



**BEFORE THE  
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF**

**FIRST PHASE REVIEW**

**ACQUISITION OF SHAREHOLDING IN PAKISTAN SECURITY  
PRINTING CORPORATION (PRIVATE) LIMITED BY STATE BANK OF  
PAKISTAN.**

**CASE: 899/Merger-CCP/17**

Commission

Ms. Vadiyya S. Khalil  
Chairperson



Mr. Ikram Ul Haque Qureshi  
Member

## I. BACKGROUND

1. The Competition Commission of Pakistan ("**Commission**") is in receipt of a pre-merger application ("**Application**") sent by M/s. State Bank of Pakistan ("**SBP**" or "**Acquirer**") notifying the Commission of the acquisition by SBP of ordinary shares in M/s. Pakistan Security Printing Corporation ("**PSPC**" or "**Target**") pursuant to a Share Purchase Agreement ("**SPA**") entered into between the parties, dated June 13<sup>th</sup> 2017.

## II. PARTIES

### Acquirer:

2. SBP, the Acquirer, is incorporated under the State Bank of Pakistan Act, 1956, which gives the bank the authority to function as the central bank of Pakistan. SBP performs both the traditional and developmental functions to achieve macro-economic goals. The traditional functions, which are generally performed by central banks almost all over the world, may be classified into two groups: (a) the primary functions including issue of notes, regulation and supervision of the financial system, bankers' bank, lender of the last resort, banker to Government, and conduct of monetary policy, and (b) the secondary functions including the agency functions like management of public debt, management of foreign exchange, etc., and other functions like advising the government on policy matters and maintaining close relationships with international financial institutions. Its headquarters are located in Karachi, Pakistan.
3. SBP achieved an income of PKR . . . . . in the financial year ended 30<sup>th</sup> June 2016, whereas its assets stood at PKR . . . . . for the same period.

### Target:

4. PSPC, the Target, is a private limited company incorporated under the laws of Pakistan in 1965. It is wholly owned by the Government of Pakistan through the President of Pakistan, who holds the entire shareholding in the Target with the exception of one share, which is in the name of a nominee of Ministry of Finance. Further PSPC has investments of . . . . . and . . . . . in the equity of Security Papers Limited and SICPA Inks Pakistan (Private) Limited. It is engaged solely in the printing of currency notes and prize bonds for the Acquirer, and is the only undertaking providing this service in Pakistan, with banknotes being the largest constituent of the business mix, generating over three-



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fourths of sales revenue. PSPC is under the administrative control of the Ministry of Finance<sup>1</sup>, Government of Pakistan.

5. PSPC achieved a turnover of PKR [redacted] in the financial year ended June 30<sup>th</sup>, 2016, whereas its assets stood at PKR [redacted] for the same period.

Seller:

6. The Seller in this case is the Government of Pakistan, hence there is no reportable turnover or assets.

### III. TRANSACTION

7. As per the Application, SBP intends to acquire [redacted] ordinary shares in PSPC pursuant to the SPA dated 13<sup>th</sup> June 2017, following which PSPC will become a wholly owned subsidiary of SBP. The consideration for this acquisition is PKR [redacted] which is the transaction value in this case. There is no financial support being received by the Acquirer for this transaction as it is purchasing the shares from its own funds.
8. As per the Application, the rationale for this transaction is that the functions undertaken by the Target i.e. the printing of currency notes and prize bonds, are highly specialized in nature and are performed solely for SBP. Given the nature of operations of the Target it has been decided that SBP takes over and oversees this function directly, due to which SBP is to acquire the Target.
9. The transaction meets the thresholds as prescribed in Regulation 4 (2) (a), (b), (c) and (d) of the Merger Regulations as the assets of the undertakings are greater than PKR 1 Billion, and the annual turnovers of the undertakings are greater than PKR 1 Billion. The transaction relates to the acquisition of assets of a value greater than PKR 100 Million, whereas the shares to be acquired are greater than 10%.

### IV. THE RELEVANT MARKET

10. The Target is currently engaged in various activities, ranging from printing currency notes and prize bonds, board and university degrees, cards for Pakistan Army and Navy, non-judicial papers and



Source: Pakistan Federal Government Rules of Business 1973 as amended up to 3<sup>rd</sup> March, 2017.

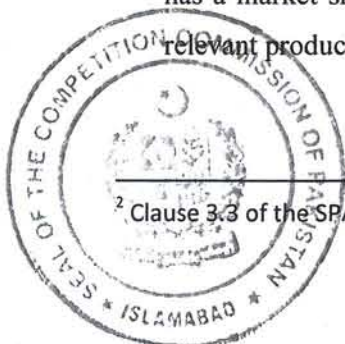
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savings certificates. However, as per the SPA<sup>2</sup>, it is the Seller's obligation to ensure that the Non-currency Undertaking of PSPC is transferred to a wholly-owned subsidiary company of PSPC. Non-currency Undertaking of PSPC has been defined in the SPA as the entire business of PSPC "*other than banknotes and prize bonds*". Since the Target will only be engaged in the printing of currency notes and prize bonds, the relevant product market in this case has been identified as that of printing currency notes and prize bonds. As currency and prize bonds are circulated nationwide, where the conditions of competition are sufficiently homogenous, the relevant geographic market has been identified as Pakistan.

11. Since PSPC is the only undertaking that is engaged in the printing of currency and prize bonds in the country, it has a market share of \_\_\_\_\_ which will remain the same post-transaction.

## **V. FINDINGS OF THE PHASE I INVESTIGATION** **ON COMPETITION ASSESSMENT**

12. This is an acquisition of \_\_\_\_\_ shareholding in PSPC by SBP and is conglomerate in nature. Following the transaction, PSPC will become a wholly owned subsidiary of SBP. SBP is the central bank of Pakistan, and is mandated to regulate the monetary and credit system of Pakistan. PSPC is engaged solely in the printing of currency notes and prize bonds for the Acquirer, and is the only undertaking providing this service in Pakistan.
13. Although the Constitution of Pakistan, 1973, enshrines the freedom of trade, business or profession for all, however, Article 18 (c) of the Constitution gives the Federal Government, Provincial Government, or by corporation controlled by any such Government exclusive rights to carry out any trade, business, industry or service, to the exclusion, complete or partial, of other persons. As the printing of currency notes and prize bonds carry national security implications, such activities are always left to corporations under the control of Federal or Provincial Governments.
14. PSPC is the only undertaking that is engaged in the printing of currency and prize bonds, therefore it has a market share of \_\_\_\_\_ which will remain the same post-transaction. SBP is not active in the relevant product market.




<sup>2</sup> Clause 3.3 of the SPA titled "Conditions for Sale."

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## VI. CONCLUSION

15. In conclusion, there is no evidence to suggest a substantial lessening of competition by creating or strengthening a dominant position in the relevant market. The proposed transaction may be authorized under Section 31 (d) (i) of the Act.

16. It is so ordered.

  
(Vadiyya S. Khalil)  
Chairperson

  
(Ikram Ul Haque Qureshi)  
Member



Islamabad the 13<sup>th</sup> June, 2017.