



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT

Before Commissioner (SCD)

In the matter of Show Cause Notice issued to the ex-employees of AWT Investments Limited under Section 282J (1) read with Section 282M (1) of the Companies Ordinance, 1984 for violation of Regulation 38(1)(a), 38(2)(b) and 38(2)(l) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and Circular 26 of 2015.

Date of hearing: March 20, 2019

Present i. Ms. Rida Jiwani, Ex-Chief strategy officer, AWTIL

Assisting the Commissioner (SCD) i. Mr. Aamir Khan, Commissioner SCD
ii. Ms. Bushra Aslam, Executive Director
iii. Ms. Tanzila Nisar Mirza, Additional Director

ORDER

This Order shall dispose of proceedings initiated against the ex-employees of AWT Investments Limited (“AWTIL”) through Show Cause Notice (the “SCN”) bearing No. SCD/AMCW/ADJ/AWTIL/269/2019 dated January 31, 2019 under Section 282J (1) read with Section 282M (1) of the Companies Ordinance, 1984 (the “Ordinance”).

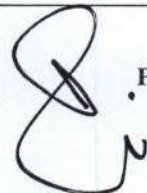
2. The brief facts of the case are that upon receipt of a complaint on August 31, 2018 from Mr. Zahid Oosman (the “Complainant”), an enquiry was ordered under Section 282I of the Ordinance vide Order bearing number SCD/S&EDAWT IL/2018/252 dated November 19, 2018.

3. Based on the findings of the enquiry team, a Show Cause Notice (“SCN”) dated January 31, 2019 was issued to the ex-employees of AWTIL to show cause in writing by February 7, 2019 as to why penal action may not be taken for alleged violations of Regulation 38 (1)(a), 38(2)(b) and 38(2)(l) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “Regulations”) and Circular 26 of 2015. An opportunity of hearing in the matter was provided on February 14, 2019, which was adjourned due to want of information and documents by the ex-employees of AWTIL from SECP. The hearing eventually held on March 20, 2019.

4. Ms. Rida Jiwani (the **Respondent**) vide her letters dated February 19, 2019 and March 19, 2019 submitted her written replies respectively, which are summarized as follows:

i.	No comments to Paragraph 1 and 2, since they are formal.
ii.	No comments to Paragraph 3, for want of knowledge.
iii.	No comments to Paragraph 4, not in possession of formal records of the company.
iv.	No comments to Paragraph 5, not a part of company at the time. Response to subsections provided as follows. (i) The signature of the Complainant in respect of both the mandates and cheques would have been duly verified by the Compliance Department of the

	<p>Company, as well as by the Central Depository Company ("CDC"). Furthermore, any discrepancy in the signatures and any over-writing would have been verified and confirmed by the Clearing Bank when presented in clearing. Therefore, the instructions and mandates to make investment in equity/ high risk funds could clearly not have been forged or been fraudulent in any manner.</p> <p>(ii) In context to the transactions taken place till the 1st Oct 2016 (her tenure as a Head of Investor Services Department[ISD]), she states that she has no recollection of any conversion conducted without the review and approval of the Compliance Department of the Company as per normal industry practice and therefore, the Compliance Officer of the Company should be asked to throw light on this issue.</p> <p>(iii) In relation to third party redemption and investments, there was only a single redemption of Rs.5 million during her tenure as a CSO of the Company. ISD function, Registrar services were handled by Head of operations and Chief Financial officer, respectively and they would be in a better position to explain as to how and why a third party redemption was processed and cleared.</p>
v.	No comments to Paragraph 6 and 7.
vi.	The contents of paragraph 8 of the Notice are denied since as per the company policy, ISD department issues a welcome package containing receiving copy of account opening form, copy of Investment form and cheque, fund brochures and account statement, to the client within 48 hours of fund realization. This is done without any prejudice of the size of investment. No such instance or breach has been reported by the Compliance Department in the Compliance Report dated 30th September 2016.
vii.	The contents of paragraph 9 of the Notice are denied. Please again refer to risk and compliance report of September 2016 which clearly states that the only thing missing against one the complainant account "Oosman Brothers Private Limited" is Form A and Form 29. If the form, or email address of the said account holder was missing, it would have been made part of the Risk and Compliance report. It is also pertinent to mention that the all records were handed over by Pak Brunei Investment Company to AWT after the takeover. The record of AWT was later moved from Karachi to Rawalpindi. Therefore, in my opinion that responsibility of account opening form missing lies with the current management of AWTIL.
viii.	The reply is paragraph 10 is same as paragraph 9
ix.	The contents of paragraph 11 of your Notice are denied. Reference is made to the Risk and Compliance report for the QTR ending September 2016 where no such event of unauthorized update of email ID is highlighted. Even if the email ID's were fake as mentioned in the Show case notice, the complainant was most definitely sent physical account statements on their registered postal address as part of the company policy and regulatory requirement.
x.	The contents of paragraph 12 of your Notice narrating that she had been in the loop of correspondence and establishes any negligence on her part or that there were weak internal controls within the Company, are incorrect and unjustified. The factual position is that the email dated 31st August 2016 was copied to her for information purposes only and not for taking any action thereon. As a Chief Strategy Officer, her job description did not permit her to take any action on such a request and nor did



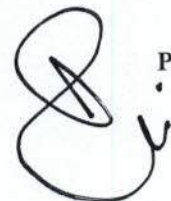
	her designation warrant an investigation into the affairs of the Investor Services Department despite the fact that this department was reporting to her.
xi.	The contents of paragraph 13 of the Notice are denied as incorrect and misconceived. The investigation report of the commission confirms that the client did sign blank conversion forms and had handed them over to Mr. Kaim Khani with original signatures, which also explains that the client understood and made arrangements of conversions to take place from one fund to another in his account. Also, in the matter of photocopies of form submitted, please note that ISD's reporting was transferred to Operations. The management of AWTIL and controls therein should be made answerable as this incident as this neither was approved by me nor was ever reported to me. In terms of FEL being charged to the client, kindly note that it is a standard practice of AMC's to charge FEL to the client and that this is not a violation under any law.
xii.	The allegations contained in paragraph 14 of the Notice are denied. The contents of paragraphs 8 and 13 are reiterated in reply.
xiii.	The contents of paragraph 15 of the Notice also seem misconceived. It is submitted that the Risk and Compliance Department of the Company had already conceived a method for ensuring that investments with Front End Load were monitored and that all relevant SOP's were followed.
xiv.	The allegations contained in paragraph 16 of the Notice require a forensic audit.
xv.	The contents contained in paragraph 17 should be viewed in the light of her tenure as head of ISD till Oct 01 st 2016 and further investigation should be conducted with the Head of Operations/ISD, CFO, Head of Registrar function and CDC
xvi.	It has already been clarified that the ISD department was divided in 3 functions and reporting line was changed in September 2016.
xvii.	The contents contained in paragraph 19, 20 and 21 require no comments.

5. The hearing in the matter was held on March 20, 2019, which was attended by Ms. Rida Jiwani.

6. During the hearing, in addition to reiterating the arguments of her written reply, Ms. Rida Jiwani contended that that she had joined Primus Investment Management Limited in October 2015 as Chief Strategy Officer with a direct reporting line to the CEO. Her core job was to run and supervise Business Development Unit- BDU (which included Pan Pakistan Sales and Distribution Channels, Marketing Department, Product Development, and Business Intelligence Unit) with additional charge of streamlining Investor Services Department's (ISD) operations and setting up a call center under BDU. When asked that whether she considered the management of these departments altogether as a conflict of interest, she blatantly replied that this is not a conflict of interest in her eyes.

7. Ms. Rida Jiwani who had been appointed as Chief strategy officer of the Asset Management Company and was conducting her responsibilities on behalf of the AMC, was as per the SCN, prima facie in violation of the following provisions of the regulatory framework.

S. No.	Relevant Provision of Law
i.	38(1) (a) "An Asset Management Company shall act in good faith and in the best interest of its unit/certificate holders without taking advantage for itself or any of its related parties, group companies or employees at the expense of its unit holders".



ii.	38 (2)(b) “An Asset Management Company shall be responsible for the acts and omissions of all persons to whom it may delegate any of its functions as manager as if they were its own acts and omissions”
iii.	38 (2)(l) “An Asset Management Company shall manage the Collective Investment Scheme according to its Constitutive Documents, the rules, regulations, circular or directives issued by the Commission”
iv.	Circular 26 of 2015 an AMC is required to intimate the unit holder about the amount received, sales load charged and net amount invested in the collective investment scheme within 48 hours of the realization of funds on the prescribed format.

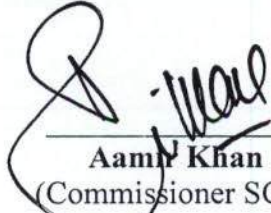
8. I have examined the facts of the case and written responses submitted along with the arguments put forth by the Respondent during the course of hearing and the relevant regulatory requirements. I am of the view that the arguments submitted by the Respondent is not tenable on the following grounds;

- a) Ms. Rida Jiwani being the chief strategy officer was managing the businesses development unit in addition to the investor services department. However, it was surprising to learn that she did not consider this as a conflict of interest.
- b) In my view, a person with her experience and caliber ought to have voluntarily indicated such an organizational/operational anomaly to the management and proposed the segregation of the departments long before the internal audit department made an observation to this effect. I firmly believe that this tantamount's to negligence on part of the chief strategy officer.

9. It is hence, concluded that the arguments provided by the Respondent are not tenable owing to the reasons mentioned above. The arguments are frivolous and tantamount to an attempt by the respondent to divert attention from the important facts that internal controls and policies of the AMC were inadequate, vulnerable and left ample room for a fraud to occur.

10. Based on my observations at para 8 and 9 above, I am of the view that, non-compliance towards requirement of NBFC Regulation 38 (1)(a), 38(2)(b),38(2)(l) and Circular 26 of 2015 by Ms. Rida Jiwani has been established. In my view, obligation to exercise all due diligence and vigilance in carrying out her duties and in protecting the interests of the complainant has not been adequately carried out by her. However, by taking a lenient view in this instance, owing to that she has had an unblemished career, and this is the first instance that she has exercised laxity towards her responsibilities, the respondent is hereby strictly warned to ensure compliance of the applicable regulatory framework in future.

13. This order is issued without prejudice to any other action that the Commission may initiate against the Company in accordance with the law on matter subsequently investigated or otherwise brought to the knowledge of the Commission.


Aamir Khan
 (Commissioner SCD)

Announced: April 18, 2019 at Islamabad