

## Appellate Bench Orders

**ORDER**  
**In the Matter of**  
**M/S INTERNATIONAL INVESTMENT AND FINANCIAL SERVICES LTD.**

1. Mr. M. Akram Ghanchi  
M/s International Investment and Financial Services Ltd.  
Chief Executive, Room 429-430, Stock Exchange Building  
Stock Exchange Road, Karachi
2. Mr. M. Yusufuddin, Director
3. Mr. Riaz Arif Qureshi, Director
4. Syed Asim Jamal Tirmizi, Director
5. Mr. Rizwan Sheikh, Director
6. Mr. Anis Wahab Zuberi,  
Director.....Appellants

***Versus***

Executive Director (Specialized Companies Division)  
Securities and Exchange Commission of  
Pakistan.....Respondents

**Date of Hearing**                      December 11, 2001

**Present**

1. Mr. M. Akram Ghanchi, Chief Executive .....On Behalf of  
Appellants
2. Ms. Saadia Khan Executive Director (SC)
3. Ms. Farah Qamar Fayyaz(SC), Joint Director.....On Behalf of  
Respondent

**ORDER**

1. This is an appeal against the order (impugned order) dated June 01, 2001 passed by the Executive Director, Specialized Companies Division (SC) of the Commission, whereby the Executive Director imposed a fine of Rs. 100,000/- on Mr. M. Akram Ghanchi, the Chief Executive of M/s International Investment and Financial Services Limited (the "Company") under Section 10 read with Section 20(4) and 20(6)(b) and (g) of the Securities and Exchange Commission of Pakistan Act, 1997 for appointment of directors without prior approval of the Commission as laid down under Rule 19 of the Investment Companies and Investment Advisors Rules, 1971 (IC&IA rules).

2. The appeal came up for hearing today wherein Mr. M. Akram Ghanchi, Chief Executive appeared in person. Ms. Sadia Khan, Executive Director (SC) respondent appeared in person with Ms. Farah Qamar Fayyaz, Joint Director.

3. The brief facts of the case are that the Company was required to seek approval of the Commission for any change in its board of directors as laid down under rule 19 ibid. The Company had been following the

said procedure since its incorporation, however a list of directors supplied by the Chief Executive of the Company in May 2001, revealed that five out of seven directors have been appointed as directors without seeking approval of the Commission. The Chief Executive of the Company was informed about the said irregularity and was asked to submit particulars of the directors. On failure of the Chief Executive to supply complete particulars and documents, a show cause notice was issued on 09-3-2001 to the Chief Executive of the Company. The reply received from the Chief Executive was found deficient and misleading. Finally on the date of hearing, the Chief Executive and four directors namely, Mr. Riaz Arif Qureshi, Mr. Muhammad Yousafuddin, Syed Asim Jamal Tirmizi and Mr. Rizwan Sheikh appeared before the Executive Director and during the course of hearing it transpired that apart from being deficient in having requisite experience, two out of the said four directors were graduate whereas the other two were only intermediate. They further admitted that they never actively participated in board meetings and have been signing minutes of the board meetings at the instance of others. The Chief Executive despite being aware of the law that approval of the Commission is required for appointment of new directors, did not abide by rule 19 ibid. As such, the Executive Director(SC) imposed a penalty of Rs. 100,000/- on the Chief Executive of the Company for his failure to perform his lawful duty as provided in rule 19 ibid.

4. Mr. M. Akram Ghanchi, the Chief Executive of the Company who appeared before us today, could not offer any plausible explanation for his failure to comply with Rule 19 of IC&IA Rules. He, however, submitted that the change in the board of directors was made prior to his appointment as the Chief Executive of the Company but the record of the Company reveals that this statement is not correct as the Chief Executive was inducted in the Company as a director on 31st December 1997, and elevated to the seat of Chief Executive on 14 September 1998, whereas the said four directors were appointed on 29 November 1999 as per the Form 29 dated 2nd December 1999 supplied by the Company.

5. After considering the arguments of both the parties, we feel that the Chief Executive of the Company was mindful of the fact that the new directors were not eligible to be appointed as directors of an investment company and he was also aware of the requirements of Rule 19 ibid., which he failed to comply with. It is important to note here that the board of directors of an investment company should consist of persons of caliber, vision, highest integrity and professional competence and should have proven track record of providing leadership and direction to a company. The rationale behind incorporation of Rule 19 ibid is to achieve the said objective. The change in the board of directors without prior approval of the Commission cannot be considered a minor default and compromised. We, therefore, uphold the orders of the Executive Director (SC) imposing a penalty of Rs. 100,000/- on the Chief Executive of the Company. As regards the appellants no. 2 to 6, since no order was passed against them, the appeal is disposed off in the terms given herein above.

**Announced :**

December 11, 2001

**(M. ZAFAR-UL-HAQ HIJAZI)**

Commissioner  
(Company Law)

**(SHAHID GHAFFAR)**

Commissioner  
(Securities Market)