



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision and Registration Department (MSRD)

Before the Director/HOD (MSRD)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to KASB Bank Limited, a beneficial owner of more than ten percent equity securities of KASB Securities Limited

Date of Hearing:

February 20, 2014

Present at Hearing:

Representing the Respondent:

*Mr. Muhammad Hamidullah,
Company Secretary,
KASB Bank Limited*

Assisting the Director/HOD (MSRD):

*Mr. Muhammad Farooq,
Joint Director, SECP*

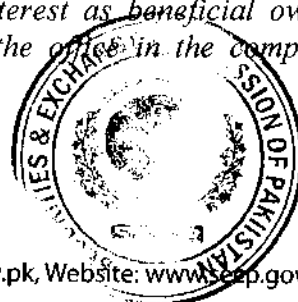
Order

This Order will dispose of the proceedings initiated under Section 224(4) of the Companies Ordinance, 1984 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") through Show Cause Notice No. S.M(B.O)C.O.222/1(675)12 dated 15/01/2014 ("**Notice**") issued to KASB Bank Limited ("**Respondent**"), a beneficial owner of more than ten percent equity securities of KASB Securities Limited ("**Issuer Company**").

2. The facts of the matter leading up to aforesaid Notice are that the Issuer Company is a public listed company and the Respondent being a beneficial owner of more than ten percent of its ordinary shares was required to file return of beneficial ownership on Form 32, within the period stipulated under Section 222 of the Ordinance. However, it failed to discharge the said obligation which attracts penal provisions contained in Section 224(4) of the Ordinance.

3. Section 222(2) (b) of the Ordinance stipulates the period within which the Form 31 is required to be submitted as under:-

"in any other case, including a case where the company is listed on the stock exchange after the commencement of this Ordinance or after the person has occupied the position or office specified in sub-section (1) or has acquired interest as beneficial owner of securities as aforesaid, within thirty days of occupying the office in the company or





SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision and Registration Department (MSRD)

acquisition of interest as beneficial owner requiring submission of the return aforesaid or listing of the company on the stock exchange, as the case may be

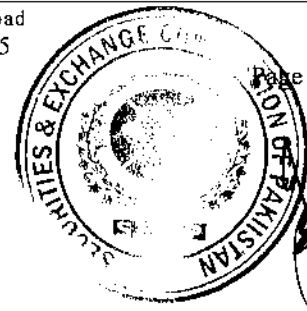
4. The Respondent in response to this office letter dated 19/07/2013, filed Form 31 with this Commission on 19/07/2013. The said Form 31 showed that the Respondent acquired aforesaid beneficial ownership of the Company on 01/01/2009 and 77,121,500 shares were beneficially owned by it. Thus, it was required to file the said return with this Commission latest by 31/01/2009, but the same has been filed on 19/07/2013, with delay of 1,630 days, in contravention of Section 222(2)(b) of the Ordinance, which provides as under:-

“Whoever knowingly and wilfully contravenes or otherwise fails to comply with any provision of section 222, section 223 or section 224 shall be liable to a fine which may extend to thirty thousand rupees and in the case of a continuing contravention, non-compliance or default to a further fine which may extend to one thousand rupees for every day after the first during which such contravention, non-compliance or default continues”.

5. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon it to explain through written reply alongwith documentary evidence, if any as to why action may not be taken against it pursuant to Section 224(4) of the Ordinance, for aforesaid contraventions of Section 222 of the Ordinance

6. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed for 29/01/2014 at the Commission’s Head Office, Islamabad, which on the request of Vice President of the Respondent was adjourned and rescheduled for 20/02/2014. On the given date, Mr. Muhammad Hamidullah, Company Secretary of the Respondent (“**Authorized Representative**”) appeared on behalf of the Respondent and submitted written response to the Notice. The submissions made on behalf of the Respondent in writing as well as verbally during the course of hearing by the Authorized Representative be summarized as under:-

- a) *The Respondent acquired 1,121,500 shares of the Issuer Company through open market before becoming its more than ten percent shareholder. While, ownership of 76 million shares the Issuer Company was transferred to the Respondent as a result of merger of KASB Capital Limited into the Issuer Company, pursuant to a scheme duly approved by State Bank of Pakistan.*
- b) *The ownership was the result of amalgamation process rather than direct purchase from the market and the shareholding has been treated as strategic investment.*
- c) *Since becoming more than ten percent shareholder no sale or purchase has been made by the Respondent.*





SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision and Registration Department (MSRD)

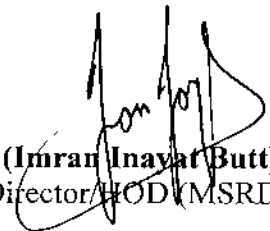
- d) *The return of beneficial ownership was not filed at the time of becoming more than ten percent shareholder inadvertently due to sheer misunderstanding that the acquisition was by virtue of merger process and not by any open market trading.*
- e) *The delay in submission of the return of beneficial ownership to the Commission was not willful.*
- f) *The Authorized Representative ensured that the Respondent will comply with the requirement of Section 222 of the Ordinance within the prescribed time period in future.*

7. I have considered the aforesaid submissions made by the Authorized Representative during the course of hearing. The Respondent has admitted the default of late filing of the return of beneficial ownership with the contention that said default was not committed willfully and knowingly. The Respondent has acquired the status of more than ten percent beneficial owner through a merger process and no purchase or sale has been made by it subsequent to acquiring the said status. Considering the submissions made by the Respondent, I intend to agree with the contention of the Respondent and of the view that the late filing of the under reference return of beneficial ownership may not be willful. Therefore, a lenient view of the matter has been taken and the Respondent is hereby strictly warned to ensure timely compliance of Section 222 of the Ordinance in future.

8. This Order is issued without prejudice to any other action that the Commission/Registrar may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.

Islamabad.
Announced on March 7, 2014




(Imran Inayat Butt)
Director/HOD (MSRD)