

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to AKD Investment Management Limited

Dates of Hearing

June 22, 2022

Order-Redacted Version

Order dated June 30, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of AKD Investment Management Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 6, 2022.
2. Name of Respondent	AKD Investment Management Limited (the Company and / or the Respondent)
3. Nature of Offence	Alleged contraventions of regulations 38(2)(y), (z) & (s) and 58(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and clauses 16.1.1 & 16.1.2 of the Master Circular dated November 3, 2021 (the Master Circular) read with Section 282 J (1) of the Companies Ordinance, 1984 (the Ordinance).
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered the written as well as verbal submissions of the Company and the Representatives respectively, in light of the afore-mentioned legal provisions and state that:</p> <ul style="list-style-type: none">(i) the investment and disinvestment decisions for each CIS were recorded and presented in the IC meeting collectively (i.e. in the same table) rather than to be presented separately. However, subsequent to identifying the deficiency by the inspection team, the IC Committee revised the format of recording the decisions. Although in both, the previous and new formats, there is no change in factual information pertaining to the decisions, but rather the manner of presenting the information was not as per the requirement of the law;(ii) the Respondent admitted its default in respect of sending the investment account statement to each unit holder at least once a year, contrary to the requirement of regulation 38(2)(s) of the NBFC Regulations;(iii) the Respondent's stance with regard to spread transactions is not tenable, as the short sale transactions highlighted in the Inspection Report were in fact

	<p>executed by placing the order through a short sale window in futures market; and</p> <p>(iv) as per the regulatory framework a custodian arrangement was required to be specified in all SMA arrangements, as an NBFC cannot, directly or indirectly, hold or provide custodial services for the assets of the investors. However, the equity securities in respect of two (2) clients, selected on a sample basis were held by a brokerage company which is an associated company of the Respondent.</p> <p>In view of the above violations of regulations 38(2) (s), (y) & (z) and 58(1) of the NBFC Regulations and clauses 16.1.1 and 16.1.2 of the Master Circular established, the Company is liable to be penalized under Section 282 J (1) of the Ordinance. Therefore, in exercise of the powers conferred under Section 282 J of the Ordinance, I hereby, impose a penalty of Rs. 150,000 /- (Rupees: One Hundred and Fifty Thousand Only) on the Respondent on account of the aforesaid established and conceded non-compliances.</p>
5. Penalty Imposed	Rs. <u>150,000/-</u>
6. Current Status of Order	Penalty not deposited