ANNUAL REPORT

FY2020

Competition Commission of Pakistan
Creating a level playing field

Mission Statement

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.

Chairperson's Message

VADIYYA KHALIL

I am delighted to present to you the Competition Commission of Pakistan's (Commission) Annual Report for the Financial Year 2020. The report comprehensively outlines the Commission's performance and initiatives in the areas of enforcement, research, mergers, and advocacy.

As the Commission's core function is the enforcement of the law, we remain steadfast in our commitment to discharging this function with speed and transparency. In the realm of cartel and trade abuse, we successfully completed four enquiries and issued four orders. Notably, we imposed a penalty of PKR 75 million on the Pakistan Flour Mills Association for cartelization and price fixing. Additionally, we issued a general warning to the pharmaceutical industry players to be mindful of Competition Law violations as the Commission remains vigilant to anti-competitive activities.

The four enquiries we completed covered a range of sectors, including airlines, consumer goods, seaport terminals, and power sectors. One of the enquiries was related to Resale Price Maintenance by two major electronic goods companies that had entered into price fixing agreements with their dealers in violation of the law. Similarly, we uncovered a prima facie cartel of 47 companies in the power sector.

Enforcing Section 10 of the Competition Act, 2010 (the Act) pertains to the consumer protection aspect of the Competition Law. While enforcing this section, we completed three enquiries and passed nine orders imposing over PKR 170 million on companies found guilty of deceptive marketing practices.

Mergers review is another core function of the Commission. This year, we approved 59 mergers, including a phase-II review of the Uber-Careem merger.

The Commission is also authorized to review policy frameworks for fostering competition and offer recommendations to the Federal and Provincial governments on matters that affect competition. We issued two Policy Notes and an Opinion. One Policy Note recommended that the Securities & Exchange Commission of Pakistan resume the cost audit of five sectors, including cement, sugar, vegetable ghee/cooking oil, fertilizer, and wheat flour industries. Another Policy Note urged provincial governments to ensure uniformity in laws relating to essential commodities. Additionally, we issued an Opinion following an Open Hearing on “the Shortage of Wheat Straw in the country” and recommended that the Government of Pakistan formulate a comprehensive policy for the effective utilization of crop residues, including wheat straw, at a reasonable price.

Research is an integral area where the Commission conducts impact assessment studies to identify the areas of competition vulnerabilities. This year, we completed two studies: one focusing on the LPG sector and another on the air transport sector. These research studies help strengthen the Commission’s enforcement function.

To accomplish the above work, the Commission has an excellent team of professionals for whom we continuously undertake capacity-building initiatives. In this regard, the World Bank held a training workshop on “Dawn Raids” for our enforcement officers. Additionally, a group of ten of our officers attended a 15-day fellowship program on Competition Law in South Korea. The fellowship program was part of a three-year capacity-building initiative under the International Cooperation Program of Korea, the Korean International Cooperation Agency (KOICA), and the Korea Fair Competition Federation (KFCF).

The Commission remains committed to promoting competition in Pakistan’s economy and will continue to carry out its mandate in the most transparent and efficient manner possible.

Vadiyya Khalil

CHAIRPERSON

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The commission.

CHAPTER 1:

Ms. Vadiyya Khalil

CHAIRPERSON

Ms. Khalil was appointed as the Chairperson 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. It spans 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 United Kingdom, 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. Shahzad Ansar

MEMBER

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

Dr. Ansar has a Master's degree in Engineering Geology. He is a Certified Small & Medium Enterprise (SME) Manager in the Doctorate category and also holds an International Advanced Diploma in Human Resource Management. Moreover, he 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 worked with the Federal Ministry of Industries & Production as the CEO of its sector development company.

Mr. Ansar has 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.

Dr. Muhammad Saleem

MEMBER

Dr. Muhammad Saleem was appointed as Member on 4 December 2017. He is overseeing the Competition Policy & Research (CP&R) and Human Resource departments.

Dr. Saleem has an MSc in Economics from Quaid-e-Azam University, Islamabad as well as another Master's degree and a PhD in Economics from the Kansas State University, USA. His professional experience spanning 33 years includes serving as the Director General Finance and Commercial Affairs in the Pakistan Telecommunication Authority (PTA) and working with the Ministries of Planning & Development and Commerce. He also worked with the Government of Oman as an Economic/Regulatory Advisor and played an instrumental role in establishing Oman's Telecom Regulatory Authority (TRA).

Dr. Saleem's contributions include playing a role in formulating the National Telecom Policy, 2015, preparing the Vision 2025 document, and devising the Digital Financial Inclusion Strategy. He has published several reports and research papers, including a Report on Institutional Design of Regulatory Bodies: Diagnostic and Reform Directions (Convener of Working Group, Ministry of Finance) and written a book on "Fair Trade Practices in Telecommunications Sector".

Ms. Shaista Bano

MEMBER

Ms. Shaista Bano was appointed as Member on 5 April 2019. Shaista Bano has a Master's Degree in 'Economics for Competition Law' from King's College, University of London, and a Master's in Business Administration with majors in Finance from Quaid-e-Azam University Islamabad. She is also an Associate Chartered Certified Accountant (ACCA).

She started her career with the Securities & Exchange Commission of Pakistan in 2001 as the Deputy Registrar of Companies. In 2007, she joined the Commission and became a key member of the enforcement team. Before she was appointed Member, she worked with the Commission as Director General Cartels & Trade Abuse. She led several cartel investigations, searches & inspections. She authored various inquiry reports on a wide range of industry and economic sectors such as telecommunications, electronic media, electricity generation and distribution, LPG, CNG, sugar, cement, stock exchanges, jute mills etc. These investigations, searches and enquiry reports have exposed some of the most harmful cartels and abusive practices.

Ms. Bushra Naz Malik

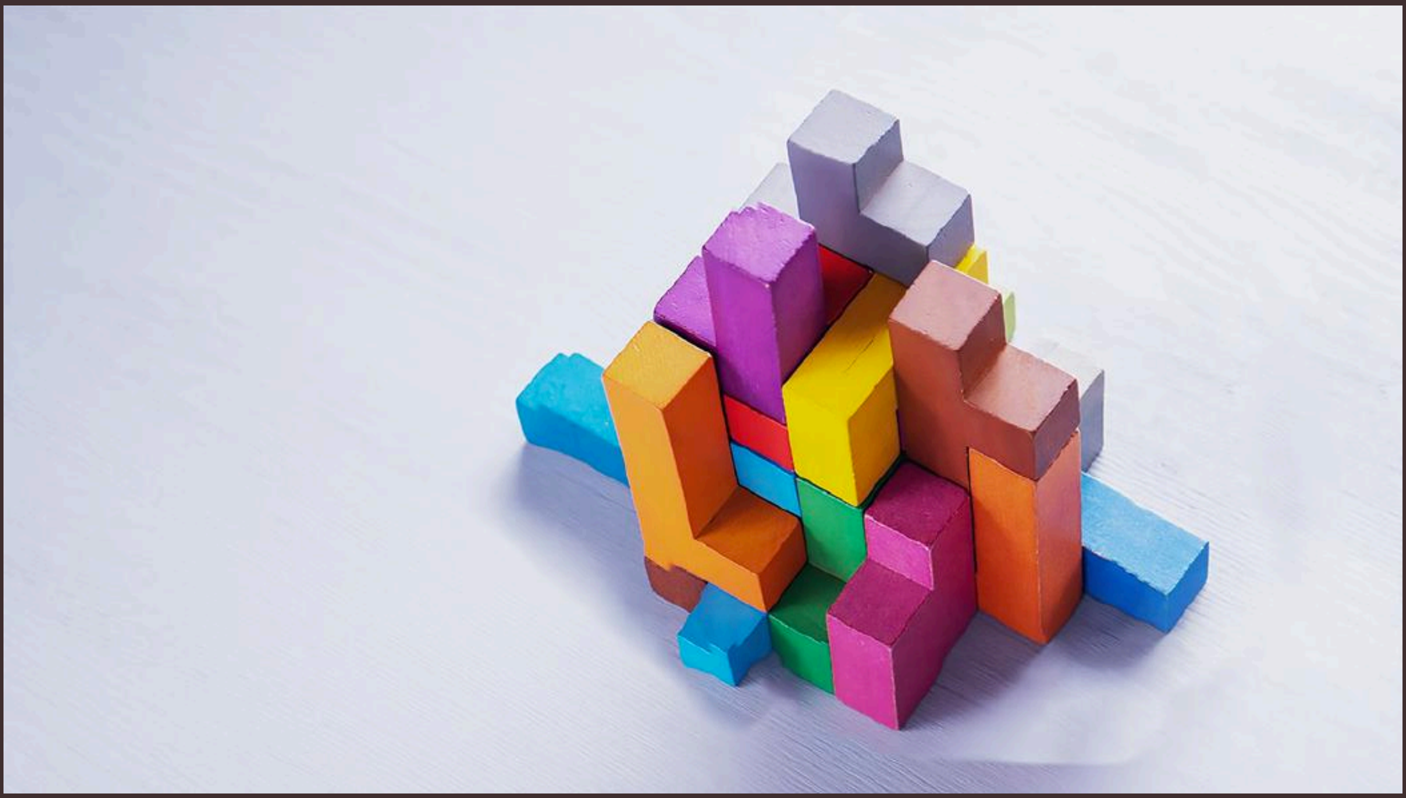
MEMBER

Ms. Bushra Naz Malik was appointed as Member on 5 April 2019. She possesses a diverse educational and professional background. She is an FCA from Pakistan and CA/CPA from Ontario, Canada. She also did an MBA from the Joint Program of Kellogg Business School, USA and Schulich Business School, Canada and AMP from Harvard Business School, USA. Additionally, she has graduate degrees in Law and Arts from Pakistan.

She has provided consultancy services to several public and private organisations in Pakistan and abroad. She has also served in the private sector in the lead positions and worked for business development for 18 years. She is also a certified director from the Pakistan Institute of Corporate Governance (PICG) and the Institute of Chartered Accountants of Pakistan (ICAP). She completed her six-year term as the Chair of the independent oversight committee at the International Labour Organisation (ILO), Switzerland, in December 2018. She is also a Board Member and Audit Chair of World Agroforestry Centre, Kenya, Centre for International Forestry Research, Indonesia, Pakistan Industrial Development Corporation, Trading Corporation of Pakistan, and Ex-Board Member of Fauji Fertilizer Company Limited. She is a serving member of the oversight committee of UNHCR, Switzerland and has been a Board Member and Audit Chair for CGIAR, France and Lahore Stock Exchange, Pakistan. She served in 2012 as director finance of campaign committee, Tran Nhan Tong Academy, Boston, promoting peace through music and a member of Pakistan steering group for Commonwealth Business Women in the same year.

Organisational structure.

CHAPTER 2



Commission's Secretariat

The Commission's Secretariat was established under the Competition Commission (Conduct of Business) Regulations, 2007. The Secretary to the Commission heads it, and its framework includes procedure and conduct of the business of the Commission under 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's responsibilities include representing the Commission at any forum as authorised by the Commission or Chairperson, issuing notices and minutes of the Commission's meetings, and certifying the decisions or documents used in hearings. The Commission also assigns other powers and duties to the Secretariat or the Secretary depending on organisational exigencies.

Cartels and Trade Abuses Department

The Cartels and Trade Abuses Department plays a crucial role in the Commission's enforcement work. Cartels result from arrangement(s) between firms designed to limit or eliminate competition between them to increase 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 the aforementioned practices. Cartels are harmful to consumers and society as a whole because cartel members can charge higher prices (and earn higher profits) than in a competitive market.

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 market power would have the ability to sell products of inferior quality setting prices above the competitive level or reduce innovation to a sub-competitive level. 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, either through exclusionary or exploitative conduct.

Exemptions Department

Consistent with global best practices, 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. The onus of claiming/proving efficiencies lies with 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 (OFT)

The Office of Fair Trade (OFT) was established within CCP in 2008 to promote compliance with competition law and improve trade practices through self-regulation while taking decisive action against hardcore or flagrant offenders of the Act. It serves as a watchdog in Pakistan's business environment to promote healthy competition and protect consumers from deceptive marketing practices, as outlined in Section 10 of the Act. Additionally, the OFT ensures that consumers have access to adequate information to make informed purchasing decisions.

To achieve its objectives, the OFT reviews marketing practices and assists the Commission to correct situations where businesses disseminate false or misleading information or engage in practices likely to mislead consumers. It screens a variety of media, including advertisements, product packaging/labelling, social media, websites, and print/electronic media, to ensure compliance with competition law.

The OFT aims to promote fair competition among businesses while protecting them from unfair practices, creating a level playing field for all. At the same time, consumers' interest is protected when they can make informed purchasing decisions. Ultimately, the OFT's efforts play an essential role in bolstering consumer confidence in the economy and ensuring fair competition among businesses.

Mergers & Acquisitions Department

The Commission expects corporate structures to reflect changes of a market economy, 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 is not to prevent mergers per se, but to prevent the creation of either a dominant position that enable undertakings to act independently from market forces or limit the number of undertakings that facilitates cartelisation.

Advocacy Department

The Advocacy and Media Department is responsible for undertaking advocacy initiatives for the promotion of competition and compliance through non-enforcement means, managing the Commission's communication with the media, and overseeing its publications, which play a central role in the Commission's outreach efforts.

The Commission's publications are designed to serve various stakeholders. They include Guidance on Competition Compliance that outlines their rights and responsibilities under the law, a quarterly newsletter, the Annual Report, and training materials for students of business, economics, and law in partnership with key universities.

The Department also coordinates meetings of the Competition Consultative Group, which serves as a platform for engagement with stakeholders. The Department prioritizes imaginative publicity and communication strategies to raise awareness and promote understanding of the Commission's activities.

The Commission's power to hold open public hearings on any matter that affects the state of competition in Pakistan is expressly provided under the law. Such authority has proven to be highly effective in enabling the Commission to engage and accommodate conflicting viewpoints and parties to gain a holistic understanding of prevalent issues. Open hearings also help the Commission focus on public policy analysis and generate support for policy changes aimed at strengthening 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.

Office of International Affairs

The Office of International Affairs (OIA) was established as the focal 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 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 cooperative relationships with other competition agencies globally, be it on a bilateral or regional basis.

Office of the Registrar

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 on 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 Commission's internal operations and day-to-day functioning come under the aegis of corporate affairs and are performed by the Administration, Accounts, and Human Resources Departments. The Commission has emphasised improving the facilities, policies, and procedures.

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

- **ACCOUNTS:** The Accounts Wing is responsible for accounts and internal controls. There is an increasing emphasis on cost control within the Commission due to the limited budget available.
- **ADMINISTRATION:** 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. .
- **HUMAN RESOURCES:** 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, along with recruitment of talent. HR reviews the employees' performance regularly through performance appraisals. To improve the efficiency levels of the Commission's officers and staff, each employee is required to undertake relevant training sessions and development programmes.

Internal Audit

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 and control and risk management in implementing agreed strategies across the organisation. IA aims to add value and improve operational efficiency, the economy and effectiveness of the management process, risk management, and internal control systems.

Information Systems & Technology

Information Systems and Technology (IS&T) manages and supplies all IT-related services to support the Commission's goal of increasing the 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 upgrading its digital process management system, spearheaded by the IT Department. A digital forensics laboratory has been set up with basic equipment already in place. The Department performs some forensic work and up-gradation in sync with emerging technologies.

Abuse of Dominance and Prohibited Agreements

CHAPTER 3

ORDER

Pharmaceutical Sector Cautioned Over Anti-Competitive Practices

6 AUGUST 2019

The Commission took notice of news reports regarding an unprecedented hike in the price of various therapeutic medicines by multinational pharmaceutical companies (MPCs). The reports alleged that MPCs had increased the prices of a range of medicines up to 300% using the platform of Pharma Bureau, an association of more than 20 multinational pharmaceutical companies.

The Commission constituted an enquiry committee to investigate these allegations. The Commission authorised a search and inspection of the Pharma Bureau Karachi office on the enquiry's recommendations. The enquiry suspected Pharma Bureau and its member undertakings of, prima facie, sharing commercially sensitive information and providing continuous updates and comprehensive overview of prices, costs, profits, demands, and the industry as a whole. The Bureau and MPCs used this information to discuss and prepare recommendations for and agreements on the increase in prices of their various pharmaceutical products. The enquiry also found that Pharma Bureau and its member undertakings were, prima facie, acting collusively to influence the pricing policies and were engaged in discussions on prices from time to time. Both actions were in violation of Section 4 of the Competition Act.

On the enquiry's recommendation, the Commission issued Show Cause Notices to the undertakings. However, during the hearings, the enquiry team could not satisfy the bench members on its findings.

After hearing all the parties, the bench set aside its Show Cause Notice issued to Pharma Bureau for, prima facie, cartelisation. However, it warned that the pharmaceutical sector was under the Commission's watch, and any collusive or anti-competitive activity will not go unnoticed. The bench set aside the enquiry's findings in the matter.

The order stated that there was no evidence of Pharma Bureau taking any action or decision to prevent, restrict or reduce competition within the relevant market in violation of Section 4 of the Act. The bench reiterated that the Commission remains vigilant against all forms of collusion and cartelisation in any market as these anti-competitive activities affect the market players and the general public.

ORDER

75 Million Fine Imposed on Pakistan Flour Mills Association over Price Fixing

13 DECEMBER 2019

The Commission took notice of news reports identifying unexplained hike in the prices of 'wheat flour' or 'wheat atta' across Pakistan in recent months. It authorised an enquiry to see whether the price hike was due to anti-competitive activities.

After a preliminary probe, the enquiry team obtained authorisation from the Commission to carry out a search and inspection at PFMA premises to impound the record of any suspected anti-competitive activity. The enquiry team concluded its report in which it held that PFMA was, prima facie, involved in anti-competitive activities and was providing a platform to its members for cartelisation. Instead of competing, flour mills used PFMA's forum to discuss and set the wheat flour prices. These practices were ostensibly a violation of Section 4 of the Act.

On the enquiry's recommendations, the Commission issued Show Cause Notice to PFMA and called it for hearing to explain its position viz-a-viz the enquiry's findings.

After hearing the parties, the bench passed an order stating that PFMA had indeed violated Section 4 of the Act by fixing the price of wheat flour, providing its platform to share commercially sensitive information, and fixing the quantities of wheat flour production. The Commission imposed a maximum penalty of PKR 75 million on PFMA for cartelisation.

The Commission observed that having a maximum cap on the essential food item benefits the consumer to bargain for a lower price and prevents retailers from overcharging consumers. This also enables retailers to discount the product to increase their sales. PFMA, in complete derogation of these objectives, held meetings in which it deliberately fixed the rates of wheat flour and the quantities to be produced and supplied by Flour Mills.

The order said that price-fixing is one of the most egregious and severe violation of competition law, which disturbs the central nervous system of the economy; hence cannot be tolerated at all.

On the role of associations, the order said that any discussion or sharing sensitive commercial information that could allow members, who are competitors, to co-ordinate business policy must be avoided. Therefore, business associations should avoid discussing current and future pricing, production, and marketing strategies. In short, associations must ensure that their platforms are not used for collusive activities.

ORDER

KP Directorate of Agriculture Engineering Cleared of Anti-Competitive Charges

16 DECEMBER 2019

Catkin Engineering filed a formal complaint against the Khyber Pakhtunkhwa Directorate of Agriculture Engineering, alleging that it had included certain unfair trading conditions in the tender for procurement and installation of Deep Solar Pumping Systems on Agriculture Tube-wells/open-wells. The complainant said the tender was anti-competitive and violated Section 4 of the Competition Act.

According to the complainant, the tender issued by the Directorate contained specific exploitative and anti-competitive terms and conditions. These included: the requirement of the interested firms' registration with the Khyber Pakhtunkhwa Revenue Authority (KPRA); an average turnover of PKR 200 million for the last three years in solar pumping systems; experience of projects of similar and complex nature worth PKR 10 million completed in last five years; and a test bed for verification/testing of solar pumps along with all accessories as per ISO 9906 in company premises (firm must have third party certification regarding test bed arrangements).

The Commission's enquiry found that the respondent's grievance redressal committee had addressed the complainant's concerns regarding the tender conditions. However, the enquiry committee still examined the tender clauses one by one to see whether there was any violation of the Competition Act. The enquiry found no breach of the competition law in the tender document.

The Commission passed an order agreeing with the enquiry committee that the Directorate had not violated the competition law in issuing the tender. The order assessed the tender clauses.

Regarding the first condition, the order stated that registration with KPRA is the same as obtaining a National Tax Number (NTN) from the Federal Board of Revenue (FBR), i.e. a person/entity does not have to be paying any taxes to obtain an NTN. It also observed that registration with KPRA can be done online through its website. Therefore, it appears that this clause did not adversely impact competition.

Regarding the second condition of PKR 200 Million average turnover requirement, the order stated that the PEC recommendation is to maintain an average turnover over five years. However, the bidding document requires turnover to be maintained over a three-year period, which appears to be less stringent since it would be easier for a firm to maintain a certain level of sales over three years rather than five years. Therefore, this clause did not impede competition.

The order noted that the burden of proof rests with the complainant, who has failed to substantiate how the impugned clause is restrictive of competition. Moreover, the condition about PKR 10 million worth of projects in the last five years does not appear to be anti-competitive as the value of the project is much more significant.

Moreover, the condition of having the testbed facility on the company premises appears to be unnecessary, and the Khyber Pakhtunkhwa Directorate of Agriculture Engineering has failed to provide a satisfactory answer as to why 13 marks were assigned for this requirement.

The Bench disposed the case, establishing that no violation of Sections 3 or 4 of the Competition Act was made out in the tender's clauses.

ORDER

Airlines Waive Indemnity Bond Requirement in Exports of Fruits from Pakistan

19 JUNE 2020

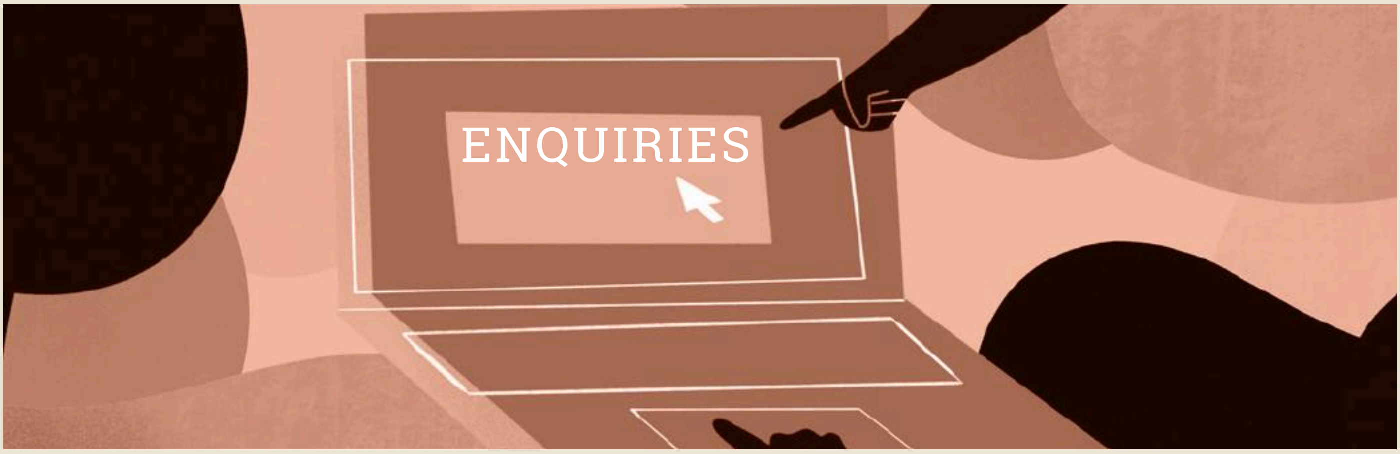
The Commission received a complaint against foreign airlines operating in Pakistan including, Emirates Airline, Qatar Airways, Oman Air, Turkish Airways, Gulf Air, Saudi Arabian Airlines and Etihad Airways, for prima facie violation of Section 3 of the Act. The complainants include All Pakistan Fruit & Vegetable Exports, Importers and Merchants Association (ACAAP), Vegetable Exporters, Importers and Merchants Association, and Air Cargo Agents Association of Pakistan (PFVA).

The complainants alleged that the airlines were charging higher rates for mango exports from Pakistan compared to the mango exports from India to the same destinations. Furthermore, exporters had to submit a no-claim undertaking or indemnity bond that exempted the airlines from the loss incurred due to delay or damage caused during transit and handling. They termed that condition a significant hurdle in mango export to the United Arab Emirates, Europe, and other countries forcing many exporters to quit the export business due to this condition.

The Commission's enquiry noted that contrary to international conventions and prevalent practice in other jurisdictions, Pakistani mango exporters were required to furnish an indemnity bond to all airlines (except Turkish) that absolved them of all responsibility of any loss.

During the hearings, the complainants submitted that soon after the enquiry initiation by the Commission, the airlines immediately waived the requirement of filing of Indemnity bond/no claim. After removing the said condition, they informed that the airlines are now responsible for catering the losses or damages, if incurred, during the air carriage as this issue was pending for the last fifteen (15) years.

The Bench, in its order, acknowledged that the primary grievance of the complainants was addressed and thus, did not require any further action.



ENQUIRY

PIA Cleared of Predatory Pricing Charges

05 JULY 2019

Shaheen Air International sent a formal complaint against Pakistan International Airlines (PIA), accusing it of predatory pricing on ticket rates for its flights between Islamabad and Manchester. Predatory pricing in the relevant market by a dominant undertaking is a violation of Section 3 of the Act.

The Commission conducted an enquiry to see whether the respondent held a dominant position in the relevant market and whether its actions constitute abuse in terms of Section 3 of the Act. Based on the facts, the enquiry found that the PIA carried more passengers every month, i.e., 13,989 on average, and had a 100 percent share on the direct routes, which makes it a dominant entity in the relevant market.

However, contrary to the accusations, the enquiry found no evidence of PIA's involvement in predatory pricing during the period (March 2016 to February 2017). Shaheen Air was operational on the impugned routes and a comparison of fares showed that, except for two months, PIA's fares were higher than Shaheen Air.

Thus, considering the enquiry's findings, PIA did not violate Section 3 of the Act.

ENQUIRY

Home Appliances Firms Found Involved in Resale Price Maintenance

18 SEPTEMBER 2019

The Commission initiated an enquiry after taking notice of the price control circulars issued by Haier Pakistan Pvt. Ltd and DEL Electronics Pvt. Ltd restricting their respective dealers to sell their products at fixed prices. Through its different price control circulars, obtained during the market survey of electronic goods, the two firms restricted their dealers to sell their products at prices fixed by Haier and DEL without any discounts and promotions. Such a practice is called “Resale Price Maintenance (RPM)”, which occurs if a supplier pressures a business (or its dealers) not to sell products below a certain price and is prohibited under the Competition Law. Under RPM agreements, firms typically force their dealers to: sell at a specific price; not sell below a certain price; only discount to the extent that is ‘agreed’ or no discount at all and; comply with a recommended retail price (RRP) or not price a certain percentage below it.

The Commission constituted an Enquiry Committee to examine the allegations to determine whether both firms violated Section 4 of the Act by issuing its price control circulars to their dealers. To further gather the facts, the enquiry team conducted an ‘enter and search’ inspection of Haier’s Lahore office and DEL’s Karachi office and impounded the relevant record.

In its report, the Enquiry Committee concluded that both Haier and DEL Electronics had engaged in ‘Resale Price Maintenance’ through their price control policy by restricting their authorised dealers from selling products below its fixed prices. Moreover, they had also set the labour rates for the installations of split ACs and stopped their dealers from giving any additional services to customers.

The enquiry report concluded that Haier and DEL Electronics had, prima facie, violated Section 3 of the Act and recommended initiating the proceedings against them under section 30 of the Act.

ENQUIRY

Pakistan International Bulk Terminal (PITB) Limited, Prima Facie, Found Involved in Discriminatory Practices

18 DECEMBER 2019

The Commission received a formal complaint from Lucky Commodities Limited against Pakistan International Bulk Terminal Limited (PIBT) regarding an unreasonable increase in handling tariff from September 2018 to December 2018. PITB hold a dominant position in the relevant market as it is the only terminal for handling commercially imported coal.

The complainant alleged that the PITB was abusing its dominant position by charging exorbitant tariff rates from all coal importers. Moreover, the complainant also alleged that it was facing discriminatory behaviour by PITB.

The Commission conducted an enquiry to see whether the PITB holds the dominant position in the relevant market and abused its dominance by indulging in an unjustified increase in handling tariffs and discriminatory practices.

The enquiry found that the implementation agreement allows PIBT to bill the handling charges in US Dollars. Hence, contrary to the accusations, the PITB has not increased the handling tariffs in dollar terms. The currency depreciation of PKR against the USD has resulted in an exponential increase in tariffs in the rupee term. However, the implementation agreement does not allow PITB to impose ancillary charges in USD and on a per ton basis. The enquiry report found PIBT's was involved in discriminatory practices in dealing with its customers. It offered different discounts to different customers on ancillary charges, providing 20 days storage service to some customers and 15 days to others and; requiring some customers to make advance payments and others do not.

The Enquiry Report recommended that the Commission initiate further proceedings against PITB under Section 30 of the Act.

ENQUIRY

Collusive Practices in Power Sector: Action Initiated Against 47 Companies

08 JUNE 2020

The Commission initiated a formal enquiry on a tip-off from an informant regarding, prima facie, collusive activities of line hardware suppliers/manufacturers in the tenders floated by power distribution companies (DISCOs). Line hardware items are components used in transmission lines for electricity distribution. The Commission conducted an enquiry to examine the allegations.

The Enquiry Committee sought the procurement data from DISCOs. On the enquiry's recommendations, the Commission authorised a team of officers to enter and search the premises of two undertakings engaged in supply of line hardware material to impound the relevant record. The search team inspected the premises and impounded the material.

The scrutiny of the impounded record revealed collusive arrangements among the suppliers of the line hardware in tender allocation, division of tender quantity, and tender manipulation through collective decision making. The decisions were about aspects such as who will participate against surrendering tender documents; which party would place a higher bid and; whether there will be a single winner or multiple winners with tender quantity divided among themselves as per pre-determined shares.

The enquiry also found that undertakings appeared to be part of an association, namely Manufacturers and Contractors Association. This association, prima facie, was used to discuss and make a strategy for tenders floated by the DISCOs.

The evidence indicated a strong propensity among suppliers of the line hardware to form a cartel with the involvement and facilitation of their association. The apparent objective of such anti-competitive behaviour seemed to be to gain control over the outcome of tenders for mutual benefit. Such collusive practices negatively impacted public procurement in the power sector.

Given the evidence available, the Enquiry Committee recommended that the Commission consider initiating proceedings under Section 30 of the Act against the cartel members, the Contractors and Manufacturers Association, and its member undertakings for prima facie violating Section 4 of the Act.

CHAPTER 4

Deceptive Marketing

ORDER

PKR 10 Million Penalty Imposed on 8 Schools for Deceptive Marketing Practices

08 AUGUST 2019

The Commission received a formal complaint from Dar-e-Arqam Schools alleging that eight campuses in different sectors of Islamabad and Peshawar were fraudulently using their trademark, trade name, and other distinctive items without authorisation.

The Commission's enquiry found the schools located in I-8 Islamabad, 1-10 Islamabad, Khayaban-e-Sir Syed Rawalpindi, Hayatabad Peshawar, University Town Peshawar, Canal Road Peshawar, and Tarbiyah Schools International Peshawar using the trademarks in their campuses, course material and fee schedule without any authorisation.

The enquiry found that Dar-e-Arqam had given franchising rights to the above-mentioned eight schools to run its campuses until 2021. However, despite the termination of franchising agreements by Dar-e-Arqam, those eight schools continued to use, publish, print, and sell the trade name, trademark giving the impression of being associated with the group.

The Commission issued a Show Cause Notice to the eight schools above. Despite several notices, the respondents didn't avail the opportunity of hearing. Proceeding ex-parte against the campuses, the Commission imposed an aggregate penalty of PKR 5 million on the proprietors of respondent institutions for violating section 10 of the Act and an additional PKR 5 Million for knowingly abusing, impeding and obstructing the proceedings before the Commission.

ORDER

Leather Firm Files Commitment to Comply with Competition Act

17 SEPTEMBER 2019

Pakistan Leather International (JKT) sent a formal complaint that Pakistani Leather Jacket House was disseminating false and misleading information to consumers, thus harming JKT's business interest. JKT alleged that the Leather Jacket House was fraudulently using its registered trademark, trade dress, and logo in its marketing material.

The Commission's enquiry analysed the products in question, including the leather bags bearing the logo and almost the same packaging as the complainant's. It was revealed that with slight alterations in the trade dress, the overall impression remained deceptive for the consumers. Furthermore, the trademark was also used without authorisation due to which the packaging appeared similar to that of JKT's. During the hearing, Leather Jacket House admitted the violation, saying that although it used packaging material like JKT's, it had already stopped using the old marketing material. The Commission accepted the commitment made by Pakistani Leather Jacket House to comply with its directions and ordered it to restrain from such practices in the future.

The company was warned that non-compliance with the Order meant a penalty of PKR 500,000 per day from the date of receipt of this order.

ORDER

PKR 50 Million Penalty on Real Estate Developer for Deceptive Marketing Practices

22 NOVEMBER 2019

Meher Developers & Constructions sent a formal complaint to the Commission that Mir Hassan Builders & Developers was deceptively using their registered trademark and logo “Anchor City Gawadar” and “symbol of Anchor” in its real estate business.

The Commission’s enquiry established that the said trademark belonged to Meher Developers & Constructions since March 2015. On the other hand, Mir Hassan Builders & Developers, which was established in Feb 2017, registered another company with the name of “Anchor City Gawadar (SMC_Private) Limited” and started advertising its project as “Anchor City Gawadar” without obtaining the trademark from the relevant authority.

As per the enquiry’s findings, Mir Hassan Builders and Developers had violated Section 10 as it exploited the goodwill and reputation associated with the trademark ‘Anchor City Gawadar’ and the ‘Device of Anchor.’

The Order imposed a penalty of PKR 50 million on Mir Hassan Builders and Developers for violating Section 10. It directed them to inform the public through appropriate clarification in two Urdu and two English dailies that their real estate project is unrelated to the Meher Developer’s project.

The Order stated that the real estate market plays a vital role in any country’s economic development as several allied sectors are closely linked with this sector. However, since real estate remains unregulated mainly, the economy and consumers have to face the brunt of deceptive marketing practices. There is a need to regulate the sector to save consumers from financial losses.

ORDER

PKR 45 Million Penalty Imposed on Two Snack Food Sellers

23 DECEMBER 2019

The Commission received a formal complaint from Nimco Corner alleging that Mr. Nimko Corner and Karachi Nimco fraudulently used its registered trademark, firm name, and product packaging. Nimco Corner claimed to be the sole proprietor of the registered name 'NIMCO' since 1947 and distinctive logos and packaging.

The Commission conducted an enquiry and found that Mr. Nimko Corner and Karachi Nimco were imitating the trademark, packaging, colour scheme, and design of Nimco Corner. On the enquiry's recommendations, Show Cause Notices were issued to both companies.

The Commission's Order established that Mr. Nimko Corner used identical colour schemes, taglines, shapes, and patterns and copied the exact taglines, placement, graphical designs, and font style. Instead of investing in developing its brand, Mr. Nimko Corner opted to free ride on the trademark "NIMCO" and the goodwill created by Nimco Corner.

The Order established that both companies had admitted the fraudulent use of trademark and trade dress; therefore, it imposed a penalty of PKR 25 Million on Mr. Nimko Corner and PKR 20 Million on Karachi Nimco for violating Section 10.

ORDER

PKR 5 Million Penalty Imposed on Manufactures of Water Storage Tanks over Deceptive Marketing

24 DECEMBER 2019

Polycon Pakistan filed a complaint that Irshad Trading Co. was using its registered trademark and brand name for manufacturing, marketing and selling water storage tanks and was also misrepresenting itself as a joint venture of Polycon. The Commission's enquiry found the allegations to be accurate and recommended starting legal proceedings against Irshad Trading. During the proceedings, Polycon stated that Irshad Trading had remained its authorised distributor until September 2018, after which its distribution agreement was terminated. However, it continued to manufacture, market and sell the products with its logo until February 2019 and only stopped the practice after the Commission's notice.

Irshad Trading didn't deny the violation, saying that he had worked as Polycon distributor for almost 30 years and briefly manufactured water tanks using Polycon's trademark even after termination of his distribution agreement. He, however, could not provide a written agreement of a Joint Venture with Polycon.

The Order stated that Irshad Trading fraudulently opted to free ride on the trademark, tradename and patented products of Polycon and falsely claimed to be the Joint Venture Partner despite termination of its distribution agreement. The Order emphasised the importance of a written agreement between the parties doing business together.

Given the commitment filed by Irshad Trading to avoid such deceptive marketing practices in future, the Commission took a lenient view. It imposed a penalty of PKR 5 million while directing the company to desist from using Polycon's trademark, trade name and products.

The Order stated that Irshad Trading fraudulently opted to free ride on the trademark, tradename and patented products of Polycon and falsely claimed to be the Joint Venture Partner despite termination of its distribution agreement.

ORDER

PKR 35 Million Penalty Imposed on Dairy Firm over Deceptive Marketing Practices

27 DECEMBER 2019

Pakistan Dairy Association filed a complaint against At-Tahur (Pvt.) Limited for alleged dissemination of false and misleading information to the consumers related to its product ‘Prema Milk’ in violation of Section 10 of the Act.

The association informed that soon after the pronouncement of a Supreme Court order dated 8 December 2016 related to Ultra-High Temperature (UHT) and pasteurised milk, At – Tahur started disseminating false and misleading information through its Facebook page. The purpose was to create a false perception in the consumer market that apart from Prema Milk, all other milk brands had been declared unfit for human consumption by the Honorable Supreme Court.

The Commission conducted an enquiry to examine whether the allegations levelled in the complaint constitute a, prima facie, violation of Section 10. The investigation concluded that At – Tahur (Pvt.) Limited was found distributing false and misleading information lacking a reasonable basis. The marketing campaign was making false comparisons related to the character, properties, suitability for use and quality of its product which is also capable of harming the business interests of other undertakings. The actions violated Section 10(1), in terms of Section 10(2)(a), (b) and (c) of the Act.

After the hearings, the Commission passed an Order imposing a penalty of PKR 35 million on At-Tahur for violating Section 10. The order stated that comparing the pasteurised milk with other products such as UHT Milk, Powdered Milk and Tea Whitener through ‘hashtags’ was also unjustified. The misleading comparison has influenced the consumers’ purchasing decisions. Moreover, the distribution of misleading information harmed At-Tahur’s competitors’ business interests and distorted competition in the whole milk industry.

Besides imposing the penalty, the Commission directed the company to desist from deceptive marketing practices in future.

ORDER

Sukkur Testing Services Penalised for fraudulently using Competitor's Trademark

12 FEBRUARY 2020

SIBA Testing Services complained against Sukkur Testing Services for copying its branding and disseminating misleading information among consumers through their print advertisements.

The Commission's enquiry established the violation and recommended further action against Sukkur Testing Services. The enquiry report observed that companies resorted to deceptive marketing practices simply to exploit their competitors' efforts and business reputation. A Show Cause Notice was issued to Sukkur Testing Services on the enquiry's recommendations.

In its Order, the Bench said that the advertisement gave a overall impression that Sukkur Testing Services was somehow affiliated with SIBA Testing Services. Moreover, the acronym "STS" was enough to mislead the consumers in general. Those advertisements could influence consumer choices and harm the business interest of other competitors.

The Bench, given the compliance-oriented approach of Sukkur Testing Services, took a lenient view and imposed a token penalty of PKR 250,000/- on the company. The Bench also warned the company of further such violations.

ORDER

Master Food Penalised for Deceptive use of Competitor’s Trademark

19 FEBRUARY 2020

Eastern Products sent a formal complaint to the Commission that Master Food was fraudulently using its logo, packaging, colour scheme, and design, thus violating Section 10 of the Act.

As per the enquiry’s findings, Eastern products had registered its product “VITAL TEA’ along with distinctive trade dress with the IPO, Trademark Registry and Central Copyright registry. Whereas Master Food Industries was copying the packaging material for its product. The enquiry established that Master Food was copying the entire colour scheme of the Eastern’s Product logo that could easily mislead consumers.

Considering a compliance-oriented approach of Master Foods, the Commission took a lenient view. It imposed a penalty of PKR 1 million with directions to desist from copying trademarks in the future.

ORDER

Consumer Goods Company fined PKR 30 Million for Misleading Advertising Campaign

26 DECEMBER 2019

Unilever Pakistan complained about Reckitt Benckiser's product's misleading and unsubstantiated advertising campaign, 'Dettol Soap'. The complaint mentioned four claims made about Dettol Soap's effectiveness compared to other products available in the market.

The Commission's enquiry found the following four claims as deceptive:

- Dettol soap kills germs like flu virus up to 99.9%.'
- Twenty-four hours constant protection from germs' followed by disclaimer 'as per Lab Testing. prevents germs (E. Coli and S. Aureus) from increasing up to 24 hours.'
- Twenty-four hours protection from germs that spread in winters'.
- Twenty-four hours germ protection from cold and flu' followed by disclaimer 'as per Lab Testing and prevents germs (E. Coli and S. Aureus) from increasing up to 24 hours'.

While evaluating the effectiveness of disclaimer, the Commission considered factors such as prominence, presentation, placement, and proximity between the advertising claim and disclosure/disclaimer. The principle regarding a disclaimer is that they must be 'clear and conspicuous' and placed as close as possible.

The Order noted that Reckitt Benckiser was quite familiar with the Commission's legal framework, particularly Section 10. However, from the material available on the record, it seems that the general guidelines provided by the Commission through various previous orders were not followed with reference to the disclaimers. The Commission imposed a penalty of PKR 30 Million on Reckitt Benckiser for disseminating false and misleading information about Dettol Soap to consumers.

ORDER

Pizza Makers Not Found Guilty of Deceptive Marketing

04 JUNE 2020

The Commission received a formal complainant from 'New York Pizza' against 'New Yorker Pizza' for fraudulently using its registered trademark and disseminating false and misleading information to consumers in violation of Section 10 of the Act.

The Commission's enquiry found that the trademark, trade dress and packaging used by New Yorker Pizza was not like that of the New York Pizza. Further, the artistic work that included expressions/style/getup was also entirely different. As regards the trademark, the enquiry found that the New York Pizza had no exclusive right on the trade name, 'New York Pizza'. Moreover, New Yorker Pizza used their trade name bearing no similarities. The enquiry report concluded that New Yorker Pizza had committed no violation.

ENQUIRY

Engro Foods Practices Found Guilty of Deceptive Marketing

16 SEPTEMBER 2019

Nestlé Pakistan Limited filed a complaint against the Engro Foods Limited for alleged violation of Section 10 of the Act.

Nestlé alleged that Engro Foods recently launched a marketing campaign to promote its brand ‘Olper’s Full Cream Milk Powder’ through television commercials. Through this campaign, Engro Foods made several outrageous claims related to the quality, efficacy, and fitness of the complainant’s product Nestlé Nido FortiGrow. Nestlé further alleged that Engro released another advertisement of Olper’s Full Cream Milk Powder showing a pack of yellow dairy-based formula, which was pictorially identical to Nestlé’s well-recognised Nido FortiGrow. Engro allegedly made various deceptive, false, and misleading assertions relating to the character, properties, suitability, and quality of Nestlé Nido FortiGrow, which amounted to a prima facie violation of Section 10.

The Commission’s enquiry found that the respondent appears to be making a false or misleading comparative claim in the impugned advertisement, which is in prima facie violation of Section 10. The enquiry further established that the respondent’s behaviour was also capable of affecting the consumers’ decision-making process, which is also capable of giving an unfair advantage to the respondent while harming the business interest of the complainant. Therefore, the respondent was found to be in prima facie violation of Section 10.

The enquiry report noted that deceptive marketing practices have a direct impact on the public at large and effects competition. Therefore, it is in the interest of the general public and other players in the market that the undertakings should be stopped from advertising their products/services in a deceptive manner and instead ensure transparent advertising practices that give consumers true and correct information.

In terms of the findings of the enquiry report, the Enquiry Committee recommended the initiation of proceedings against Engro Foods Limited under Section 30 of the Act.

ENQUIRY

Pharmaceutical Company Cleared of Deceptive Marketing Allegations

16 SEPTEMBER 2019

CIBEX (Private) Limited filed a complaint against CIDEX Laboratories for alleged violation of Section 10 of the Act. It alleged that CIDEX was using their firm name in a deceptive manner similar to the Complainant's name to cause unwanted confusion in both the medical community and patients and capable of harming its business interests.

The Commission conducted an enquiry to see whether the allegations levelled in the complaint constitute a prima facie violation of Section 10. The enquiry found that the respondent was the first user of the registered trademark 'CIDEX' since 1995, whereas the complainant registered its trademark 'CIBEX' in 1998. The respondent has invested a reasonable time in establishing its trademark much before even the company registration of the undertaking.

The enquiry report also found that the product names of both the complainant and respondent are entirely different from each other, even in the medicines prescribed for the same treatment. Therefore, it can safely be concluded that competition has not been harmed due to the firm names used by the complainant and the respondent. Based on the facts on record, the enquiry recommended dismissing the complaint against CIDEX Laboratories.

Mergers, Acquisitions & Joint Ventures.

CHAPTER 5

	Transaction	Transaction	Date Order / NOC Issued
1	Acquisition of 100% shareholding in M/s. MicroEnsure Holdings Limited by M/s. Omidyar Network Fund	Acquisition	31/07/2019
2	Acquisition of 8.76% shareholding of M/s. First Microfinance Bank Limited by M/s. Agha Khan Agency for Microfinance	Acquisition	31/07/2019
3	Reconstruction of M/s. Reckitt Benckiser Pakistan Limited by (i) separating its Hygiene Home Undertaking inclusive of the Hygiene Home Business and certain assets, rights, liabilities and obligations pertaining to the Hygiene Home Business and vesting the Hygiene Home Undertaking in M/s. RB Hygiene Home Pakistan Limited	Merger	31/07/2019
4	Merger of M/s. AKT Sugar Mills (Private) Limited and M/s. JK Sugar Mills (Private) Limited	Merger	31/07/2019
5	Joint Venture Agreement between M/s. Johnson Ntherlands Cooperatief UA II. and M/s. IGI Investments (Private) Limited and M/s. S. C. Johnson & Son of Pakistan (Private) Limited	Joint Venture	05/08/2019

6	Acquisition of Careem by Uber	Acquisition	09/08/2019
7	Acquisition of 30% shareholding in M/s. Master Motors Limited by M/s. Changan Automobile Investment (Shenzhen) Corporation	Acquisition	22/08/2019
8	Acquisition of 11.8% shareholding of M/s. Habib-ADM Limited by Mr. Gaffar A. Habib, Mr. Owais G. Habib, Ms. Fatemag G. Habib and Dr. Salma Habib.	Acquisition	22/08/2019
9	Acquisition of 203,905,951 shares in M/s. Optix Pakistan (Private) Limited by Mr. Adnan Asdar Ali	Acquisition	13/09/2019
10	De-Merger of M/s. DEL Projects (Private) Limited and M/s. DEL Power (Private) Limited	Merger	13/09/2019
11	Acquisition of 100% shareholding of the issued share capital of M/s. AON Insurance Brokers (Private) Limited by Mr. Syed Mustafa Khurram Alikhan from M/s. AON Holdings B.V.	Acquisition	13/09/2019
12	Acquisition of 51% shareholding in M/s. Datang Pakistan Karachi Power Generation (Private) Limited by M/s. K-Electric Limited from M/s. China Datang Overseas Investments Co. Ltd	Acquisition	13/09/2019
13	Acquisition of 17% in the equity of M/s. Hyundai Oilbank Co., Ltd. from M/s. Hyundai Heavy Industries Holdings Co., Ltd. by M/s. Saudi Arabian Oil Company via its directly, wholly-owned subsidiary M/s. Aramco Overseas Company B.V.	Acquisition	18/09/2019
14	Conversion of loan amount into shares in M/s. Greenewable Solar (Private) Limited by M/s. Vitol Resources Middle East FZE	Acquisition	19/09/2019
15	Acquisition of 100% shareholding in M/s. NRSP Agriculture Processing Company Limited by M/s. Natural Rural Support Programme (51%) and M/s. Karandaaz Pakistan (49%)	Acquisition	19/09/2019
16	Joint Venture between M/s. Atlas Autos (Private) Limited, M/s. Daido Kogyo Co. Limited and M/s. Daido Sittipol Co. Limited to set up M/s. Atlas DID (Private) Limited.	Joint Venture	27/09/2019
17	Acquisition of 60.71% shareholding of M/s. Sino Sindh Resources (Pvt) Limited by M/s. Shanghai Electric (Group) Corporation	Acquisition	27/09/2019
18	Acquisition of 35% shareholding in M/s. Electropolymers (Private) Limited by M/s. Stanley Electric Co., Ltd and M/s. Thai Stanley Electric Public Co., Ltd.	Acquisition	07/10/2019
19	Acquisition of 99.5% shareholding in M/s. Liberty Wind Power 2 (Private) Limted by M/s. Liberty Mills Limited from Mr. M. Salim Mukaty and Mrs. Hamida Salim Mukaty	Acquisition	07/10/2019
20	Acquisition of 100% shareholding in M/s. GEI Pakistan (Private) Limited by M/s. Saif LNG (Private) Limited	Acquisition	14/10/2019
21	Acquisition of 99.5% shareholding in M/s. Liberty Wind Power 1 (Private) Limted by M/s. Liberty Mills Limited from Mr. M. Salim Mukaty and Mrs. Hamida Salim Mukaty	Acquisition	16/10/2019
22	Acquisition of 25% shareholding in M/s. Wahdat Poultry Farms (Private) Limited by M/s. Karandaaz Pakistan	Acquisition	04/11/2019
23	Acquisition of 0.13% shareholding in M/s. Nestle Pakistan Limited by M/s. IGI Investments(Private) Limited	Acquisition	13/11/2019
24	Joint Venture between M/s. Atlas Hitec (Private) Limited, M/s. Atlas Autos (Private) Limited and M/s. Chongqing Gongcheng Investment Co. Limited to form M/s. Atlas GCI (Private) Limited.	Joint Venture	20/12/2019
25	Acquisition of 28.16% sharesholding of M/s. Sanpak Engineering Industries (Private) Limited by Sandan Holdings Corporation	Acquisition	20/12/2019
26	Merger of M/s. Nishat (Gulberg) Hotels and Properties Limited with and into M/s. Nishat Hotels and Properties Limited	Merger	23/12/2019

27	Acquisition of 14% shareholding in M/s. Secure Logistics Group (Private) Limited by M/s. Karandaaz Pakistan	Acquisition	23/12/2019
28	Acquisition of 70% shareholding in M/s. Habib Asset Management Limited by M/s. Bank Al-Habib Limited	Acquisition	23/12/2019
29	Acquisition of 200,835,859 shares by M/s. Pakistan Defence Officers Housing Authority of M/s. DHA Cogen Limited from M/s. Askari Bank Limited, M/s. Faysal Bank Limited, Habib Bank Limited, M/s. Soneri Bank Limited & M/s. United Bank Limited	Acquisition	24/01/2020
30	Acquisition of Careem by Uber (Phase-2)	Acquisition	31/01/2020
31	Acquisition of 14% shareholding in M/s. Secure Logistics Group (Private) Limited by M/s. Bugshan Investment Company Limited	Acquisition	10/02/2020
32	Acquisition of 100% shareholding in M/s. Quality 1 Petroleum (Private) Limited by M/s. Energy Infrastructure Holding Limited	Acquisition	12/02/2020
33	Merger of M/s. Sindh Leasing Company Limited with and into M/s. Sindh Bank Limited	Merger	04/03/2020
34	Acquisition of 18% shareholding in M/s. Metro Wind Power Limited by Mr. Iqbal Alimohammed from Ms. Natasha Iqbal and Mr. Saad Iqbal	Acquisition	05/03/2020
35	Acquisition of 40% shareholding in M/s. Shifa Medical Centre Islamabad (Private) Limited by M/s. Interloop Holdings (Private) Limited	Acquisition	05/03/2020
36	Acquisition of 48.95% shareholding by Mr. Danish Elahi in M/s.Opal Laboratories (Private) Limited from M/s. Wellinnova Life Sciences (Private) Limited	Acquisition	09/03/2020
37	Acquisition of upto 19 % shareholding of M/s. Feroze 1888 Mills Limited by M/s. Liberty Mills Limited	Acquisition	09/03/2020
38	Acquisition of 100% shareholding by M/s. PolyOne Corporation from M/s. Clariant AG in M/s. Clariant Plastics & Coatings AG	Acquisition	20/03/2020
39	Acuiqsition of 20% shareholding in M/s. E-processing Systems (Private) Limtied by M/s. International Finance Corporation	Acquisition	20/03/2020
40	Acquisition of BASF's global pigments business by DIC Corporation	Acquisition	24/03/2020
41	Acquisition of 50% shareholding in M/s. Huaneng Shandong Ruyi (Hong Kong) Energy Ltd ultimately by M/s. Jining Chengjian Investment Co.Ltd from M/s. Shandong RuyiScience and Technology Group Company Limited	Acquisition	10/04/2020
42	Acquisition of 16.85% shareholding of M/s. Nishat Hotels and Properties Limited by M/s. Security General Insurance Company Limited	Acquisition	08/05/2020
43	Acquisition of sole control of M/s. Refinitiv Business by M/s. London Stock Exchange Group PLC	Acquisition	08/05/2020
44	Acquisition of 7.28% shareholding of M/s. Air Link Communication Limited by M/s. PCF Communication Investments (Private) Limited and M/s. JS Bank Limited	Acquisition	08/05/2020
45	Acquisition of 6.01% shareholding of M/s. Luxi Group Co. Ltd by M/s. China Sinochem Investment (Liaocheng) Co. Ltd	Acquisition	08/05/2020
46	Joint Venture between M/s. Zenith Electronics LLC and M/s. Luxoft USA Inc.	Joint Venture	08/05/2020
47	Subscription of upto 30% shareholding in M/s. Shifa National Hospital Faisalabad (Private) Limited by M/s. Interloop Holdings (Private) Limited	Acquisition	08/05/2020

48	Merger of JS Value Fund, JS Large Cap Fund and JS Growth Fund	Merger	08/05/2020
49	Acquisition of 35% shareholding in M/s. Metro Wind Power Limited by M/s. CDC Pakistan Power Projects Limited	Acquisition	08/05/2020
50	Acquisition of upto 83.47% shareholding in M/s. Hallmark Company Limited by Mr.Azneem Bilwani.	Acquisition	14/05/2020
51	Acquisition of 206.4 million shares of M/s Hyundai Nishat Motor (Private) Limited by Sojitz Corporation, Nishat Mills Limited, Millat Tractors Limited, DG Khan Cement Company Limited, Adamjee Insurance Company Limited & Security General Insurance Company Limited	Acquisition	21/05/2020
52	Acquisition of 22.75% shareholding in M/s. Metro Power Company Limited from Mr. Iqbal Ali-mohamed, Mr. Danish Iqbal, Mr. Saad Iqbal and Ms. Natasha Iqbal by M/s. CDC Pakistan Power Projects Limited	Acquisition	02/06/2020
53	Acquisition of 81.835% shareholding of M/s. South32 SA Coal Holdings Proprietary Limited by M/s. Seriti Resources Holdings Proprietary Limited	Acquisition	02/06/2020
54	Acquisition by M/s. BBE D PTE LTD of upto 30% shareholding in M/s. Euro Oil (Private) Limited.	Acquisition	03/06/2020
55	Acquisition of 90% shareholding by M/s. Infotech Private Limited and 10% shareholding by M/s. ISE Towers REIT Management Company Limited in M/s. MCB Financial Services Limited from M/s. MCB Bank Limited.	Acquisition	05/06/2020
56	Acquisition of 20% shareholding in M/s. Act2 Wind (Pvt) Limited by Mr. Ahmed Muhammad from Mr. Asad Iqbal	Acquisition	05/06/2020
57	Acquisition of 49% shareholding in M/s. Act2 Wind (Pvt) Limited by Mr. Sheikh Mohammed Tariq, Mr. Farhad Shaikh Mohammad, Mr. Shaikh Mohammad Raffay, Mr. Fawad Jawed, Mr. Faraz Jawed and Mr. Faisal Jawed from Sellers	Acquisition	05/06/2020
58	Acquisition of certain assets of M/s. Bayer Pakistan (Private) Limited by M/s. Novartis Pharma (Pakistan) Limited	Acquisition	19/06/2020
59	Acquisition of 15.91% shareholding by M/s. Société De Promotion Et De Participation Pour La Coopération Economique (Proparco) in M/s. NRSP Microfinance Bank Limited from M/s. KfW	Acquisition	19/06/2020

Policy Notes

CHAPTER 6

POLICY NOTE

Policy Note Issued to SECP to Resume Cost Audit of Five Sectors

08 MAY 2020

Under Section 258 of the Companies Ordinance, 1984 (CO 1084), the Federal Government had the power to direct companies to audit their cost accounts. Under Section 43 of the Securities and Exchange Commission of Pakistan Act, 1997, SECP was vested with all the powers exercisable by Federal Government under any provision(s) of CO, 1984, thereby making the terms' Federal Government' and the 'SECP' synonymous for the purpose of CO, 1984.

Once a company or several companies were required to include in their books of accounts particulars referred to in Section 230(1)(e) of CO, 1984, through a general or special order invoked under Section 246 of the said Ordinance, the requirement to carry out a cost audit was explicitly stated in the same order.

SECP, through general orders, such as 'Companies Cost Accounting Records (General Order), 2008, and special orders, required companies included in various sectors to carry out an audit of their cost accounts on an annual basis. These cost audits followed professional standards specified in Companies (Audit of Cost Accounts) Rules, 19982. Typical industries in this regard are listed herein below.

a. Fertiliser,
b. Thermal energy,
c. Petroleum refining
d. Natural gas, and
e. Polyester fibre
f. Sugar
g. Cement
h. Vegetable Ghee, and
i. Pharmaceuticals

In the new Companies Act 2017, Section 220 of the Act was effectively a reproduction of Section 230 of Companies Ordinance 1984, except for now, the requirement of issuing a general or special order in this regard was omitted. Section 220 of CA, 2017 is being provided below for reference:

“220. Books of account, to be kept by company. (1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices if any:

Provided that in the case of a company engaged in production, processing, manufacturing or mining activities, such particulars relating to utilisation of material or labour or the other inputs or items of cost as may be specified, shall also be maintained”.

Furthermore, while SECP had the absolute power to direct companies to carry out audit of their cost accounts, in terms of Section 258 of CO, 1984, the corresponding Section of CA, 2017 i.e. Section 250, made it such that now the aforesaid power could only be exercised subject to recommendation made by the regulator of the relevant sector or an entity therein.

The Commission issued a Policy Note recommending that the SECP restore the requirement of cost audit of five sectors in particular, and all other sectors in general, for facilitating policy interventions and promoting competition.

The Commission’s specific recommendation was the immediate reinstatement of a regular cost audit of Cement, Sugar, Vegetable Ghee/Cooking Oil, Fertilizer, and Wheat flour industries as these sectors directly affect the lives of Pakistani consumers.

The Policy Note stated that the resumption of cost audit would ensure transparency and facilitate access to readily available and credible cost information in these sectors, thus enabling the relevant government bodies to make informed and independent decisions in the larger public interest. These sectors, in particular, are subject to government interventions such as subsidies, support prices and price controls.

The Policy Note stated that under the Companies Ordinance, 1984, the SECP was empowered to carry out the cost audit of companies. However, with the enactment of the Companies Act 2017, the requirement of yearly cost audit is linked with the recommendations made by the sector regulator. Since there is no sector regulator in the abovementioned sectors, a regular cost audit in these sectors will not be possible.

Any limitation placed on cost audits may promote anti-competitive practices. The government’s reliance on industry associations for cost information could inadvertently legitimise the exchange of commercially sensitive information at the association’s platform, thus potentially enabling associations to engage in anti-competitive practices, such as cartelisation and price fixing. Through its various orders and policy tools, the Commission has always discouraged the usage of an association’s platform to agree on matters of a commercially sensitive nature and the legitimisation of the same by any government body.

The Policy Note was issued under Section 29 of the Competition Act, 2010, which empowers the Commission to review policy frameworks to foster competition in all spheres of economic and commercial activity and to recommend appropriate remedies to the Federal and Provincial Governments.

POLICY NOTE

Policy Notes Issued to Provincial Governments to Amend Laws Relating to Essential Commodities

27 AUGUST 2019

After the 18th Constitutional Amendment in the 1973 Constitution of Pakistan, the powers to regulate and monitor the price control vests with the Provincial Governments. The provinces have the following laws price control of foodstuff and essential commodities:

PUNJAB:

- The Food Stuff Control Act, 1958
- Punjab Agricultural Produce Markets Ordinance, 1978
- Registration of Godowns Act, 2014

SINDH:

- The Sindh Essential Commodities Price Control and Prevention of Profiteering and Hoarding Act, 2005
- The Sindh Wholesale Agricultural Produce Markets (Development & Regulation) Act 2010
- The Sindh Registration of Godowns Act, 1995

BALOCHISTAN:

- Balochistan Foodstuffs Control Act, 1958
- The Balochistan Agricultural Produce Markets Act, 1991

KHYBER PAKHTUNKHWA (KPK):

- The West Pakistan Foodstuffs Control Act, 1958
- Agricultural and Livestock Produce Markets Act 2007

On the directions of the federal government, the Commission reviewed the framework relating to Control of Pricing and Supply of Essential Commodities and, after analysing the reasons behind price fluctuation of essential commodities, proposed various recommendations to Federal Government.

The Commission issued Policy Notes to the provincial governments recommending to amend these laws. The Commission suggested the formation of a single authority to implement all the price control laws and determine a uniform formula for the price of essential commodities throughout the province. Instead of fixing the price of an item, the Commission recommended determining the range/band of prices keeping in view the quality of commodities. Moreover, the price determination should be at the wholesale level instead of the retail level for better monitoring.

The Commission suggested the establishment of Agriculture Supermarkets and introducing a law to set the Minimum Support Prices (MSP) mechanism to incentivise farmers. Food processing and cold chains should be encouraged to reduce the wastage of perishable commodities. The Commission also recommended exempting the Hyper/Super Market from Price Control Laws. Most of these stores implement a modern agriculture supply chain under which perishable items are transported and stored in a temperature-controlled environment. Fruits and vegetables are sold as per international standards, such as Hazard Analysis of Critical Control Points (HACCP). These processes require huge investments and forcing these stores to abide by low prices disincentivises them.

The Commission also recommended that Balochistan and Khyber Pakhtunkhwa (KPK) introduce the Godowns Registration law.

OPINION

Opinion Issued on Effective Utilisation of Crop Residues

19 DECEMBER 2019

Taking notice of the complaints and concerns regarding the acute shortage of wheat straw in the country, the Commission held an Open Hearing in Lahore to take feedback and suggestions from the stakeholders. The Commission's bench included the Chairperson, Ms. Vadiyya Khalil, and Members Dr. Shahzad Ansar, Dr. Muhammad Saleem, Ms. Shaista Bano and Ms. Bushra Naz Malik. The stakeholders associated with different industries such as paper manufacturing, livestock, dairy milk and fertiliser attended the hearing.

After hearing the stakeholders' views in the Open Hearing, the Commission issued an Opinion, with recommendations to the Government of Pakistan. The Commission suggested that the government discourages using wheat straw for power generation. The bench noted: "We are aware of the fact that the Government of Pakistan under the Alternate Energy Development Board's Policy for Development of

Renewable Energy for Power Generation, 2006, encourages power generation through the use of renewable energy sources to bring-in energy security, improve the energy mix of the country. However, we believe that this should not be at the cost of depriving the important sectors of an important input, i.e., wheat straw without which their survival is at stake."

Furthermore, the Commission said that for biofuel/ bioenergy, various alternates to wheat straw should be utilised. These residues are in surplus and are equivalent to or have a higher energy potential than wheat straw, including rice straw, cotton stalk, bagasse, sugar trash, maise stalk, etc. The Commission also noted that internationally various jurisdictions had formulated comprehensive strategies to manage this scarce resource for its optimal utilisation. Therefore, it is recommended in the opinion that the respective provincial governments should out-rightly ban the burning of wheat straw on the field and as fuel.

The Commission re-emphasised that meat and milk are notified as essential products, and district governments fix their prices. Since wheat straw is a significant input for these sectors, it is imperative that its hoarding be prevented. Under their respective Registration of Godowns Acts, the provincial governments of Punjab and Sindh may direct their Agriculture Departments to maintain records on the movement of wheat straw in and out of the Godowns. Provincial Governments may take immediate action against any elements involved in hoarding under the relevant laws.

The Opinion noted that the non-availability of wheat straw had caused the closure of seven paper mills, rendering their workers unemployed and distorting competition in the sector, as the closure leaves behind only two mills producing a good quality paper.

The shortage of wheat straw will profoundly impact public procurement and education budgets as provincial textbook boards procure mainly from local industry, which produces low-quality paper for printing course books for students of government schools.

The Commission concluded that in the long term, based on international examples, the Government of Pakistan needs to formulate a comprehensive policy for the effective utilisation of crop residues, including wheat straw which needs to ensure that it is readily available at a reasonable price. The government needs to encourage research & development to find innovative solutions to reduce the wastage of wheat straw, which currently stands at 40% (forty percent). Reduction in wastage of wheat straw and other crop residues would enhance their availability as biofuel.

RESEARCH STUDIES

Study Recommends Policy Reforms to Promote Competition in LPG Sector

The Commission prepared a draft competition assessment study of the LPG Sector in Pakistan with solid recommendations for the government to introduce policy reforms, remove regulatory barriers, and introduce a competitive LPG pricing framework to create a level playing field and promote competition in the sector.

The Commission conducts studies under 28 of the Act to promote competition in all commercial and economic activity spheres.

The study shows various barriers to entry and expansion that restrict/reduce and distort competition in the sector at multiple levels. Natural barriers include high capital and financial requirement in the upstream LPG production/extraction, illiquid market, and seasonal fluctuation in LPG demand. In contrast, regulatory barriers arise due to specific contradictory clauses in the LPG Policy, 2016.

Under Section 3.4.3 of the LPG Policy, public sector companies will import LPG to meet the domestic demand as per the quantity decided by the Federal Government. Whereas Section 3.5.1 of the same Policy contradicts this section by allowing any party with a valid OGRA marketing license to import LPG. Since there is no petroleum levy and lower GST on LPG import, the private sector finds it profitable to import LPG without the need/demand assessment. Additionally, the gains of the importer in the form of a better imported LPG price is not passed on to the end consumer, as the marketing companies match the indigenous LPG price.

The study recommends that the government remove the above ambiguity by properly assessing demand in consultation with the private sector and the sector regulator. It also suggests rationalising the GST and import duties on LPG.

The study identifies strategic, and other barriers including substandard LPG import through land route, under-invoicing, use of hundi and hawala system in LPG import through land route, no LPG quality testing lab for land imports, issues of decanting and cross filling, use of substandard cylinders, illegal use of LPG in public service vehicles (PSVs) and anti-competitive and unlawful business practices carried out by LPG dealers.

Based on the data analysis through questionnaires, industry reports, international best practices, and meetings with relevant stakeholders, the study recommends the removal of regulatory barriers created by contradictory clauses 3.4.3 and 3.5.1, amendment in section 3.6.9 in the LPG Policy, and amendment in Public Procurement Rules, 2004 for ease in importing LPG by public sector companies.

Moreover, the study recommends a competitive LPG pricing framework for both indigenous and imported LPG to create a level playing field, monitor the land imports to prohibit the black economy and import substandard LPG. Other key recommendations in the study include the establishment of a quality lab for testing of LPG through the land route, stringent qualification criteria for awarding LPG marketing license, prohibition and strict penalty for illegal activities of cross filling and decanting, monitoring of LPG dealers by OGRA or any third party nominated by OGRA.

In addition, prohibition and check of substandard LPG cylinder manufacturing facilities and their use by LPG dealers and end consumers are also essential to improve the situation. The study also proposes an LPG subsidy program for the poor domestic households to uplift them out of poverty and improve their living standard coherent with the Sustainable Development Goals (SDGs) of the Government.

Assessment Study of the Air Transport Sector in Pakistan Released

The study on "Market and Regulatory Assessment of the Air Transport Sector in Pakistan" aims to respond to the country's reform needed in the air transport sector and identify actionable pro-competition solutions to enhance the results of Government initiatives in this sector. The study reviews the air transport sector framework and its effectiveness in promoting functioning markets that deliver competitive outcomes and a more efficient resource allocation in Pakistan. It discusses critical bottlenecks in the air transport sector and possible avenues for reform. It also identifies and proposes the least restrictive alternatives to those rules, which stifle competition in the industry by limiting entry, strengthening dominance, discriminating between firms, increasing the cost of competing or facilitating collusion. Here are some specific recommendations to enhance competition in the air transport sector.

- Airport infrastructure supply: Assess the possibilities for vertically unbundling the provision of airport infrastructure services from regulatory functions
- Ground handling (ramp and passenger services): A level playing field between all handling operators in servicing domestic airlines and to fuel providers in accessing the airport infrastructure
- Ancillary services (fuel, catering): Eliminate Pakistan State Oil's exclusive rights to supply fuel to certain airports and clarify access rules to catering services

AIRLINE PASSENGER AND CARGO SERVICES

- A level playing field in enforcing public service obligations and revising its scope to tackle market failures
- Evaluate the adoption of international standards to guide licensing criteria to limit the discretion
- Ensure financial fitness tests for all carriers
- Allocate traffic rights in a competitive and transparent way
- Adopt a framework including criteria for granting state support measures that limit the anti-competitive effects of the financial advantages, including in the air sector
- Ensure PIA's foreign exchange access is in line with private airlines
- Take stock and evaluate lifting restrictions that cap traffic rights with Pakistan's bilateral partners
- Evaluate lowering the capital requirements applicable to carriers
- Reassess the ownership nationality rules that hinder the potential pool of market entrants
- Revise the minimum fleet size applicable to facilitate entry and expansion in the market
- Revise the wet-lease regime to increase the financial options at the carriers' disposal
- Streamline the access regime to international routes by Pakistani airlines
- Revise the system of mandatory indemnity bonds for international cargo

MARKET AND REGULATORY ASSESSMENT OF MOBILE TELECOMMUNICATIONS IN PAKISTAN

The study on "Market and Regulatory Assessment of Mobile Telecommunications in Pakistan" aims to respond to the country's reform needed in the mobile telecommunication sector and to identify actionable pro-competition solutions to enhance the results of ongoing Government initiatives in this sector. In particular, the study reviews the mobile telecommunications market characteristics and regulatory framework and its effectiveness in promoting functioning markets that deliver competitive outcomes and a more efficient resource allocation in Pakistan. Below are detailed recommendations to ensure a competition culture in the Telecom sector.

RECOMMENDATIONS TO PROMOTE ENTRY, EXPANSION AND A LEVEL-PLAYING FIELD BY SERVICES BASED COMPETITORS

- Continue the process of lowering Mobile Termination Rates(MTRs) and of obtaining cost-based data to implement a Long Run Incremental Costs(LRIC) test

- Develop a general authorisation regime separate from the existing licensing regime

- Bring clarity in the circumstances in which the number of operators can be limited, and an auction procedure followed under the licensing regime

- Set as a general rule, the number of operators in the market should only be restricted whenever scarce resources (e.g. specific radio frequencies), and the authorisation regime should be adopted for the remaining situations

- The development of a coherent and harmonised regime for public and private Rights of Way(RoW) is also recommended, which encourages private investment in infrastructure

- Implementation of a revised framework for the sharing of passive and active infrastructure also suggested, which takes into consideration the competition implications of sharing agreements

- Develop a framework clarifying the modes of access and pricing to spare backhaul capacity held by utilities

RECOMMENDATIONS ON STRENGTHENING SPECTRUM MANAGEMENT

- Adopting techniques of binding timetables for the release and assignment of spectrum to make the process more expedited and aligned with market changes, as well as to prevent the awarding of undue competitive advantages, is recommended

- It is suggested to put in place safeguards against spectrum concentration to level the playing field between operators (e.g. spectrum caps)

- Consideration of expanding the Spectrum Trading Framework to spectrum holdings that were not subject to auctions or Administrative Incentive Pricing(AIP) also proposed

- Consider expanding the Spectrum Trading Framework to include situations where sharing does not depend on an agreement by the license

- Consider developing a framework for unlicensed spectrum in line with the orientations provided by the Telecommunications Policy, 2015

CROSS-CUTTING RECOMMENDATIONS

- It is recommended to coordinate with the competition rules established in the Competition Act and the Draft Competition Rules enacted by the MoIT

- It is suggested to eliminate the possibility of the PTA giving exemptions to hardcore horizontal agreements in the telecoms sector

- An MoU between the CCP and the PTA is also proposed, which clarifies the cooperation modalities in enforcing competition rules in the telecoms sector, should the Draft Competition Rules be adopted

- A recommendation has been made to strengthen the institutional guarantees of PTA and Frequency Allocation Board (FAB) to improve their technical independence and ensure the integrity of their decisions

- A suggestion has been made to implement a transparent and technical selection process to appoint board members

- It is suggested to clarify the circumstances in which the government can directly intervene in telecom markets bypassing PTA and FAB

- It is recommended to undertake a functional review of PTA and FAB to identify areas for making its mandate more effective

- Focus regulation on markets that need it. Markets should meet the ‘three criteria test’: (1) high and non-transitory barriers to entry; (2) market structure does not tend towards effective competition; (3) inadequacy of competition law to tackle market failure

- Ensure that the markets with Significant Market Power (SMP) players are periodically reviewed.

- It is suggested to Adopt the bylaws necessary to ensure the effectiveness of the Telecommunications Policy 2015 (e.g. development of a general authorisation regime and a regime for unlicensed spectrum)

CHAPTER 9

COMPETITION ADVOCACY

OPEN HEARING HELD ON SHORTAGE OF WHEAT STRAW

7 NOVEMBER 2019

The Commission received several complaints relating to the shortage of wheat straw in the market and conducted an Open Hearing on 7 November 2019 at Lahore. Section 29 of the Competition Act empowers the Commission to hold Open Hearings on any matter affecting the state of competition in Pakistan and express an opinion publicly concerning the issues.

The Bench was presided by Chairperson Ms. Vadiyya Khalil and comprised members Dr. Shahzad Ansar, Dr. Muhammad Saleem, Ms. Shaista Bano and Ms. Bushra Naz Malik. Stakeholders associated with different industries such as paper manufacturing, livestock, dairy milk and fertiliser attended the hearing.

Wheat straw - a by-product of wheat - is the primary raw material in pulp and paper production and constitutes approximately 85% of the total cost of low-quality paper. The livestock and dairy industry also use it as an essential fodder component for cattle.

During the hearing, small livestock farmers revealed that since wheat straw is an essential component of cattle's fodder, any shortage in its supply or cost has a direct and profound impact on small players like them.

The representatives of the paper mill complained of the unavailability and high prices of wheat straw, owing to which they were facing severe problems in running the mills and selling the paper at affordable rates.

The participants of the Open Hearing, particularly the representatives of paper mills and dairy sectors, called for a complete ban on wheat straw burning.

The Chairperson, Vadiyya Khalil assured the participants that the Commission would play its due role in addressing the competition issues in the sector.

WEBINAR

WEBINAR ON MERGER & ACQUISITION FILLING SYSTEM

18 JUNE 2020

The Commission held a webinar on the 'Online Mergers and Acquisitions Filling System' to brief the stakeholders on how they can benefit from the system. Through the online system, the Commission facilitates local and foreign investors in filing applications for mergers, acquisitions and joint ventures online.

The participants included the company counsels, corporate lawyers, Members of OCCI, Members of Pakistan Business Council (PBC) and American Business Council (ABC), representatives of Regulatory bodies including State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP), Oil and Gas Regulatory Authority (OGRA), National Electric Power Regulatory Authority (NEPRA), Pakistan Telecommunication Authority (PTA) and representatives of Board of Investment (BOI), Privatisation Commission and CPEC Authority.

Ms. Bushra Naz Malik while addressing the webinar said that the Commission was extending full facilitation to the corporate sector, particularly the local and foreign investors in filing merger applications online amid the COVID-19 pandemic. The Commission's officers gave detailed presentations on the merger regime and the online filling procedure.

Participants from the industry shared their experience of using the online filling system and lauded the Commission's efforts for introducing an efficient and speedy merger applications filling system. The participants actively took part in the questions and answers and discussion session.

SOCIAL MEDIA

CCP JOINS TWITTER TO ENHANCE COMMUNICATION AND OUTREACH EFFORTS

Keeping in view the importance of social media for improving public outreach, the Commission launched its official Twitter account to establish a direct link for better communication with the stakeholders and consumers. Under its advocacy mandate, the Commission keeps the general public informed about its performance in enforcement and advocacy through a user-friendly website and media coverage. The use of social media will further expand its outreach among the masses.

The Commission's official Twitter account @CCP_Pakistan is primarily for information dissemination. The followers shall instantly receive updates on enforcement actions, merger approvals, press statements, advocacy events, and information about other pertinent developments.

CAPACITY BUILDING

SOCIAL MEDIA

CCP OFFICERS ATTENDS FELLOWSHIP PROGRAMME IN SOUTH KOREA

14-27 JULY, 2019

A batch of ten officers of the Commission attended a 15-day fellowship program on Competition Law in South Korea from 14-27 July 2019. The fellowship program is a three-year capacity-building initiative under the International Cooperation Program of Korea, the Korean International Cooperation Agency (KOICA) and the Korea Fair Competition Federation (KFCF).

The topics included competition enforcement, economic analysis in research and mergers; advocacy; and competition compliance.

The training program included 14 lectures and five workshops. The lectures covered a range of topics such as privatisation of state monopoly and role of competition authorities, introduction to Think Fair, the KFTC's Compliance Program, digital forensic, alternative tools to detect cartels, bid-rigging indicator analysis system, Anti-cartel policy & enforcement and implications from Merger Control Regime in Korea. The participants also visited the historical Gyeongbokgung Palace and the monumental National Museum. The organisers, including KFTC, KFCF and KOFAIR, extended great facilitation to the fellowship programme participants.

SOCIAL MEDIA

WORLD BANK HOLDS TRAINING WORKSHOP ON ‘DAWN RAIDS’

25 – 26 JUNE 2019

The World Bank held a two-day training workshop on “Dawn Raids” at the Commission from 25 – 26 June 2019. The enforcement team attended the training, which focussed on the overview on investigative methodology, how to devise an investigative plan, basic and covert investigative techniques used in conspiracy cases, how to conduct a financial investigation and, relationship building utilising behavioural based interviewing.

After the training, Ms. Georgiana Pop, Senior Economist and Competition Policy Specialist from the World Bank, and the trainers called on Chairperson Vadiyya Khalil and discussed the possible future collaboration between the Commission and the Bank on such capacity building training workshops.

CHAPTER 11

FINANCIAL STATEMENTS

◆YOUSUF ADIL

Yousuf Adil
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COMPETITION COMMISSION OF PAKISTAN

Opinion

We have audited the financial statements of Competition Commission of Pakistan (the Commission), which comprise the statement of financial position as at June 30, 2020 and the Income and Expenditure account, statement of comprehensive income, the statement of changes in fund and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Commission as at June 30, 2020 and of its financial performance and its cash flows for the year then ended in accordance with approved accounting and Financial Reporting Standards for Small and medium Sized Entities (IFRS for SMEs) issued by International Accounting Standard board (IASB) as adopted by Institute of Chartered Accountants of Pakistan (ICAP).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management of the Commission for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.Member of the Commission are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

YOUSUF ADIL

Yousuf Adil
Chartered Accountants

that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Shahzad Ali.

Yousuf Adil

Chartered Accountants
Date: October 22, 2021
Islamabad

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020

	Note	2020 ----Rupees----	2019 ----Rupees----
ASSETS			
NON CURRENT ASSETS			
Property and equipment	4	51,553,109	55,856,211
Long term loans, advances and deposits	5	62,125,832	57,426,223
		113,678,941	113,282,434
CURRENT ASSETS			
Advances, prepayments and other receivables	6	142,919,003	152,905,014
Short term investments	7	326,807,973	362,607,712
Cash and bank balances	8	51,107,024	19,232,303
		520,834,000	534,745,029
TOTAL ASSETS		634,512,941	648,027,463
FUND AND LIABILITIES			
DEFERRED LIABILITIES			
Pension fund	9	428,094,118	438,767,789
Leave encashment	10	38,152,849	33,275,283
Leave perpatutiory to retirement	11	1,582,061	1,582,061
Gratuity	12	140,341,131	118,250,802
		608,170,159	591,875,935
CURRENT LIABILITIES			
Income tax payable	13	11,734,071	10,969,947
Accrued and other liabilities	14	23,593,082	9,727,252
		35,327,153	20,697,199
TOTAL LIABILITIES		643,497,312	612,573,134
NET ASSETS		(8,984,371)	35,454,329
REPRESENTED BY			
FUND ACCOUNT			
Accumulated (Deficit) / Surplus		(8,984,371)	35,454,329
		(8,984,371)	35,454,329
CONTINGENCIES AND COMMITMENTS	16		

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

COMPETITION COMMISSION OF PAKISTAN
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----Rupees----	2019 ----Rupees----
Fee income	17	119,585,350	118,579,110
Government grant	3.11	290,000,000	310,000,000
Total income		409,585,350	428,579,110
Operating costs	18	(520,627,048)	(456,073,240)
Other income	19	33,247,495	23,270,000
Deficit before taxation		(77,794,203)	(4,224,130)
Provision for tax	13	(8,187,154)	(2,736,004)
Deficit after taxation		(85,981,357)	(6,960,134)

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 ----Rupees----	2019 ----Rupees----
Deficit after taxation		**(85,981,357)**	(6,960,134)
Other comprehensive income:			
Gain / (Loss) on remeasurement of pension fund	9	**41,542,657**	(41,312,544)
Total comprehensive loss for the year		**(44,438,700)**	(48,272,678)

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2020

	Note	2020 -----Rupees-----	2019 ----Rupees----
CASH FLOW FROM OPERATING ACTIVITIES			
Deficit before taxation		**(77,794,203)**	(4,224,130)
Adjustments for non-cash items:			
Depreciation	4	**5,730,876**	6,333,833
Profit on sale of fixed assets	19	**(245,266)**	(91,546)
Provision for gratuity	12	**31,527,432**	29,324,840
Provision for leave encashment	10	**5,720,504**	5,283,574
Provision for pension	9	**63,113,565**	37,367,762
Profit before working capital changes		**28,052,908**	73,994,333
Changes in working capital:			
Increase in Advances, prepayments and other receivables		**9,986,011**	(35,353,019)
Decrease in accrued and other liabilities		**13,865,830**	(3,328,245)
		23,851,841	(38,681,264)
Payments from pension fund	9	**(32,244,579)**	(27,180,273)
Payment of gratuity	12	**(9,437,103)**	(1,239,823)
Payment of leave encashment	10	**(842,938)**	(711,169)
Income tax paid/adjusted	13	**(7,423,030)**	(3,544,518)
Net cash generated from operating activities		**1,957,099**	2,637,285
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in long term loans and advances		**(4,699,609)**	(2,276,882)
Increase in short term investments		**35,799,739**	(29,191,438)
Addition in fixed assets		**(1,494,008)**	(52,090,309)
Proceeds from sale of fixed assets		**311,500**	91,546
Net cash generated from / (used in) investing activities		**29,917,622**	(83,467,083)
NET CASH FLOW FROM FINANCING ACTIVITIES		**-**	-
Increase / (decrease) in cash and cash equivalents during the year		**31,874,721**	(80,829,798)
Cash and cash equivalents at the beginning of the year		**19,232,303**	100,062,101
Cash and cash equivalents at the end of the year		**51,107,024**	19,232,303

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2020

Description	Fund Account Rupees
Balance as at June 30, 2018	83,727,007
Deficit for the year	(6,960,134)
Other comprehensive loss for the year	(41,312,544)
	(48,272,678)
Balance as at June 30, 2019	35,454,329
Balance as at July 01, 2019	**35,454,329**
Deficit for the year	**(85,981,357)**
Other comprehensive income for the year	**41,542,657**
	(44,438,700)
Balance as at June 30, 2020	**(8,984,371)**

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHAIRPERSON

(FINANCE)

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 9th and 11th floor of ISE Building, Blue area, Islamabad.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting and reporting standards as applicable in Pakistan. Approved accounting and reporting standards comprise of Accounting and Financial Reporting Standards for Small and medium Sized Entities (IFRS for SMEs) issued by International Accounting Standard board (IASB) as adopted by Institute of Chartered Accountants of Pakistan (ICAP).

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except recognition of employees benefit for pension plan at present value.

2.3 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 requires management to make judgements, 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 judgement 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.

Judgements 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 SIGNIFICANT ACCOUNTING POLICIES

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

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3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation/amortization and accumulated 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.

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.

Depreciation on additions to property and equipment is charged from the year in which an item is put to use while no depreciation is charged for the year in which the item is derecognized/disposed off.

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 Investments

Investments in debt instruments are initially measured at cost which approximates to fair value 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.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques in hand and balances with banks.

3.4 Employee benefits

3.4.1 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 ten 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, 2020 using the "Projected Unit Credit Method".

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3.4.2 Provident fund

The Commission has established provident fund as per clause (2) of chapter (7) of the Competition Commission (Service) Regulations, 2007 provident fund (PF) and transfers all confirmed employees to this scheme. Equal monthly contributions are made both by the Commission and employees as per the rate 10% of the basic salary. The Commission's contribution to the scheme is charged to the income and expenditure account.

3.4.3 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.

3.4.4 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.

3.5 Provisions

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of a past event, if 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 reporting date and adjusted to reflect the current best estimates.

3.6 Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Commission and revenue can be reliably measured. Revenue is recognised at fair value of consideration received or receivable. Revenue from different sources is recognised on the following basis:
Unrestricted grant from government are accounted for on receipt basis.

Income from fee income are accounted for on accrual basis.

Income from regulatory income are accounted for on receipt basis.

Profit on investments is accrued on the basis of effective yield of respective investments.
Profit on savings accounts is recognised on accrual basis.

Restricted grants received are deferred and recognised as income on systematic basis to match them with the related expenses which are intended to be compensated.

3.7 Foreign Currencies

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

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3.8 Taxation

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.

Deferred tax is not recognized as the management of the Commission is not certain about the future taxable profits.

3.9 Contingencies

The Commission has disclosed significant contingent liabilities for the pending litigations and claims against the Commission based on its judgement and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the reporting date. However, based on the best judgement of the Commission and its legal advisors, the likely outcome of these litigations and claims is remote and there is no need to recognize any liability at the reporting date.

3.10 Impairment

The Commission assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amounts, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of depreciation/amortization) had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized in statement of profit and loss.

3.11 Government Grant

Government Grant has been received for operational and support activities of the Commission.

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

4 PROPERTY AND EQUIPMENT

	Land	Furniture and fixtures	Computer & accessories	Office equipment	Office refurbishment	Vehicles	Total
				Rupees			
	4.1						
Cost							
Cost as on July 01, 2018	-	19,011,187	30,583,009	4,577,182	14,309,107	10,645,514	79,125,999
Additions	45,288,429	1,257,855	5,334,124	209,901	-	-	52,090,309
Disposals/ transfers	-	(832,879)	(3,575,515)	(112,560)	-	-	(4,520,954)
Cost as on June 30, 2019	45,288,429	**19,436,163**	**32,341,618**	**4,674,523**	**14,309,107**	**10,645,514**	**126,695,354**
Accumulated Depreciation							
Balance as on July 01, 2018	-	16,123,465	27,224,665	4,121,277	12,176,943	9,379,914	69,026,264
Charge for the period	-	1,276,535	3,746,232	328,213	556,752	426,101	6,333,833
On disposals/ transfers	-	(832,878)	(3,575,517)	(112,559)	-	-	(4,520,954)
Balance as on June 30, 2019	-	**16,567,122**	**27,395,380**	**4,336,931**	**12,733,695**	**9,806,015**	**70,839,143**
Cost							
Cost as on July 01, 2019	45,288,429	19,436,163	32,341,618	4,674,523	14,309,107	10,645,514	126,695,354
Additions	-	308,436	1,083,081	102,491	-	-	1,494,008
Disposals/ transfers	-	-	(619,708)	-	-	-	(619,708)
Cost as on June 30, 2020	**45,288,429**	**19,744,599**	**32,804,991**	**4,777,014**	**14,309,107**	**10,645,514**	**127,569,654**
Accumulated Depreciation							
Balance as on July 01, 2019	-	16,567,122	27,395,380	4,336,931	12,733,695	9,806,015	70,839,143
Charge for the period	-	1,169,946	3,462,989	157,230	514,611	426,100	5,730,876
On disposals/ transfers	-	-	(553,474)	-	-	-	(553,474)
Balance as on June 30, 2020	-	**17,737,068**	**30,304,895**	**4,494,161**	**13,248,306**	**10,232,115**	**76,016,545**
Carrying amount June 30, 2019	**45,288,429**	**2,869,041**	**4,946,238**	**337,592**	**1,575,412**	**839,499**	**55,856,211**
Carrying amount June 30, 2020	**45,288,429**	**2,007,531**	**2,500,096**	**282,853**	**1,060,801**	**413,399**	**51,553,109**
Rate of depreciation per annum		**20%**	**33%**	**20%**	**17%**	**20%**	

4.1 It pertains to the plot acquired by the Commission during the year in G-10/4 Islamabad having total area of 3,111 square yards.

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FOR THE YEAR ENDED JUNE 30, 2020

		Note	2020 -----Rupees----	2019 -----Rupees----
5	**LONG TERM LOANS AND DEPOSITS**			
	Loans to employees	5.1	**57,697,682**	52,998,073
	Security deposits		**4,428,150**	4,428,150
			62,125,832	57,426,223
5.1	**Loans to employees- considered good**			
	Opening balance		**68,450,965**	65,445,587
	Addition during the year		**29,101,454**	17,944,604
	Recovery during the year		**(22,727,832)**	(14,939,226)
	Closing balance		**74,824,587**	68,450,965
	Short term portion of loans to employees- considered good		**(17,126,905)**	(15,452,892)
			57,697,682	52,998,073

5.1.1 Loans to employees include loan for house building, house rent and general purpose provided to employees as per chapter (6) of the Competition Commission (Service) Regulations, 2007 Loans and Advances.

		Note	2020 -----Rupees----	2019 -----Rupees----
6	**ADVANCES,PREPAYMENTS AND OTHER RECEIVABLES**			
	Short term portion of loans to employees		**17,126,905**	15,452,892
	General provident fund advance		**80,589**	80,589
	Staff and Other advances		**1,098,025**	3,096,025
	Prepayments	6.1	**73,888,202**	82,689,467
	Interest receivable- loan to employees		**-**	367,470
	Other receivable	6.2	**50,725,282**	51,218,571
			142,919,003	152,905,014

6.1 It includes the amount Rs. 81.7 million (2019: 63.2 million) paid as prepaid rent for the year 2019-2020 for 7th, 8th, 9th and 11th floors of Islamabad Stock Exchange tower.

6.2 This includes an amount of Rs. 47.3 Million recognized on account of income tax withheld by the income tax authorities which has further been explained in note 16.1.2 to the financial statements.

		Note	2020	2019
7	**SHORT TERM INVESTMENTS**			
	Term deposit receipts	7.1	**310,000,000**	355,000,000
	Interest receivable on investment- considered good		**16,807,973**	7,607,712
			326,807,973	362,607,712

7.1 This represents the investment made in TDR's during the year amounting to PKR 150 million, PKR 60 million, PKR 50 million, PKR 50 million and PKR 45 million respectively at various profit rates provided by bank. Short Term Deposits carry interest at effective annual rates ranging between 5.70 % to 11.40 % (2019: 5.70% to 5.75%) with maturities ranging from one to six months from the reporting date.

		2020 -----Rupees----	2019 -----Rupees----
8	**CASH AND BANK BALANCES**		
	Cash in hand	**24,885**	17,651
	Cash at bank:		
	-Current account	**50,924,884**	19,070,526
	-Deposit account	**157,255**	144,126
		51,107,024	19,232,303

COMPETITION COMMISSION OF PAKISTAN
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9 PENSION FUND	2020	2019
	-----Rupees----	-----Rupees----
Opening balance	**438,767,789**	387,267,756
Charge to expense for the year	**63,113,565**	37,367,762
Charge to other comprehensive income	**(41,542,657)**	41,312,544
Payments made during the year	**(32,244,579)**	(27,180,273)
Closing balance	**428,094,118**	438,767,789

9.1 Pension fund relates to the employees of MCA (Monopoly Control Authority) who join CCP when the Commission was established.

	2020	2019
	-----Rupees----	-----Rupees----
9.2 Charge for defined benefit obligation		
Current service cost	**1,829,970**	-
Net interest cost	**61,283,597**	37,367,762
Net actuarial loss recongnised	**(41,542,657)**	41,312,544
	21,570,910	78,680,306

9.3 Actuarial Assumptions		
Valuation discount rate	**10.00%**	14.50%
Salary increase rate	**10.00%**	10.00%
Expected return on plan assets	**10.00%**	10.00%
Pension indexation factor	**7.00%**	7.00%
Mortality rate	**SLIC 2001-2005**	SLIC 2001-2005

10 LEAVE ENCASHMENT	2020	2019
	-----Rupees----	-----Rupees----
Opening balance	**33,275,283**	28,702,878
Expense for the year	**5,720,504**	5,283,574
Payments made during the year	**(842,938)**	(711,169)
	38,152,849	33,275,283

10.1 The gross salary for computation of Provision for Leave Encashment includes basic pay, personal pay and fixed allowances as per Appendix of CCP (Service) Regulations, 2007.

11 LEAVE PREPARATORY TO RETIREMENT	2020	2019
	-----Rupees----	-----Rupees----
Opening balance	**1,582,061**	1,582,061
Less: Payments made during the year	**-**	-
	1,582,061	1,582,061

12 GRATUITY	2020	2019
	-----Rupees----	-----Rupees----
Opening balance	**118,250,802**	90,165,785
Expense for the year	**31,527,432**	29,324,840
Payments made during the year	**(9,437,103)**	(1,239,823)
	140,341,131	118,250,802

12.1 The gross salary for computation of Provision for gratuity includes basic pay, personal pay and fixed allowances as per Appendix of CCP (Service) Regulations, 2007.

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		2020	2019
		-----Rupees----	-----Rupees----
13	**INCOME TAX PAYABLE**		
	Opening balance	**10,969,947**	11,778,461
	Less: Tax paid/adjusted during the year	**(3,829,413)**	(1,531,450)
	Tax deducted at source during the year	**(3,593,617)**	(2,013,068)
		(7,423,030)	(3,544,518)
	Provision for income tax - current year	**8,187,154**	2,736,004
		11,734,071	10,969,947

		2020	2019
14	**ACCRUED AND OTHER LIABILITIES**	-----Rupees----	-----Rupees----
	Accrued expenses	**15,872,254**	4,522,369
	Withholding tax payable	**1,641,067**	2,219,883
	Other liabilities	**6,079,761**	2,985,000
		23,593,082	9,727,252

14.1 Other liabilities include, an amount of Rs 1.85 million (2019: 1.85 million) payable to AGPR related to general provident fund of MCA employees who did not join CCP after its establishment.

15 DEFERRED TAX ASSET

In view of the uncertainty of taxable profits in the foreseeable future against which the tax losses could be utilized due to reasons explained in policy notes to these financial statements, the Commission has not recognized deferred tax asset of Rs 186.237 million.

The aggregate tax losses available to the Commission for set off against future taxable profits at June 30, 2020 amounted to Rs 9.8 million.

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

16.1.1 Several legal litigations 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.

16.1.2 The Commission's assessment for tax year 2012, 2014 and 2015 have been amended by tax department creating income tax demand of Rs. 18,011,482, Rs. 22,061,069 and Rs. 33,585,287. The major amendment consisted of charging tax on government grant, which was declared as exempt by the Commission.
First appeals furnished by the Commission before Commissioner Inland Revenue (Appeals) have been rejected. The Commission has submitted second appeals before Appellate Tribunal Inland Revenue (ATIR), which are pending for adjudication. While pendency of appeals, tax department has coercively recovered Rs. 33,585,287 and Rs. 13,847,224 out of the demand of tax year 2015 and 2014 respectively through attachment of bank accounts. The Commission filed an appeal against this decision in Islamabad High Court (IHC), consequent to which, IHC ordered for the case to be heard in ATIR. As per the Commission's income tax advisor, a favorable outcome of the appeal is likely.

16.2 Commitments

There is no material capital commitment as at June 30, 2020 (2019: Nil).

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FOR THE YEAR ENDED JUNE 30, 2020

		Note	2020 -----Rupees----	2019 -----Rupees----
17	**FEE INCOME**			
	Fee income	17.1	**119,585,350**	118,579,110

		2020 -----Rupees----	2019 -----Rupees----
17.1	**Fee income**		
	Acquisition fee	**95,276,073**	93,788,660
	Exemption fee	**10,054,677**	15,745,316
	Merger/amalgamation fee	**6,900,000**	300,000
	Joint Venture Fee	**6,750,000**	7,500,000
	Complaint lodging fee	**450,000**	1,060,434
	Advice fee	**100,000**	100,000
	Statement showing fee	**-**	51,100
	Copying fee	**54,600**	33,600
		119,585,350	118,579,110

		Note	2020	2019
18	**OPERATING COSTS**			
	Salaries and benefits		**384,498,620**	334,627,414
	Travelling and conveyance		**9,526,209**	2,762,302
	Rent for office building		**76,826,550**	68,289,033
	Office building services charges		**7,187,230**	6,422,849
	Communications		**4,296,559**	5,764,054
	Utilities		**9,738,760**	5,119,135
	Printing and stationery		**2,865,131**	2,227,302
	Legal and professional charges		**1,805,000**	13,335,000
	Fee and subscription		**5,562,939**	931,034
	Advertisement and publicity		**1,578,881**	2,736,938
	Conference, workshop and seminar		**101,678**	13,995
	Repair and maintenance		**1,186,574**	1,540,044
	Office supplies		**1,068,863**	537,961
	Newspaper and periodicals		**720,466**	651,735
	Insurance of vehicles		**27,447**	41,340
	Security		**3,168,480**	2,540,392
	Audit fee		**420,000**	230,000
	Bank charges		**1,392**	8,892
	Depreciation		**5,730,876**	6,333,832
	Entertainment		**929,810**	784,617
	Miscellaneous expenses		**3,385,583**	1,175,371
			520,627,048	456,073,240
19	**OTHER INCOME**			
	Gain on sale of fixed assets		**245,266**	91,546
	Interest income on investment		**32,908,717**	23,002,853
	Miscellaneous income		**93,512**	175,601
	Regulatory income	19.1	**-**	-
			33,247,495	23,270,000

19.1 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. Consequently, such charges have not been accrued and recognized in the financial statements as revenue for the year based on uncertainty of recoverability of such charges from authorities.

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20 NUMBER OF EMPLOYEES

	2020	2019
	-----Numbers----	---Numbers---
Total number of employees at year end	**148**	148
Average number of employees during the year	**151**	151

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.

22 AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements are authorized for issue by the members of the Commission on October 22, 2021

CHAIRPERSON

DIRECTOR GENERAL (FINANCE)

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