



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. Mr. Shafiq Bhatti, Ex-Head of sales and distribution, 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. Mr. Shafiq Bhatti (**Respondent**) vide his letter dated February 19, 2019 submitted his written reply, which is summarized as follows:



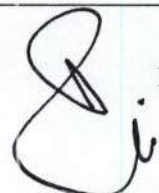
i	Response to the specific allegations in Paragraph 12 of the notice that he had been in the loop of correspondence establishes any negligence on his part or that there were weak internal controls within the Company are incorrect and unjustified. The factual position is that the email dated 31st August 2016 was copied to him for information purposes only and not for taking any action thereon. As Head of sales and Business, his job description did not permit him to take any action on such a request and nor did his designation warrant an investigation into the affairs of the Investor Services Department. His responsibility was to ensure the Company's outreach and growth of sales and not to exercise oversight in relation to the Company's internal controls, which is the exclusive domain of the Risk and Compliance Department.
ii	The allegation raised against him is without merit and/or substance. This is due to the fact that even if Shehzad Kaim Khani had requested that monthly statements not to be sent for the accounts specified in the email or that the email addresses as provided in the account opening form be amended; the same could not have been done without the submission of a Special/Change of Information Form which has to be duly signed and submitted by the Complainant and subsequently vetted and approved by the Compliance Officer of the Company.

5. The hearing in the matter was held on March 20, 2019, which was attended by Mr. Shafiq Bhatti.

6. During the hearing, Mr. Shafiq Bhatti, in addition to reiterating the arguments of his written reply also stated he had not met with the complainant personally since the complainant was an old acquaintance of the Sales Agent Mr. Shahzad Kaim Khani and it was through him that the account was opened. He further stated that sales agents were given targets and therefore it was their responsibility to bring in customers while the compliance department was required to do the due diligence. When asked what size was the complainant's investment of the total customer portfolio, he replied that it was about 30% of total customer portfolio.

7. Mr. Shafiq Bhatti who had been appointed as the Head of Sales and Distribution of the Asset Management Company and was conducting his 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.	<b>38(1) (a)</b> "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.	<b>38 (2)(b)</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.	<b>38 (2)(l)</b> "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.	<b>Circular 26 of 2015</b> 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, 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 are not tenable on the following grounds;

- i. Mr. Shafiq Bhatti had been appointed as the head of sales and business of the company yet he had never met with complainant, who was a high networth customer.
- ii. He had left all the affairs pertaining to the complainant, including account opening, managing the transactions, sending account statements/emails, thus entire handling of the accounts in the hands of Mr. Shazad Kaim Khani who had been recently employed.
- iii. This not only depicts that the company policy did not have a mandatory requirement for the sales head to physically meet with his large and key customers, irrespective of which sales agent had brought in the customer but also lack of interest of the Mr. Bhatti to perform his duties effectively.
- iv. The fact that the complainant was one of the largest investor of the company and generating large revenue in terms of sales load warranted that the head of sales and business make at least one courtesy visit or meet him personally. In my opinion, not only the internal controls and policies of the AMC were weak and ineffectual but also the attitude of the Sales head towards the customers of the company was highly unprofessional.

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 observation 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 Mr. Shafiq Bhatti has been established. In my view, obligation to exercise all due diligence and vigilance in carrying out his duties and in protecting the interests of the complainant has not been carried out by him diligently. However, by taking a lenient view in this instance, owing to that he has had an unblemished career, and this is the first instance that he has exercised laxity towards his responsibilities, Mr. Shafiq Bhatti is hereby strictly warned to ensure compliance of the applicable regulatory framework in future.

11. 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.

  
Amir Khan  
(Commissioner SCD)

**Announced: April 18, 2019** at Islamabad