

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

**In the matter of Show Cause Notice issued to UBL Fund Managers Limited**

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Dates of Hearing

January 17, 2022

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**Order-Redacted Version**

Order dated April 30, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of UBL Fund Managers Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated November 23, 2021.
2. Name of Respondent	UBL Fund Managers Limited, (the Respondent and/ or the Company)
3. Nature of Offence	Alleged contraventions of regulations 38 (2) (y), (z) & (s) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 ( <b>the NBFC Regulations</b> ); Clause 16.2 of the Master Circular dated June 30, 2020 ( <b>Master Circular</b> ); and Clause 3 & 4 of Circular 2 of 2020 dated February 6, 2020 ( <b>Circular 2 of 2020</b> ) read with Section 282 J (1) of the Companies Ordinance, 1984 ( <b>the Ordinance</b> ).
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered the written as well as verbal submissions of the Company and the Representatives respectively and of the view that record of the Investment Committee is not being properly maintained by the Respondent, merely delegating the security selection powers to Sub-Investment Committee with in the Asset class/ Sector subject to policy allocation or security allocation decisions taken by the Investment Committee does not absolve the Investment Committee from its responsibility of maintaining the record of investment and disinvestment as per the requirement of Law.</p> <p>As such no provision is available in NBFC regulatory regime which would allow delegation of Investment Committee's powers to sub-committee, hence responsibility of maintaining the records of Investment Committee's meeting and investments and disinvestment decisions as provided in NBFC Regulations rest with Investment Committee. Further, the Respondent's stance with regard to recording of pre-trade decisions is also not tenable as buying/ selling decisions were taken after deliberation in the morning and are communicated to traders either by phone or by visiting trading room. In absence of the pre-trade sheet, details such as quantity, scrip, and trade amount in</p>

	<p>relation to buy/ sell decisions taken can't be traced. Recording of pre-trade decisions is an integral part of the investment/ disinvestment decision process thus non-recording of pre-trade decisions is violation of regulations 38(2)(y) and (z) of the NBFC Regulations. Further, the Respondent's written response in respect of the dispatch of Annual Statements, announcement/ uploading of daily NAV and Risk Categorization is an admission to such violations.</p> <p>Hence violation of regulations 38(2) (z), (y) and (s); Master Circular; and Circular 2 of 2020 are established, therefore, the Company is liable to be penalized under Section 282 J (1) of the Ordinance. Therefore, in exercise of the powers conferred under Section 282 J of the Ordinance, I hereby, impose a penalty of <b><u>PKR. 100,000/- (Rupees; One Hundred Thousand only)</u></b> on the Respondent on account of the aforesaid established and conceded non-compliance.</p>
5. Penalty Imposed	Rs. 100,000/-
6. Current Status of Order	Penalty not deposited