

CCP issues NoC for merger of banks

Shahid Shah

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KARACHI: The Competition Commission of Pakistan (CCP) has issued no objection certificate (NoC) for the merger of HSBC Bank Middle East Limited Pakistan into Meezan Bank Limited, an announcement said on Wednesday.

Spokesman for Meezan Bank said formal merger is subject to completion of other corporate formalities, including approval by the State Bank of Pakistan.

In a letter on May 14, the State Bank of Pakistan had given approval to Meezan Bank to complete the required formalities, including getting shareholders' approval, for the proposed amalgamation of HSBC-Branch business, subject to compliance with the applicable laws, rules and Shariah standards.

"The SBP at the time of final approval may also impose any condition as deemed appropriate," the spokesman said.

The central bank has clarified that merger under Section 48 of the Banking Companies Ordinance, 1962 will be considered separately, keeping in view the compliance of the amalgamation entities with the applicable laws, rules and regulations and on merit.

The spokesman said the bank is now coordinating with the IBD of the SBP for getting required clearance, while completing formalities in parallel for the subject of amalgamation.

Earlier this year, the management of Meezan Bank Limited had carried out the due diligence of HSBC Pakistan for acquiring its assets worth Rs48 billion along with 10 operational branches in various cities of the country.

The management of Meezan Bank said it had concluded negotiations with the HSBC Middle East, an indirect wholly subsidiary of HSBC Holding Inc, to acquire HSBC banking business in Pakistan but final approval of the central bank and shareholders are still required.

Analysts said environment is highly favourable for the acquisition deal between the two banks, as the central bank has been encouraging development and expansion of Islamic banks and industry in a professional manner.

With 351 branches in 103 cities across the country, Meezan Bank is the largest Islamic bank and the eighth largest bank, in terms of branch network, in Pakistan.

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Analyses & Comments by BR Research

Dealing with IFEM

So the Competition Commission of Pakistan (CCP) thinks discriminatory practices in allowing access to Inland Freight Equalization Margin (IFEM) is indeed not healthy. Yes, discrimination is never good. But, is the IFEM in itself any good?

The CCP in its opinion on the IFEM saga has opined that the concerned refinery be given the benefit of IFEM in

terms of transportation of crude oil and operational cost and also be given the status of supply source. The opinion that being denied the supply source status hurts the refinery's business is indeed a valid one. This is because the OMCs in turn are reluctant to transport oil from the concerned refinery.

That said, the Ministry has a sound argument too—enough to contest it on the basis that

the second unit of the concerned refinery has not yet started production. Mind you, CCP's observation is just an opinion and does not bind the regulator to follow suit. A solution in this regard should be sought sooner than later, so that efficiency returns to the supply side market.

But the bigger question that arises is on the status of IFEM itself. Time and again experts have emphasized on the need

to completely deregulate the upstream and downstream oil and refinery business. Some steps have been taken towards deregulation, but baby ones, which did not and cannot yield the desired results. The policy of having uniform petrol prices all across the country is not a sustainable one and it costs the exchequer billions in terms of IFEM, through manipulation and misuse.

The refineries' access to the freight pool is discriminatory too for the OMCs, say the least, and they rightly feel aggrieved. For efficient pricing and smooth supplies, removing these distortions is a must. Those at the helm know how it can be done, it is the matter of showing the will to actually do it.

"Prices should be deregulated and in each city it should be based on ex-refinery prices

plus freight to eliminate abuse of IFEM which leads to huge loss of revenue to the government," read a recommendation by the Energy Expert Group in its Integrated Energy Plan, long time ago. So, while the CCP may well be within its right in opining removal of distortions and allowing level-playing field, it is up to the Ministry to up its game on the policy front and move towards complete deregulation.