenges faced by the Commission: "There seems to be a consensus that CCP remains a relatively open and transparent body. Ultimately the CCP has improved in some areas, but it remains constrained by systemic pressures." The biggest challenge the CCP faces is in the judicial review process due to which many of its cases are stuck in courts.

“

CCP's ranking was elevated to 3 stars out of 5 based on its performance during 2015. The maximum rating of 5-stars was given to the developed agencies of the world

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## THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The Chairperson also attended the OECD's Global Forum on Competition in Paris in October 2015. The forum was witness to interesting discussions on disruptive innovation and debate on whether competition kills or creates jobs.



## PARTNERSHIP WITH THE INTERNATIONAL TRADE CENTRE FOR THE EU'S TRADE-RELATED TECHNICAL ASSISTANCE PROGRAMME

The office of International Affairs was working closely with the international trade centre in coordinating the technical assistance of the EU-funded trade-related technical assistance programme in Pakistan. A component of TRTA activities were implemented by the Commission and successfully completed by 30 November 2015. The activities fell into two categories. One pertained to the development of three modules for various target groups.

The Competition Law and economics module was developed for the in-house capacity development of the Commission's officers. However, realising the limited availability of competition and law teaching material in academic institutions, the Commission established a partnership with the National University of Science and Technology in Islamabad to test the module in a semester setting. The positive feedback was the impetus for the Commission to plan an academia roadshow to promote the module to other universities.

The merger clearance module was developed for the capacity development of the mergers staff but its broader utility was felt for the benefit of law firms that file applications on behalf of their clients. A better understanding of the merger review and clearance process would help improve the ease of doing business in Pakistan.

With ITC's assistance, the Commission benefitted from the technical oversight of King's College, London, for the preparation of the



competition law and economics module and from the Merger Department of the Eu Directorate General of Competition in Brussels.

The third module on agency effectiveness had a more internal orientation to help the Commission focus on institutionalising performance excellence. The U.S. Federal Trade Commission helped the Commission in the development of this module.

The second category of activities was helping the Commission develop in-house capacity for competition assessments. The ITC and the Commission worked on two research studies, one on the road freight transport sector and the other on Competition Law and Policy Co-operation in South Asia. The road freight transport sector study became immediately

relevant after the announcement of the China-Pakistan Economic Corridor. The assessment of competition law and

consumer protection in South Asia was an attempt to understand the regional frameworks for competition and consumer protection to help competition agencies in the SAARC region establish a regional competition network. This would help create a common platform from which SAARC countries to establish a competition regulators' forum to work together for a competitive market economy that should benefit more than 1.5 billion people living in the South Asia region. The proposal for establishing a South

Asia Competition Network would be done at the next SAARC meeting.

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This would help create a common platform from which SAARC countries to establish a competition regulators' forum to work together for a competitive market economy that should benefit more than 1.5 billion people living in the South Asia region.

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## QUARTERLY REPORT

QUARTER  
JUL-SEP 2015

1

1. Unctad 7th Review Conference
2. Internship at Korean Fair Trade Commission & OECD workshop on telecommunications

6-10 July, 2015  
1-25 Septemebt, 2015

QUARTER  
OCT-DEC 2015

2

1. OECD's Global Forum on Competition meeting in Paris, France
2. US Federal Trade Commission(FTC) delegation to CCP
3. OECD - Korea (Merger Remedies)

29-30 October, 2015  
3-6 November, 2015  
1-3 December, 2015

QUARTER  
JAN-MAR 2016

3

1. Two member delegation for the Turkish Competition Authority came to Islamabad for training of CCP officers (specifically the M&A Department and the OIA) also attended the TCA's two-day seminar with the PRIVATISATION COMMISSION funded by the WORLD BANK
2. A WORLD BANK technical assistance mission came to Pakistan for capacity building of CCP officers
3. One officer of the Commission attended the OECD's Workshop on Building Cartel Enforcement - Hanoi

January, 2016

17-18 March, 2016

30 March - 1 April, 2016

QUARTER  
APR-JUN 2016

4

1. Competition Law Workshop on Abuse of Dominance and Unilateral Conduct - Bali
2. Competition Law Workshop on Competition Rules and the Financial Sector - Seoul

11-13 May, 2016

22-24 June, 2016

## PAKISTAN'S PARTICIPATION IN UNCTAD 7TH REVIEW CONFERENCE

The Chairperson of the Commission and the Director General, International Affairs Department participated in the United Nations Conference on Trade and Development's (UNCTAD) 7th Review Conference on the 'UN SET of Multilaterally Agreed Equitable Principles and the Rules for the Control of Restrictive Business Practices' held from 6-10 July 2015 in Geneva, Switzerland. The conference provided an occasion for heads of competition authorities and senior officials of developed and developing countries to establish direct contacts and networking among themselves for voluntary cooperation and exchange of best practices, explore avenues of vital technical assistance, and capacity building for member States so that competition law and policy can be better used for economic development.

Pakistan was elected as one of the five vice-presidents of the event along with global economic powers such as China and Malaysia. Chairperson CCP, Ms. Vadiyya Khalil, also moderated a three hour roundtable on 'Ways and Means to Strengthen Competition Law Enforcement and Advocacy'. The session was guided by the keynote address of Professor Ariel Ezzachi of Oxford University, and the participants were representative of Russia, Vietnam, Nicaragua, and the South Africa. The Commission also gave feedback on the peer review of Albania and Fiji, upon their request, for Peer re-view process done by UNCTAD.

The participation in the conference helped it to develop a new outreach Commission's strategy based on UNCTAD's Competition and Consumer Protection for All (COMPAL) Initiative that would help in the interface with other economic policies and develop partnerships with other Regional competition agencies for mutual benefit. The knowledge imparted during the technical sessions were helpful to learn about international best practices and the areas where global antitrust challenges are emerging.



### 7TH UN REVIEW

The Conference marked the 35th anniversary of when the international community adopted the UN SET and made the collective promise:

"To ensure that restrictive business practices do not impede or negate the realization of benefits that should arise from the liberalization of tariff and non-tariff barriers affecting world trade, particularly those affecting the trade and development of developing countries"

The UN SET is a multilateral agreement on competition policy that:

- Provides a set equitable rules for the control of anti-competitive practices;
- Recognises the development dimension of competition law and policy; and
- Provides a framework for international cooperation and exchange of best practices

“

Consequent to the response to a questionnaire circulated by the Korean Fair Trade Commission (KFTC) in February 2015, prepared by the Commission's Office of International Affairs, two officers attended a one month fully Funded internship programme by the Korean Fair Trade Commission, in September 2015. These officers were also able to attend OECD Korea Policy Centre's event on the telecommunications

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sector.

# FINANCIAL STATEMENTS




**Grant Thornton Anjum Rahman**

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**INDEPENDENT AUDITORS' REPORT TO THE COMMISSION OF COMPETITION  
COMMISSION OF PAKISTAN**

We have audited the accompanying financial statements of Competition Commission of Pakistan (the Commission), which comprise of the balance sheet as at 30 June 2016, the statement of income and expenditure, the statement of cash flows and statement of changes in fund for the year then ended and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

  
GRANT THORNTON ANJUM RAHMAN  
CHARTERED ACCOUNTANTS  
Engagement Partner: Nadeem Tirmizi  
Islamabad  
Date: December 21, 2017

**Chartered Accountants**  
Member of Grant Thornton International Ltd.  
Other offices in Lahore and Karachi

**COMPETITION COMMISSION OF PAKISTAN**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2016**

	Notes	2016	2015
<u>Rupees</u>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	4	9,568,229	13,767,486
Long term loans, advances and deposits	5	27,404,636	18,221,196
<b>CURRENT ASSETS</b>			
Advances, prepayments and other receivables	6	44,090,604	38,920,312
Other financial assets	7	266,491,243	155,834,192
Cash and bank balances	8	9,675,211	58,652,825
		<u>320,257,058</u>	<u>253,407,329</u>
		<u>357,229,923</u>	<u>285,396,011</u>
<b>FUND AND LIABILITIES</b>			
<b>DEFERRED LIABILITIES</b>			
General provident fund		2,976,868	3,804,528
Pension fund	9	285,049,584	245,151,400
Provision for leave encashment	10	26,122,214	20,728,960
Liability under finance lease	11	-	1,660,048
Gratuity		56,287,911	39,401,084
Restricted grant IDRC		353,728	353,728
<b>CURRENT LIABILITIES</b>			
Accrued and other liabilities	12	4,355,782	3,063,520
Provision for tax	13	1,006,926	927,365
		<u>5,362,708</u>	<u>3,990,885</u>
		<u>376,153,013</u>	<u>315,090,633</u>
<b>NET ASSETS</b>			
		<u>(18,923,090)</u>	<u>(29,694,622)</u>
<b>REPRESENTED BY</b>			
<b>FUND ACCOUNT</b>			
Accumulated deficit		(18,923,090)	(29,694,622)
		<u>(18,923,090)</u>	<u>(29,694,622)</u>
			<u>(29,694,621.97)</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

The annexed notes from 1 to 21 form an integral part of these financial statements.



CHAIRPERSON



DIRECTOR (ACCOUNTS)

COMPETITION COMMISSION OF PAKISTAN  
STATEMENT OF INCOME AND EXPENDITURE  
FOR THE YEAR ENDED JUNE 30, 2016

	Notes	2016	2015
		Rupees	
Fee and regulatory income	15	131,110,613	138,837,525
Government grant		200,000,000	200,000,000
Total income		331,110,613	338,837,525
Operating costs	16	(309,219,471)	(267,501,850)
Profit/(loss) from operating activities		21,891,142	71,335,675
Other income	17	25,457,304	9,183,885
Finance cost	18	(178,842)	(1,136,615)
<b>Profit before taxation</b>		<b>47,169,604</b>	<b>79,382,945</b>
Tax expense for the year	13	(1,006,926)	(927,365)
<b>Profit after taxation</b>		<b>46,162,678</b>	<b>78,455,580</b>
<b>Other comprehensive income:</b>			
Loss on remeasurement of pension fund		(35,391,146)	(77,811,789)
<b>Total comprehensive income for the year</b>		<b>10,771,532</b>	<b>643,791</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.

  
CHAIRPERSON

  
DIRECTOR (ACCOUNTS)

COMPETITION COMMISSION OF PAKISTAN  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016

	Notes	2016	2015
		Rupees	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Surplus before taxation		47,169,604	79,382,945
<b>Adjustments for non-cash items:</b>			
Depreciation	4	7,674,587	13,963,263
Profit on sale of fixed assets	17	(14,491,758)	(23,115)
Provision for gratuity		19,092,251	12,638,776
Provision for leave encashment	10	6,376,140	6,226,627
Provision for pension		26,526,552	16,853,686
<b>Cash flow-before changes in working capital</b>		<b>92,347,376</b>	<b>129,042,182</b>
<b>Changes in working capital</b>			
(Increase)/decrease in advances, prepayments and other receivables		(5,170,292)	(5,895,463)
Increase/(decrease) in accrued and other liabilities		1,292,262	(1,889,453)
		(3,878,030)	(7,784,916)
Payments from pension fund	9	(22,019,514)	(17,190,214)
General provident fund deductions		(827,660)	103,872
Payment of gratuity		(2,205,424)	(8,801,269)
Payment of leave encashment	10	(982,887)	(4,522,882)
Income tax paid/adjusted	13	(927,365)	(682,984)
<b>Net cash flow from operating activities</b>		<b>61,506,496</b>	<b>90,163,789</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
(Increase)/decrease in long term loans and advances		(9,183,440)	4,710,119
(Increase)/decrease in short term investments		(110,657,051)	(58,633,414)
(Addition) in fixed assets	4	(5,515,032)	(9,821,073)
Increase/(decrease) in finance lease liability		(1,660,048)	(6,756,493)
Proceeds from sale of fixed assets		16,531,460	149,769
<b>Net cash flow from investing activities</b>		<b>(110,484,111)</b>	<b>(70,351,092)</b>
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in cash and cash equivalents during the year		(48,977,615)	19,812,697
Cash and cash equivalents at the beginning of the year		58,652,825	38,840,128
<b>Cash and cash equivalents at the end of the year</b>	8	<b>9,675,211</b>	<b>58,652,825</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.



CHAIRPERSON



DIRECTOR (ACCOUNTS)

COMPETITION COMMISSION OF PAKISTAN  
STATEMENT OF CHANGES IN FUND  
FOR THE YEAR ENDED JUNE 30, 2016

Description	Reserves Rupees	Total Rupees
Balance as at June 30, 2014	(30,338,413)	(30,338,413)
Other comprehensive income for the year	643,791	643,791
Balance as at June 30, 2015	(29,694,622)	(29,694,622)
Other comprehensive income for the year	10,771,532	10,771,532
<b>Balance as at June 30, 2016</b>	<b>(18,923,090)</b>	<b>(18,923,090)</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.



CHAIRPERSON



DIRECTOR (ACCOUNTS)

COMPETITION COMMISSION OF PAKISTAN  
 NOTES TO THE ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2016

**1 LEGAL STATUS AND OPERATIONS**

The Competition Commission of Pakistan (the Commission) was established on 2nd October, 2007 under the Competition Ordinance, 2007 which was later transformed into Competition Act 2010. The Act sets out the principles and norms of sound competitive behavior as well as the manner in which these norms are to be enforced. It provides a legal framework in which a business environment based on healthy competition towards improving economic efficiency, developing competitiveness and protecting consumers from anti-competitive practices is to be created. The Head Office of the Commission is situated at 7th, 8th and 9th floor of ISE Building, Blue area, Islamabad.

**2 BASIS OF PREPARATION**

**Statement of compliance**

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Revised Accounting and Financial Reporting Standards for Small Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan.

**Basis of measurement**

These financial statements have been prepared under the historical cost convention, modified by:-  
 -recognition of certain employees benefits (pension fund) at present value.

**Functional and presentation currency**

These financial statements are presented in PAK Rupees, which is the Commission's functional and presentation currency.

**2.4 Use of significant accounting estimates and judgments**

The preparation of financial statements in conformity with the Accounting and Financial Reporting Standards for the Small Sized Entities issued by the Institute of Chartered Accountants of Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods.

Judgments made by the management in the application of accounting policies that have significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**3.1 Property and equipment are stated at cost less accumulated depreciation/amortization and impairment in value, if any. Depreciation is charged on straight line method over the estimated useful life of the asset. Rates of depreciation are specified in note 4 to the financial statements.**

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably. All other repairs and maintenance costs that do not meet the recognition criteria are charged to income and expenditure account as and when incurred.

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**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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Depreciation/amortization is charged to income and expenditure account commencing when the asset is ready for its intended use, applying the straight-line method over the estimated useful life.

In respect of additions and disposals during the year, depreciation/amortization is charged when the asset is available for use and up to the month preceding the asset's classification as held for sale or derecognized, whichever is earlier.

Assets are derecognized when disposed off or when no future economic benefits are expected to flow from its use. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on net basis within "other income" in income and expenditure account.

### **3.2 Leases**

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Commission. All other leases are classified as operating leases.

#### **3.2.1 Finance leases as lessee**

The Commission recognizes finance leases as assets and liabilities in the balance sheet at amounts equal, at the inception of the lease, to the fair value of the asset or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to similar owned assets. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the amount recognized as an asset. The liabilities are classified as current and long term depending upon the timing of payment. Lease payments are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to income and expenditure account.

### **3.3 Held to maturity investments**

Investments with fixed or determinable payments and fixed maturity that the Commission has the positive intent and ability to hold till maturity are classified as held to maturity investment. These are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using the effective interest rate method less impairment loss, if any. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount.

### **3.4 Loans and receivables**

These are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, those are classified as non-current assets. The Commission's loans and receivables comprise 'Advances, deposits and other receivables'.

### **3.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, cheques in hand, balances with banks and highly liquid short term investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value with maturity of three months or less from the date of acquisition.

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COMPETITION COMMISSION OF PAKISTAN  
 NOTES TO THE ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2016

### 3.6 Employee benefits

#### 3.6.1 Pension fund

The pension is payable to employees of defunct Monopoly Control Authority (MCA). An employee is eligible for pension after the completion of qualifying service of twenty years. In the event of death of an employee, whether before or after retirement, his family shall be entitled to receive such pension. No pension shall be admissible to an employee who is dismissed or removed from service for reasons of disciplinary actions. Provision is made annually to cover obligation under the scheme on the basis of actuarial valuation and is charged to income and expenditure account. The most recent valuation was carried out as at June 30, 2016 using the "Projected Unit Credit Method".

#### 3.6.2 Provident fund

As per clause (2) of chapter (7) of the Competition Commission (Service) Regulations, 2007 provident fund (PF) trust is required to be established for the benefits of the employees and Members of the Commission including the Chairperson. The Commission has not for the time being introduced the PF due to its stringent financial position. However, the Commission, having regard to the interest of employees, does not intend to eliminate the scheme of PF altogether. It may consider introducing the PF, when its financial position improves. Currently the Commission operates general provident fund in which employees of the defunct Monopoly Control Authority are contributing as per the rates specified by the Government, and includes the option of having interest free or interest bearing accounts. Interest bearing accounts are credited annually with the interest rate, announced by the Government.

#### 3.6.3 Staff gratuity

The Commission operates an unfunded staff gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme. Provision is made annually to cover the obligation under the scheme and is charged to income and expenditure account.

The amount of gratuity obligation to an employee, shall be the sum equal to one month's last drawn gross salary immediately preceding the date of his ceasing to be in the service of the commission or his death, for each completed year of service in the commission. Current year obligation has been measured using last drawn gross salary of all eligible employees of the Commission.

#### 3.6.4 Leave encashment

The Commission provides for compensated absences of its employees on unavailed balance of accumulated leaves in the period in which the leave is earned. Accrual to cover the obligations is made using the current salary levels of the employees.

### 3.7 Revenue recognition

Restricted grants are grants received for specific purposes which are deferred when received and recognized to income to the extent of actual expenditure incurred.

Grants related to capital expenditure are deferred and recognized as income to the extent the assets are depreciated over its useful life.

Fee and regulatory income is recognized as and when received.

### 3.8 Provisions

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

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**COMPETITION COMMISSION OF PAKISTAN**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**3.9 Foreign Currencies**

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing on the balance sheet date. Gains and losses arising on retranslation are included in income and expenditure account for the year.

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates, losses and exemptions available, if any.

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**COMPETITION COMMISSION OF PAKISTAN  
NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

**4 PROPERTY AND EQUIPMENT**

Description	Owned				Leased			Total
	Furniture and fixtures	Computer & accessories	Office equipment	Office refurbishment	Vehicles	Leased vehicles		
<b>Cost</b>								
Cost as on July 01, 2014	14,283,341	16,117,247	4,416,826	11,023,333	6,434,420	24,199,708		76,474,875
Additions	2,584,356	4,804,575	1,520,247	911,895	-	-		9,821,073
Disposals/ transfers	(83,060)	(72,105)	(666,372)	-	-	-		(821,537)
<b>Cost as on June 30, 2015</b>	16,784,637	20,849,717	5,270,701	11,935,228	6,434,420	24,199,708		85,474,411
Cost as on July 01, 2015	16,784,637	20,849,717	5,270,701	11,935,228	30,634,128	-		85,474,411
Additions	757,299	4,173,043	206,579	314,611	63,500	-		5,515,032
Disposals/ transfers	(1,764,426)	-	(562,839)	(235,000)	(22,119,114)	-		(24,681,379)
<b>Cost as on June 30, 2016</b>	<b>15,777,510</b>	<b>25,022,760</b>	<b>4,914,441</b>	<b>12,014,839</b>	<b>8,578,514</b>	-		<b>66,308,064</b>
<b>Depreciation</b>								
Balance as on July 01, 2014	11,305,403	14,330,719	3,376,497	6,274,036	5,002,109	18,149,781		58,438,546
Charge for the period	1,618,105	2,802,822	645,887	2,099,638	746,884	6,049,927		13,963,263
On disposals/ transfers	(40,112)	-	(654,772)	-	-	-		(694,884)
Balance as on June 30, 2015	12,883,396	17,133,541	3,367,611	8,373,675	5,748,993	24,199,708		71,706,925
Balance as on July 01, 2015	12,883,396	17,133,541	3,367,611	8,373,675	29,948,701	-		71,706,925
Charge for the period	1,279,166	3,529,552	532,302	1,968,737	364,830	-		7,674,587
On disposals/ transfers	(370,045)	-	(112,568)	(39,950)	(22,119,114)	-		(22,641,677)
<b>Balance as on June 30, 2016</b>	<b>13,792,517</b>	<b>20,663,093</b>	<b>3,787,346</b>	<b>10,302,462</b>	<b>8,194,417</b>	-		<b>56,739,835</b>
<b>Carrying amount June 30, 2016</b>	<b>1,984,993</b>	<b>4,359,667</b>	<b>1,127,095</b>	<b>1,712,377</b>	<b>384,097</b>	-		<b>9,568,229</b>
<b>Carrying amount June 30, 2015</b>	<b>3,901,241</b>	<b>3,716,176</b>	<b>1,903,090</b>	<b>3,561,553</b>	<b>685,427</b>	-		<b>13,767,486</b>
<b>Rate of depreciation per annum</b>	<b>20%</b>	<b>33%</b>	<b>20%</b>	<b>17%</b>	<b>20%</b>	<b>25%</b>		

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COMPETITION COMMISSION OF PAKISTAN  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Notes	2016	2015
Rupees			
<b>5 LONG TERM LOANS, ADVANCES AND DEPOSITS</b>			
Loans to employees- considered good		24,679,911	15,297,879
General provident fund advance- considered good		80,589	79,181
Security deposits		2,644,136	2,844,136
		<u>27,404,636</u>	<u>18,221,196</u>
<b>6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Short term portion of loans to employees- considered good		10,542,203	9,258,660
Prepayments		25,927,620	23,544,641
Withholding tax deducted at source		1,906,560	1,059,873
Interest receivable-advances to employees-considered good		965,254	894,393
Other receivable- considered good		3,777,904	3,080,535
Staff advances		971,063	1,082,210
		<u>44,090,604</u>	<u>38,920,312</u>
<b>7 OTHER FINANCIAL ASSETS</b>			
Term deposit receipts-main account investments	7.1	265,000,000	155,000,000
Interest receivable on investment- considered good		1,491,243	834,192
		<u>266,491,243</u>	<u>155,834,192</u>
<p>7.1 This represents three TDRs having face value of Rs. 45 million, Rs. 50 million and Rs. 20 million with three months maturity and one TDR having face value of Rs. 150 million with six months maturity (2015: four TDRs having face value of Rs 30 million, Rs. 60 million, Rs. 30 million and Rs. 60 million) due on July 07, 2016 September 14, 2016 September 30, 2016 and November 29, 2016 respectively. These TDRs carry an effective interest rate ranging from 5.7% to 5.9% per annum respectively (2015:6.2% to 7.4% per annum)</p>			
<b>8 CASH AND BANK BALANCES</b>			
Rupees			
Cash in hand		33,163	38,071
Cash at bank:			
-Current account		8,502,566	56,592,527
-Deposit account		1,139,482	2,022,227
		<u>9,675,211</u>	<u>58,652,825</u>
<b>9 PENSION FUND</b>			
Opening balance		245,151,400	167,676,139
Payments during the year		(22,019,514)	(17,190,214)
Expense for the year		61,917,698	94,665,475
Closing balance		<u>285,049,584</u>	<u>245,151,400</u>
<b>10 LEAVE ENCASHMENT</b>			
Opening balance		20,728,960	19,216,127
Payments during the year		(1,005,328)	(4,713,794)
Expense for the year		6,398,582	6,226,627
Closing balance		<u>26,122,214</u>	<u>20,728,960</u>

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COMPETITION COMMISSION OF PAKISTAN  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Notes	2016	2015
		Rupees	
<b>11 LIABILITY UNDER FINANCE LEASE</b>			
Not later than one year		-	1,660,048
Minimum lease payments		-	1,660,048
<b>12 ACCRUED AND OTHER LIABILITIES</b>			
Accrued expenses		3,158,663	2,075,211
Withholding tax payable		3,931	196,155
Other liabilities		1,193,188	792,154
		<u>4,355,782</u>	<u>3,063,520</u>
<b>13 PROVISION FOR TAX</b>			
Opening balance		927,365	682,984
Provision for income tax - prior years		-	-
Provision for income tax - current years		1,006,926	927,365
		<u>1,934,291</u>	1,610,349
Income tax paid/adjusted		<u>(927,365)</u>	<u>(682,984)</u>
		<u>1,006,926</u>	<u>927,365</u>
<b>14 CONTINGENCIES AND COMMITMENTS</b>			
<b>14.1 Contingencies</b>			
Several cases are pending adjudication in the superior Courts against the actions taken or orders passed by the Commission. Recovery of exact amount of penalties imposed by the Commission will be determined after the decisions of the said cases by the superior Courts whereby the Courts can uphold, set aside or reduce the penalty. All penalties & fines recovered shall be credited to the Public Accounts of the Federation u/s 40(8) of the Competition Act 2010 .			
<b>14.2 Commitments</b>			
There is no material capital commitment as at June 30, 2016 (2015: Nil).			

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COMPETITION COMMISSION OF PAKISTAN  
NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2016

	Notes	2016	2015
Rupees			
<b>15 FEE AND REGULATORY INCOME</b>			
Fee income	15.1	100,692,584	92,736,525
Fee from SECP	15.2	30,418,029	46,101,000
		<u>131,110,613</u>	<u>138,837,525</u>
<b>15.1 Fee income</b>			
Acquisition fee		73,270,670	67,100,000
Exemption fee		12,011,914	12,600,000
Merger/amalgamation fee		14,800,000	12,425,725
Complaint lodging fee		550,000	505,000
Statement showing fee		55,000	5,800
Copying fee		5,000	-
Penalty fee		-	100,000
		<u>100,692,584</u>	<u>92,736,525</u>
<b>15.2</b>	Under Section 20(2)(f) of the Competition Act, 2010 read with S.R.O 1292(I)/2008 dated 23-12-2008, a statutory charge of 3% of the fee and charges collected by the Securities and Exchange Commission of Pakistan (the SECP), the National Electric Power Regulatory Authority (the NEPRA), The Oil and Gas Regulatory Authority (the OGRA), the Pakistan Telecommunication Authority (the 'PTA'), and the Pakistan Electronic Media Regulatory Authority (the 'PEMRA') is payable to the Commission. The Commission has consistently and persistently followed up payment with all regulatory bodies. The regulatory bodies have not yet paid the statutory charge to the Commission. However, during the year SECP has made a payment of Rs 30.42 million(2015:46.10 million) to the commission in respect of the said statutory charge. As recovery is in doubt so Commission has not accounted for this statutory		
<b>16 OPERATING COSTS</b>			
Salaries and benefits		216,665,073	177,882,663
Travelling and conveyance		12,566,474	7,947,057
Rent for office building		37,275,583	38,241,341
Office building services charges		4,442,927	3,605,140
Communications		5,669,324	4,297,326
Utilities		6,897,035	4,510,643
Printing and stationery		1,608,476	1,677,638
Legal and professional charges		9,460,800	5,743,487
Fee and subscription		1,451,434	247,818
Advertisement and publicity		567,920	1,987,314
Conference, workshop and seminar		270,795	2,307,606
Repair and maintenance		1,784,891	2,054,877
Office supplies		454,745	848,480
Newspaper and periodicals		457,307	529,841
Insurance of vehicles		127,173	518,799
Audit fee		255,680	280,000
Bank charges		12,072	13,470
Depreciation		7,674,587	13,963,263
Entertainment		920,330	452,450
Miscellaneous expenses		656,845	392,637
		<u>309,219,471</u>	<u>267,501,850</u>

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**NOTES TO THE ACCOUNTS**
**FOR THE YEAR ENDED JUNE 30, 2016**


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	Notes	2016	2015
<u>Rupees</u>			
<b>17 OTHER INCOME</b>			
Profit on sale of fixed assets		14,491,758	23,115
Interest income on investment		10,573,341	5,464,584
Interest income on advances to employees		70,861	79,297
Miscellaneous income		321,344	3,616,889
		<u>25,457,304</u>	<u>9,183,885</u>
<b>18 FINANCE COST</b>			
Lease rentals		7,643	700,773
Interest expense on GP Fund		171,199	435,842
		<u>178,842</u>	<u>1,136,615</u>

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**19 AUTHORIZATION OF FINANCIAL STATEMENTS**

These accounts are authorized for issue by the members of the commission on \_\_\_\_\_.

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**20 NUMBER OF EMPLOYEES**

The total number of employees at the end of the year were 153 (2015: 143).

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**21 GENERAL**

**21.1** All above figures are rounded off to the nearest rupee.

**21.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. 2016



CHAIRPERSON



DIRECTOR (ACCOUNTS)



## Competition Commission of Pakistan

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