



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director

*In the matter of*

**Mr. Abbas Sarfraz Khan Director –Arpak International Investment Limited**

Number and date of notice: CSD/ARN/462/2017-3351 dated April 14, 2017

**ORDER**

**UNDER SECTION 189 READ WITH SECTION 187 & 476 OF THE COMPANIES ORDINANCE, 1984**

This order shall dispose of the proceeding initiated against Mr. Abbas Sarfraz Khan through show cause notice (the "SCN") dated April 14, 2017 under the provisions of Section 189 read with Section 187 & 476 of the Companies Ordinance 1984 (the "Ordinance").

2. The facts leading to this case, briefly stated, are that, it has been observed that Mr. Abbas Sarfraz Khan is appointed as director of Arpak International Investments Limited ("Company") on October 31, 2015, who is also director in Earth Securities Private Limited ("ESPL") since September 30, 2013. ESPL is a brokerage house engaged in business of brokerage and hold Trading Right Entitlement Certificate ("TREC") since August 26, 2014.

3. Section 187 of the Ordinance provides that *no person shall be appointed as a director of a company if he-*

*) is engaged in the business of brokerage, or is a spouse of such person or is a sponsor, director or officer of a corporate brokerage house.*

*Provided that clauses (i) and (j) shall be applicable only in case of a listed company.*

Section 189 of the Ordinance- *If a person who is not qualified to be a director or chief executive or who has otherwise vacated the office of director or chief executive describes or represents himself or acts as a director or chief executive, or allows or causes himself to be described as such, he shall be liable in respect of each day during which he so describes or represents or acts, or allows or causes himself to be described, as such, to fine which may extend to two hundred rupees.*

4. Mr. Abbas Sarfraz Khan was not qualified to act as director of the Company as he is director in a brokerage house, *prima facie*, contravened the provision of Section 189 of the Ordinance. Therefore, SCN was issued to the respondents under the provisions of Section 189 of the Ordinance.



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

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5. In response to the SCN, Company submitted reply vide letter dated February 4, 2017. A brief of the reply relevant to the contents of the SCN is given below:

- ESPL has voluntarily surrendered their TREC. In this regard, they have intimated both the SECP and Pakistan Stock Exchange (PSX) vide their letter dated February 20, 2017. It is worth mentioning here that ESPL remained inactive member and has not conducted any brokerage business since its registration as broker.
- Discrepancy in appointment was corrected before the SCN and requested to take a lenient view.

6. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 189 of the Ordinance have been delegated to the Director (Corporate Supervision Department).

7. I have analyzed the facts of the case, relevant provisions of the Ordinance, arguments put forth by the respondent in writing and observed that ESPL was not engaged in any trading activity since its registration as broker and is in the process of surrendering its TREC. A person who engages in brokerage business and at the same time active engages as a director on the board of listed company increase the risk of market abuse. The provisions of Section 189 were introduced in the Ordinance to address this inherit risk. However, since the respondent did not engage in brokerage business the risk was averted. I, therefore, close the matter without any adverse order and the respondent is advised to comply with the laws in letter and spirit in future.

**Amina Aziz**  
Director

**Announced:**  
May 24, 2017  
Islamabad