



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Before the Director/HOD (MSCID)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to Ch. Zahoor Ahmed, Chief Executive of The Pakistan General Insurance Company Ltd.

**Date of Hearing:**

*February 22, 2012*

**Present at Hearing:**

*Representing the Respondent:*

*Mr. M. Javed Panni,  
Chief Executive,  
MJ Panni & Associates,*

*Assisting the Director/HOD (MSCID):*

*Mr. Muhammad Farooq,  
Joint Director (SMD)*

## 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.222/2(306)07 dated 09/01/2012 ("**Notice**") issued to Ch. Zahoor Ahmed ("**Respondent**"), Chief Executive/Director of The Pakistan General Insurance Company 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 its Chief Executive /Director was required to file return of change in his beneficial ownership on Form 32, within the period stipulated under Section 222 of the Ordinance. However, he failed to discharge the said obligation which attracts penal provisions contained in Section 224(4) of the Ordinance.

3. Section 222(2)(c) of the Ordinance stipulates the period within which the Form 32 is required to be submitted. For convenience, the provisions of the said Section are reproduced hereunder:-

*"where there is any change in the position or interest as aforesaid including a change in the beneficial ownership of any equity, security, within fifteen days of such change"*

4. It is worth mentioning that in order to provide an opportunity to directors/beneficial owners of listed companies to file their over due returns of beneficial ownership without facing penal action, the Commission through Notices dated 07/09/2009 and 21/09/2010 asked them to file their returns of beneficial ownership with Head Office of the Commission by 31/10/2009 and 31/10/2010 respectively and to ensure timely compliance of Section 222 of the Ordinance in future. The aforesaid Notices were sent to all listed companies and were also disseminated through stock exchanges and print media.



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5. On account of scrutiny of record of this office, it was observed that the Respondent has failed to file the returns of beneficial ownership on Form 32 with this Commission, as a Chief Executive/Director the Issuer Company for the transactions made by his spouse namely Mrs. Parveen Akhtar during the period from May 2009 to September 2011 (“**Period**”). The Respondent was, therefore, asked vide letter dated 26/09/2011 to file returns of beneficial ownership on Form 32 alongwith reasons for non-filing of the same, within the period stipulated in Section 222 of the Ordinance.

6. In response to the aforesaid letter, the Respondent filed Form 32 with this Commission on 01/10/2011 showing therein receipt of 118,018 bonus shares, purchase of 548,140 shares and sale of 35,702 shares. The said changes in beneficial ownership were reported to the Commission with delay ranges from 853 days to 2 days, in contravention of Section 222(2)(c) of the Ordinance. The said contravention attracts penal provisions of Section 224(4) 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”*

7. The Commission took cognizance of the aforesaid defaults and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon him to explain through written reply alongwith documentary evidence, if any as to why action may not be taken against him pursuant to Section 224(4) of the Ordinance, for aforesaid contraventions of Section 222(2)(c) of the Ordinance. Mr. M. Javed Panni (“**Authorized Representative**”) filed written reply to the Notice on 08/02/2012 on behalf of Respondent.

8. In order to provide an opportunity of being heard in person, hearing in the matter was fixed for 24/01/2012 at the Commission’s Head Office, Islamabad, which on the request of the Authorized Representative was adjourned and rescheduled for 22/02/2012. On the given date the Authorized Representative of the Respondent appeared before me. The submissions made on behalf of the Respondent by the Authorized Representative in writing as well as verbally during the course of hearing be summarized as under:-

- a) *Due to family dispute, the trading made by Respondent’s spouse was not in his notice. The said trading came to his knowledge on receipt of Commission’s letter dated September 26, 2011. A close examination of the trading record made available by the Commission to the Respondent shows that his spouse is buying and selling the shares of the Company in small quantities by herself through her broker by using an independent UIN No. 3520221450686. So the Respondent*



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*cannot be held responsible for the acts of her spouse. On receipt of the said letter, the Respondent filed Form-32 in order to comply with the legal requirement.*

- b) It is evident from the record of the Commission that on receipt of bonus shares on physical shareholdings, the Respondent has filed the return showing the receipt of bonus shares in the name of his wife within the time period prescribed in the law.*
- c) The Authorized Representative stated that the default was not willful and requested to condone the same. He also pleaded to hold responsible the Respondent's spouse for independent trading instead of the Respondent and to allow the Respondent to remove the name of spouse from his beneficial ownership.*

9. I have considered the aforesaid submissions made on behalf of the Respondent and my findings in this regards are as under:-

- a) In reference to the contention raised on behalf of the Respondent that due to family dispute the Respondent was not aware about the trading activities of his spouse, it is pointed out that family dispute is a purely private-affair and this office is apparently not in a position to offer comments in this regard. However concerning the plea of lack of knowledge about the trading activities of the spouse, it is pointed out that the Respondent is Chief Executive/Director of the Issuer Company. Pursuant to Regulations and procedures laid down by the Central Depository Company of Pakistan Limited each listed company gets its Beneficial Owners reports from time to time, which enable the management of the listed companies to know inter alia the particulars and extent of shareholding of each member of the company. Thus, the Respondent who is Chief Executive of the Issuer Company is supposed to have knowledge of the changes in shareholding of his spouse, which as per the law is part of his beneficial ownership in the Issuer Company.
- b) In connection with the plea that spouse of the Respondent may be held responsible for the trading instead of the Respondent, it is pointed out that Section 224(3) of the Ordinance clearly determines the scope of securities which are supposed to be included in the beneficial ownership of Chief Executive/Director of a listed company as well as to be reported under section 222 of the Ordinance. I do not have any power under the law to disband this legal requirement.
- c) Concerning the plea that the default in question was not willful, it is worth mentioning that in order to engender awareness and provide an opportunity to the specified officers and more than ten percent shareholders of listed companies, for filing of overdue returns, the Commission carried out exercise twice in the past as mentioned in detail in para 4 of the Order, but the Respondent failed to discharge its liability entailed under Section 222 of the Ordinance, until, the same was pointed out by this office through letter dated 29/09/2011.



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d) With reference to the request that the aforementioned defaults committed by the Respondent may be condoned. I am of the view that Sections 220 to 224 of the Ordinance speak about a Scheme. Under the said Scheme such beneficial owners/persons are required to report their shareholding as well as changes in shareholding at the same time to the Company, Registrar of Companies and the Commission. The said officers and beneficial owners of more than ten percent equity securities of a listed company are required to fulfill their statutory requirements within the time period provided in the law. The inevitability of the filing of the return of beneficial ownership with the Commission may be adjudged from the fact, that it enables the Commission to monitor the trading activities of the returnee. In the instant case, the Respondent failed to file the prescribed returns for the under reference changes in beneficial ownership until the matter was pointed out by this office.

10. In view of the foregoing, it is evident that the Respondent has contravenes the provisions of Section 222 of the Ordinance. However, he has promptly filed the return of beneficial ownership on receipt of letter from the Commission. In order to arrive at conclusion, I have also reviewed the available record which reveals that the Respondent filed returns of beneficial ownership for receipt of bonus shares regularly except the aforementioned bonus shares. Taking a lenient view of the defaults, in exercise of powers conferred under Section 224 (4) of the Ordinance, I hereby impose a fine of Rs. 25,000/- (twenty thousand rupees only) on the Respondent and no further fine for continuous default is imposed.

11. The Respondent is directed to deposit the fine in the account of the Commission being maintained in the designated branches of MCB Bank Limited, within 30 days of the date of this order and furnish Original Deposit Challan to this office, to the effect.

12. 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.

Announced on March 22, 2012  
at Islamabad.

  
(Imran Inayat Butt)  
Director/IVOD (MSCID)

