



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
(Securities Market Division)

Before The Director (Securities Market Division)

In the matter of Show Cause Notice issued to

United Bank Limited

Date of Hearing:

July 03, 2009

Present at the Hearing:

Representing the United Bank Limited

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| (i) Mr. Aqeel Ahmed Nasir | Company Secretary & Chief Legal Counsel |
| (ii) Mr. Faisal Anwar | Head, IT Strategic Planning & Operations |
| (iii) Mr. Abdul Sattar Vaid | Senior Vice President |

Assisting the Director (SMD)

- | | |
|-------------------------------|-----------------|
| (i) Ms. Nadia Rasheed | Deputy Director |
| (ii) Mr. Muhammad Atif Hameed | Deputy Director |

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. 1(4)/INV/MSW/SMD/2009/05 dated June 19, 2009 ("the SCN") issued by the Securities and Exchange Commission of Pakistan ("the Commission") under Section 22 of the Securities and Exchange Ordinance, 1969 ("the Ordinance") to (i) United Bank Limited ("the Respondent"), which is listed on the Karachi Stock Exchange (Guarantee) Limited ("the KSE"); and (ii) Mr. Atif R. Bokhari, President and Chief Executive Officer, United Bank Limited ("the President"); and (iii) Mr. Aqeel Ahmed Nasir, Company Secretary and Chief Legal Counsel, United Bank Limited ("the Company Secretary").



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2. The brief facts of the case are that the meeting of the Board of Directors of the Respondent was held on March 12, 2009 in Abu Dhabi, United Arab Emirates, to consider the financial results for the period ended December 31, 2008. While the Board Meeting was still in progress, the KSE received verbal representations from its members regarding placement of financial results on the Respondent's website and their subsequent removal.

3. An explanation was sought by the Commission vide letter dated March 12, 2009 on placement of financial results by the Respondent on its website before dissemination of the financial results to KSE and while the Board Meeting was still in progress. The Respondent in its written reply vide letter dated March 13, 2009 admitted that the financial results were placed inadvertently by its Information Technology Department while the Board Meeting was in progress for a duration of approximately ten (10) minutes and did not contain the information pertaining to dividend and bonus shares. The relevant content of the aforementioned reply by the Respondent is reproduced hereunder for reference:-

"We have conducted a thorough internal review to ascertain the cause of this incident. It transpires that the draft of the financial results were communicated by our Finance Division to our IT Department with a view to prepare in advance so that once the financial results were announced at the end of the Board Meeting and after being duly notified to the concerned Stock Exchanges, the same could subsequently be placed on our website for the benefit of the public at large. However, unfortunately, the draft financial results were placed on our website by mistake while the board meeting was still in progress. The fact that this was clearly an oversight and an unintentional incident is demonstrated by the fact that the financial results released on the website contained blanks in respect of 'Dividends' and the 'Bonus Shares', as these were subject to the outcome of the Board of Directors meeting. It is also pertinent to note that draft accounts only remained posted for approximately ten minutes and these were immediately removed from our website as soon as this mistake was identified and pointed out."

4. The Commission vide letter dated March 27, 2009 inquired of the exact time of placement of financial results on the website and their removal subsequently, and of the time of disseminating the financial results to the KSE. The Respondent in its response vide letter dated April 01, 2009 informed that the financial results were available on the website during



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12:04 PM and 02:35 PM, for a duration of two (2) hours and thirty one (31) minutes, and that the financial results were communicated to KSE at 03:33 PM after the conclusion of the Board Meeting. It was noted that the representations on two occasions made by the Respondent regarding the time of placement and removal of price sensitive information on the website before its dissemination to the KSE were incongruent.

5. Considering the above, the SCN dated June 19, 2009 was issued to the Respondent. The Respondent was asked to submit a written reply to the SCN within seven days of the date of SCN and hearing was fixed at Islamabad on July 03, 2009. The hearing was attended by the Company Secretary, Mr. Faisal Anwar, and Mr. Abdul Sattar Vaid for and on behalf of the Respondent and its President (the "Representatives of the Respondent").
6. The Respondent in its reply vide letter dated June 25, 2009 stated that the placement of financial results on the website was an inadvertent act and the information was removed immediately after intimation from the KSE. The Respondent added that the Commission was informed earlier that this price sensitive information was placed for duration of ten (10) minutes was based entirely on the verbal statements made by the personnel responsible for placement of this information on the website. The Respondent further stated that a detailed inquiry was initiated afterwards, in view of which the Commission was informed of the exact time of placement and removal of financial results on website vide Respondent's letter dated April 01, 2009. The Respondent asserted that there was no intention on Respondent's part to conceal any fact or misrepresent and hence has not violated the provisions of Section 18 and/or Section 22 of the Ordinance.
7. During the course of hearing, the Representatives of the Respondent stated that the price sensitive information is provided to the Information Technology Department well in advance considering the time required to complete the approval and testing processes and to ensure the compliance of the Listing Regulations of the Exchanges pertaining to timely and immediate dissemination of price sensitive information to all stakeholders. The Representatives of the Respondent admitted during the course of hearing that the violation of the provisions of the Listing Regulations of the KSE has occurred inadvertently by the Respondent in an attempt to disseminate the financial results in a timely manner to all stakeholders.



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8. During the hearing, the Representatives of Respondent were apprised that considerable volatility was also observed in the share price of United Bank Limited ("the share price") on March 12, 2009. The trading pattern exhibited relatively unusual movement compared with recent historical trading pattern, both in terms of the share price and the share trading volume of United Bank Limited ("the share volume"). The closing share price on March 11, 2009 was Rs. 44.51 but the first trade at KSE was executed at Rs. 44.95 on March 12, 2009. With an initial dip, the share price fell to Rs. 43.40 at 10:39 AM. At 12:00 Noon, the share price was recorded at Rs. 44.64. The share price further appreciated to Rs. 46.24 at 1:40 PM, which was the highest share price level on March 12, 2009. The share price decreased slightly to Rs. 45.59 at 02:15 PM and plummeted to Rs. 42.37 by 02:23 PM, which translates into a decrease of Rs. 3.22 or 7.06% decline in share price within duration of eight (8) minutes. Overall, the share price movement band for United Bank Limited from the time of posting the financial results on the website at 12:04 PM and till their subsequent removal at 02:35 PM by the Respondent equaled Rs. 3.87 or 9.13%. During the time period 12:00 - 02:45 PM on March 12, 2009, the share volume summed to 4.096 million shares accounting for 49.33% of total share volume of 8.303 million shares generated for the day. On the other hand, the average daily share volume for a period covering March 02 - March 11, 2009 equaled 2.43 million shares.
9. The Representatives of the Respondent explained during the hearing that an internal inquiry was initiated on March 13, 2009 to inquire into the matter and on conclusion of the inquiry report, it transpired that the financial results remained placed on the website for a duration of two (2) hours and thirty-one (31) minutes. The Representatives of the Respondent added that the inquiry report concluded on March 27, 2009 and in light of the findings of the inquiry report and extensive review of the systems and procedures, a detailed Standard Operating Procedure has been drafted for posting of financial statements on website to avoid recurrence of any such technical error. The Representatives of the Respondent prayed that keeping in view the aforementioned assertions, the Commission may take a lenient view in this matter because the said violations were result of an inadvertent act and the Respondent did not have any fraudulent intentions.



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10. Considering the contentions made in written replies of the Respondent, and arguments and averments made by the Representatives of the Respondent during the course of hearing it is established that the financial results were placed by the Respondent on the website for a duration of two (2) hours and thirty-one (31) minutes prior to their dissemination to the KSE and while the meeting of the Respondent's Board of Directors was still in progress. The Respondent is one of the most prominent and reputable institution in the financial and corporate sector in Pakistan. The financial sector in Pakistan is the most regulated sector and the Respondent being one of the largest and most prestigious financial market institution is expected to be conversant and fully complied with the regulatory requirements. The obligation to strictly comply with the provisions of Listing Regulations is further amplified by the fact that Respondent is also listed on an international stock exchange and locally has been a part of the benchmark stock market indices such as KSE 100 and KSE 30. In any event, it is expected from any institution of Respondent's repute that any disclosure of price sensitive information would be equitable and not in a manner that compromises the investor's confidence or the fairness and transparency of the market. The volatility in share price of United Bank Limited resulting from the placement of financial results on the website by Respondent has intensified the gravity of the violation as it prejudices the interest of the investors at large and has been damaging to the development of fair and transparent market. It was the prime responsibility of the Respondent to ensure that appropriate checks and balances are instituted ensuring strict compliance to the provisions of the Listing Regulations. It was also the duty of the Respondent to maintain high standards of integrity, promptitude and fairness, in the conduct of its business and not to indulge in any act detrimental to the investor's interest.
11. Further, from the details of the written reply submitted by the Respondent and contentions and averments made by the Representatives of the Respondent during the hearing, it is established that incongruent statements were made by the Respondent regarding the duration of placement of financial results on the website. It is evident from the fact that the inquiry report presented by the Representatives of the Respondent during the course of hearing did not bear any date. In the event, if the inquiry report indeed concluded on March 27, 2009, it was Respondent's duty to immediately inform the Commission of its content and the facts. The Respondent had informed of the exact time and duration of placement and subsequent removal of the financial results on the website only when inquired by the Commission and



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no earlier than April 01, 2009. The contention of the Respondent that no fact was hidden or concealed from the Commission in this respect is not true.

12. Therefore, keeping in view the aforementioned, it is evident to me that the Respondent has failed to comply with the provisions of the Listing Regulations of KSE by not exercising due care, skill and diligence in conduct of its business and hence contravened the provisions of Regulation 16(1) of the Listing Regulations of KSE and requirements stated in the Correspondence Manual of KSE, made pursuant to the Listing Regulations. Further, the Respondent has misrepresented the facts to the Commission, thus violating the provisions of Section 18 of the Ordinance.
13. In light of the above, in exercise of the powers under Section 22 of the Ordinance, I hereby impose on the Respondent a penalty of Rs. 2,000,000 (Rupees Two Million only). I strongly advise the Respondent to take immediate measures and put in place proper checks and procedures, to eliminate the occurrence of such instances in future. I further direct the Respondent to ensure that full compliance be made of all rules, regulations and directives of the Commission in the future for avoiding any punitive action under the law.
14. The matter is disposed of in the above manner and the Respondent is directed to deposit the fine in the account of the Commission being maintained in the designated branches of MCB Bank Limited not later than thirty (30) days from the date of this Order and furnish the copy of the deposit challan to the undersigned.

Imran Inayat Butt
Director
Securities Market Division

Announced on July 31, 2009
Islamabad.