



Securities and Exchange Commission of Pakistan

BEFORE APPELLATE BENCH NO. I

In the matter of

Appeal No. 26 of 2013

Naveed Alam, Former Partner of Muniff Ziauddin Junaidy & Co. Chartered Accountants ...Appellant

Versus

The Director (Marketing Supervision & Registration Department)
Securities Market Division, SECP ...Respondent

Date of Hearing 16/09/15

Present:

Appellant:

Mr. Naveed Alam, Former Partner of M/s. Muniff Ziauddin Junaidy & Co.
Chartered Accountants

For the Respondent:

- (i) Mr. Nasir Askar, Director (SMD)
- (ii) Mr. Nauman Khan, Deputy Director (SMD)

ORDER

1. This order is in appeal No. 26 of 2013 filed under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 against the order (Impugned Order) dated 11/04/13 passed by the Respondent.



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2. The facts leading to this case are that the Respondent in exercise of its powers under section 6(1) of the Securities and Exchange Ordinance, 1969 (Ordinance) read with Rule 3 and Rule 4 of the Stock Exchange Members (Inspection of Books and Record) Rules, 2001 (Inspection Rules) ordered an inspection of the books and records required to be maintained by M/s. Axis Global Limited (AGL), TREC Holder of Karachi Stock Exchange Ltd, and registered with the Commission as a broker under the Brokers and Agents Registration Rules, 2001 (Broker Rules). The report dated 24/04/12 submitted by the Inspection Team highlighted major irregularities in calculation of Net Capital Balance (NCB) of AGL on 30/06/11, the calculation of which was duly verified and certified by Mr. Naveed Alam, Former Partner of Muniff Ziauddin Junaidy & Co. Chartered Accountants (Appellant) as auditor.
3. Show cause notice dated 23/11/13 (SCN) was served on the Appellant under section 22 of the Ordinance as to why action may not be initiated against them for violation as indicated above. The Appellant was further directed to appear in person or through an authorized representative on 15/02/13 but the hearing was adjourned on the request of the Appellant. The Appellant submitted a written response to the SCN dated 12/03/13 and hearing in the matter was held on 13/03/13.
4. The Respondent dissatisfied with the response of the Appellant held that the Appellant verified the amount of trade receivables above 14 days on the basis of overall debtors' position and not on the basis of each transaction. The same interpretation issue resulted in overstatement in 'securities purchased for clients'. Based on the perusal of record and proceedings, it was observed that the violation on part of the Appellant was more of an interpretation issue rather than a willful act. The violations of the Ordinance, rules and regulations was a serious matter, however, since the violations were not willful, the Respondent taking a lenient view warned



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and strictly advised the Appellant to be vigilant and in future comply with the Rules, Regulations and directions of the Commission.

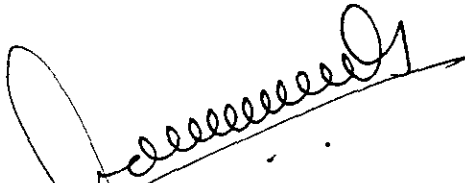
5. The Appellant has preferred to file the instant appeal against the Impugned Order on the grounds that trade debtors within 14 days were calculated on the basis of overall position of the debtors. When a particular customer is outstanding for more than 14 days then full amount is excluded from trade debtor within 14 days. The amount of trade debtors above 14 days was calculated on the basis of overall debtors' position and not on the basis of each transaction. Therefore, the remaining balance worked out to be Rs.109.815 million. NCB Statement was prepared and submitted to Stock Exchange on 09/09/11 while the audit was completed on 31/10/11. The difference was the adjustments as required in audited accounts and was not available at the time of issue of NCB certificate. The Respondent has accepted that this was an issue of interpretation and not a willful violation on part of the Appellant.
6. The Respondent rebutted the arguments on the grounds that the Respondent has not erred in holding that the Appellant has wrongly calculated NCB. It was a misinterpretation on the part of the Appellant which resulted in the overstatement of the NCB. During the course of the hearing on 13/03/13, it came to the knowledge of the Respondent that the overstatement was due to misinterpretation on part of the Appellant on how to treat receivables and was not a willful act with malafide intentions nor was there any negligence on part of the Appellant in performing his duty as auditor. Therefore, a lenient view was taken and the Appellant was only warned to be careful in future.
7. We have heard the parties. The Appellant has not willfully committed any violation of any rules and regulations and the treatment of receivables was a question of interpretation. The Respondent had already acknowledged there was no willful




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default on part of the Appellant and taken a lenient view by giving a warning to be careful in future. We are of the view that the Appellant's has acted in honesty and has issued certificate to the best of knowledge and belief. Further no non-compliance on part of Appellant has been observed in the past. Further the Appellant has ensured compliance with all rules, regulations and directions of the Commission in future.

8. In view of above, taking a lenient view, we set aside the Impugned Order with no order as to costs.



(Zafar Abdullah)
Commissioner (SCD)



(Tahir Mahmood)
Commissioner (CLD)

Announced on: 21 SEP 2015