



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 Mrs. Uzma Mehmood Ali, Director of Metropolitan Steel Corporation Limited

Date of Hearing:

December 30, 2011

Present at Hearing:

Representing the Respondent:

*Mr. Sharifful Muzaffar,
General Manager Finance & Company Secretary,
Metropolitan Steel Corporation Limited*

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.222/12(357)11 dated 17/10/2011 ("**Notice**") issued to Mrs. Uzma Mehmood Ali ("**Respondent**"), Director of Metropolitan Steel Corporation 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 Director was required to file return of beneficial ownership on Form 31 and the return of change in beneficial ownership on Form 32, within the period stipulated under Section 222 of the Ordinance. However, the Respondent failed to discharge the said obligations which attract penal provisions contained in Section 224(4) of the Ordinance.

3. Section 222(2)(b) and Section 222(2)(c) of the Ordinance stipulate the period within which the said returns on Form 31 and Form 32 are to be submitted as under:-

Section 222(2)(b)

"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



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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."

Section 222(2)(c)

"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.

5. On account of scrutiny of record of this office, it was observed that the Respondent has failed to file returns of beneficial ownership on Form 31 and Form 32. The Respondent was, therefore, asked vide letter dated 11/04/2011 followed by a reminders dated 18/08/2011 and 15/09/2011 to file returns of beneficial ownership on Form 31 and Form 32 alongwith reasons for non-filing of the same, within the period stipulated in Section 222 of the Ordinance. But, the Respondent neither responded the matter nor filed the returns of beneficial ownership. The said contraventions attract 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"

6. The Commission took cognizance of the aforesaid defaults and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon her to explain through written reply alongwith documentary evidence, if any as to why action may not be taken against her pursuant to Section 224(4) of the Ordinance, for aforesaid contraventions of Section 222 of the Ordinance. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed for 26/10/2011 at Commission's Office, Karachi. But neither written explanation was received in the matter nor the Respondent attended the said hearing. Moreover, no request for adjournment of the said personal hearing was received. However, taking a lenient view, the hearing was re-fixed for 04/11/2011 at the Head Office of the Commission, Islamabad. Meanwhile, the Company Secretary of the Company vide letter dated 31/10/2011 informed that



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the under reference returns will be filed soon after Eid holidays. He also requested that personal hearing in the matter may be held at Commission office at Karachi instead of Islamabad. The request was accepted and the matter was re-fixed for 30/12/2011.

7. On the given date, Mr. Sharifful Muzaffar, General Manager Finance & Company Secretary of the Company (“**Authorized Representative**”) appeared before me on behalf of the Respondent. The Authorized Representative stated that “*due to oversight and the absence of the Respondent from the city, the under reference lapse has occurred and requested to condone it*”. The Authorized Representative presented incomplete returns of beneficial ownership in respect of Respondent. Since the returns were lacking basic and necessary information, therefore the said returns could not be accepted. The Authorized Representative was advised to ask the Respondent to submit duly filled in/complete returns of beneficial ownership i.e. showing therein the exact date of appointment as Director of the Company, details of all changes taken place in the beneficial ownership thereafter etc.

8. Instead of filing of the required returns of beneficial ownership, the Authorized Representative vide letter dated 05/02/2012 informed that the Respondent could not get the details of changes taken place in her beneficial ownership subsequent to becoming Director of the Company. He also requested to provide the said information, if available with the Commission. The said request was considered and the desired information was provided vide letter dated 12/05/2012 to the Respondent, with the advice to file the returns of beneficial ownership.

9. The Respondent, in response filed Form 31 and Form 32 with the Commission on 28/02/2012. The record of this office suggests that the Respondent became Director of the Company on 30/07/2009, but she acquired beneficial ownership interest in the Company on 16/09/2009 by way of purchasing 2,500 shares. Thus, the Form 31 was required to be filed with the Commission latest by 15/10/2009, while, the same has been filed on 28/02/2012 with delay of 865 days, in contravention of Section 222(2)(b) of the Ordinance.

10. While, in the aforementioned Form 32, the Respondent showed the following changes in the beneficial ownership, which have also been reported to the Commission, with a delay as mentioned against each:-

Date	No. of Shares	Rate (Rs.)	Description	Return filed on	Delay in Days
February 19, 2010	17,992	11.61	Purchase	February 28, 2012	724
June 23, 2010	99	9.00	Purchase	February 28, 2012	600
January 18, 2011	500	8.50	Sale	February 28, 2012	391
January 24, 2011	500	12.50	Sale	February 28, 2012	385
January 25, 2011	1,000	13.50	Sale	February 28, 2012	384



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The aforesaid changes in beneficial ownership have also been reported to the Commission with delay ranges from 724 days to 384 days, in contraventions of Section 222(2)(c) of the Ordinance.

11. I have considered the submissions made on behalf of the Respondent by the Authorized Representative in writing as well verbally during the course of hearing and my findings in this regard are as under:-

- a) Concerning the plea that the default in question was due to oversight, 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 as mentioned in detail in para 4 of the Order, but the Respondent failed to discharge her liability entailed under Section 222 of the Ordinance, until, the same was pointed out by this office through letter dated 11/04/2011, followed by reminders, the Notice and correspondence referred above.
- b) 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, five changes in beneficial ownership interest of the Respondent were taken place at different dates. Pursuant to the provisions of Section 222 of the Ordinance, each change in beneficial ownership was required to be reported within the 15 days of the change.
- c) It is important to note that in the instant case, the Respondent did not respond to this office letters dated 11/04/2011, 18/08/2011, and 15/09/2011, wherein she was asked for filing of returns of beneficial ownership. The Respondent also did not submit written reply to the Notice dated 17/10/2011. Moreover, the Respondent or any of her authorized representative failed to attend the personal hearing fixed at Commission Office at Karachi for 04/11/2011. It is abundantly clear from the above narration that the Respondent filed Form 31 and Form 32 because of continuous pursuance of the matter by this office.

12. In view of the foregoing discussion, it is evident that the Respondent has admittedly contravenes the provisions of Section 222 of the Ordinance. However, the Respondent has filed the return of beneficial ownership and her Authorized Representative assured for timely filing of



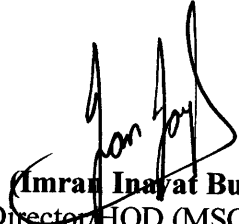
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the returns of beneficial ownership in future. Taking a lenient view of the defaults, in exercise of powers conferred under Section 224 (4) of the Ordinance, I hereby impose a fine of Rs. 5,000/- (five thousand rupees only) on the Respondent for late filing of Form 31 and Rs. 10,000 (ten thousand rupees only) for late reporting of subsequent changes in beneficial ownership while no further fine for continuous default is imposed.

13. The Respondent is directed to deposit the fine of Rs. 15,000 (fifteen thousand rupees only) 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.

14. 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.




(Imran Inayat Butt)
Director/HOD (MSCID)

Islamabad.
Announced on May 29, 2012