



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Securities Market Division

**Before the Commissioner (SMD)**

In the matter of Show Cause Notice issued Section 22 of the Securities and Exchange Ordinance, 1969,  
to S.S. Oil Mills Limited

**Date of Hearing:**

September 10, 2015

**Present at Hearing:**

*Representing the Respondent:*

Mr. Fahim Bashir,  
Advocate High Court

*Assisting the Commissioner (SMD)*

(i) Mr. Nasir Askar,  
Director/HOD

(ii) Mr. Muhammad Farooq,  
Joint Director, SECP

**Order**

This Order will dispose of the proceedings initiated under Section 22 of the Securities and Exchange Ordinance, 1969 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") through Show Cause Notice No. SMD/ MSW/SSOIL/ 91/ 2014 dated December 04, 2014 ("**Notice**") against SS Oil Mills Limited ("**Respondent**")

2. The facts of the matter leading up to aforesaid Notice are that the Respondent announced following Meetings of Board of Directors ("**BOD**") to approve quarterly accounts and annual accounts during the period from January 2013 to October 2014. Dates of BOD meetings, announcement of Meetings, announcement of results, closed periods and the agenda of meeting was as under:-

	Date of Notice	Date of Board Meeting	Closed Period	Results Announcement	Agenda	Observation
1	February 21, 2013	February 25, 2013	February 22, 2013- February 28, 2013	February 25, 2013	Quarterly Accounts	- Notice Period of less than 7 days.
2	April 24, 2013	April 29, 2013	April 25, 2013- May 1, 2013	April 29, 2013	Quarterly Accounts	- Notice Period of less than 7 days
3	October 02, 2013	October 7, 2013	None	October 7, 2013	Annual Accounts	- Notice Period of less than 7 days. - Failure to determine the closed period
4	October 28, 2013	October 31, 2013	October 31, 2013- November 6, 2013	October 31, 2013	Quarterly Accounts	- Notice Period of less than 7 days. - Closed period was not compliant with Listing Regulations

SECURITIES & EXCHANGE  
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5	February 19, 2014	February 24, 2014	February 22- February 28, 2014	-	Quarterly Accounts	- Notice Period of less than 7 days.
6	No Notice	April 29, 2014	No Notice	April 29, 2014	Quarterly Accounts	- No Notice of BOD Meeting. - Failure to determine the closed period
7	September 27, 2014	October 4, 2014	None	October 4, 2014	Annual Accounts	- Failure to determine the closed period
8	October 22, 2014	October 29, 2014	October 29, 2014 – November 4, 2014	October 29, 2014	Quarterly Accounts	- Closed period not compliant with Listing Regulations

3. As mentioned in last column of the above given table, the following irregularities were noticed on the part of the Respondent:-

- i. The Respondent convened BOD Meetings on February 21, 2013, April 24, 2013, October 2, 2013, October 28, 2013 and February 19, 2014 without seven days notice.
- ii. The Respondent did not determine the closed period for the BOD Meetings held on October 7, 2013 and October 4, 2014, to approve annual accounts respectively for the year ended June 30, 2013 and June 30, 2014.
- iii. The Respondent determined improper closed period for BOD Meetings held on October 31, 2013 and October 29, 2014 i.e.
- iv. The Respondent neither issued notice nor announced the closed period for the BOD Meetings held on April 29, 2014.

4. From the above mentioned instances, *prima facie* it appeared that the Respondent has failed to comply with the provisions of Clause 35 of Karachi Stock Exchange Listing Regulations / Clause 5.19.5 and Clause 5.19.15 of the Rule Book of Karachi Stock Exchange (**KSE Rule Book**) which *prima facie* attract penal provision of Section 22 of the Securities and Exchange Ordinance, 1969 (**SE Ordinance**). For ease of reference the text of relevant clauses of the KSE Rule Book are reproduced hereunder:-

**5.19.5. MEETINGS OF THE BOARD:**

(a) *All written notices, including the agenda, of meetings shall be circulated at least seven days prior to the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived.*

(b) -----

**5.19.15. DISCLOSURE OF INTEREST BY A DIRECTOR HOLDING COMPANY'S SHARES:**

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*Provided that each listed company shall determine a closed period prior to the announcement of interim/final results and any business decision, which may materially affect the market price of its shares. No director, CEO or Executive shall, directly or indirectly, deal in the shares of the listed company in any manner during closed period.*

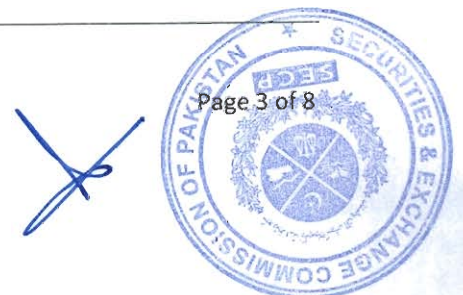
*The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the board of directors and terminate after the information is made public.*

*Every listed company shall advise its directors about the closed period at the time of circulating agenda and working papers for the board meetings, along with sending intimation of the same to the stock exchanges.*

5. The Commission took cognizance of the aforesaid contraventions and issued Notice to the Respondent under Section 22 of the Securities and Exchange Ordinance, 1969 calling upon it to explain through written reply alongwith documentary evidence, if any, as to why action may not be taken against it pursuant to Section 22 of the Ordinance, for aforesaid contraventions of KSE Rule Book. Mr. Khurram Raza, Advocate, Chatta, Khan and Raza Attorneys and Corporate Consultants (**Legal Counsel**) vide letter December 27, 2014 responded the Notice on behalf of the Respondent.

6. Furthermore, in order to provide an opportunity of being heard in person, the matter was scheduled for hearing as on the dates mentioned in column-I of the below given table, but each time was adjourned for the reasons given in Colum-2 of the Table:-

Date 1	Hearing was adjourned on the request of 2
15/01/2015	Legal Counsel with the plea that "he is unable to attend the hearing due to his prior professional engagements.
28/01/2015	Legal Counsel with the plea that "he is out of Lahore.
17/02/2015	Legal Counsel with the plea that "he is out of Lahore, due to his prior professional engagements.
24/02/2015	Department rescheduled the hearing.
04/03/2015	Department rescheduled the hearing.
13/07/2015	Legal Counsel with the plea that "he will be busy before Lahore High Court.
20/08/2015	No one appeared On telephonically contact, the Legal counsel stated that hearing Notice has not been received. But, the record of the office reflects that hearing Notice dated August 06,2015 addressed to the Legal Counsel and copy was endorsed to the Respondent was received on August 07, 2015 by Mr. Waqar and Mst. Naila respectively.





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7. The case was re-fixed for hearing on September 10, 2015. On the given date Mr. Faheem, Advocate of the above named Legal Firm, appeared through video link on behalf of the Respondent. The submission submitted in writing as well as verbally on behalf of the Respondent be summarized as under:-

- i. *The Company held meetings of the Board of Directors on 25.02.2013, 29.04.2015, 07.10.2013, 31.10.2013 and 24.02.2014 and the notices for the said meetings were issued on 21.02.2013, 24.04.2013, 02.10.2013, 28.10.2013 and 19.02.2014 respectively. The Notices were required to be given at least seven days before the date of the meeting of the Board of Directors as per Clause 35 of the Listing Regulation of the KSE. Although seven days notice was not given for the said meeting but, majority of the Directors of the Company attended the meetings and none of the Director complained regarding the same. However, we are making sure the compliance of said regulations in future.*
- ii. *The notices for the meetings of the Board of Directors dated 07.10.2013 and 04.10.2014 issued to Directors and closed period was specified therein. However, the same was unintentionally missed from intimation to the Karachi Stock Exchange due to typographical mistake.*
- iii. *The closed period was inadvertently determined for Board Meetings held on 31.10.2013 and 29.10.2014 from the date of the meetings.*
- iv. *Notices for the Board Meeting held on 29.04.2014, were issued on 22.04.2014, specifying therein the closed period.*
- v. *The Legal Counsel stated that omissions were committed unintentionally and requested to condone the same.*
- vi. *The Legal Counsel stated that the Respondent will assure fully compliance of the legal requirement in this regard, in future.*

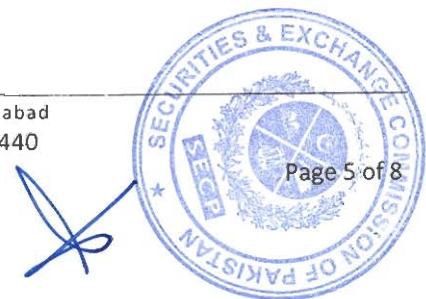
8. I have heard the Authorized Representative of the Respondent and considered the submissions made in writing as well as verbally during the course of personal hearing and reviewed the record of this office. The Respondent's response to the allegations levelled in the Notice may be summarized as under:-





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	Date of Board Meeting	Required date of Notice	Actual Date of Notice	Required Closed Period, as per Actual Notice	Actual Closed Period	Allegation/Observation mentioned in SCN.	Response of the Respondent
1	February 25, 2013	February 18, 2013	February 21, 2013	February 18, 2013 to till information was made public	February 22, 2013- February 28, 2013	Notice period was for 4 days against the requirement of minimum 7 days.	Default accepted
2	April 29, 2013	April 22, 2013	April 24, 2013	April 22, 2013 to till information was made public	April 25, 2013- May 1, 2013	Notice period was for 5 days against the requirement of minimum 7 days.	Default accepted
3	October 7, 2013	Sept. 30, 2013	October 02, 2013	Sept. 30, 2013 to till information was made public	None	a) Notice period was for 5 days against the requirement of minimum 7 days. b) Failure to determine the closed period	a) Default accepted b) Closed period was communicated to directors, but was missing in Notice sent to KSE.
4	October 31, 2013	October 24, 2013	October 28, 2013	October 22, 2013 to till information was made public	October 31, 2013- November 6, 2013	a) Notice period was for 3 days against the requirement of minimum 7 days. b) Closed period started from the date of board meeting rather than from the date of Notice.	a) Default accepted b) Default accepted.
5	February 24, 2014	February 17, 2014	February 19, 2014	February 17, 2014 to till information was made public	February 22- February 28, 2014	Notice period was for 5 days against the requirement of minimum 7 days.	Default accepted
6	April 29, 2014	April 22, 2014	No Notice	April 22, 2014 to till information was made public	No Notice	a) No Notice for BOD Meeting. b) Failure to determine the closed period	Claimed that the notice was issued on 22/4/2014 and closed period was mentioned therein.
7	October 4, 2014	Sept. 27, 2014	September 27, 2014	Sept. 27, 2014 to till information was made public	None	Failure to determine the closed period	Closed period was communicated to directors, but was missing in Notice sent to KSE.
8	October 29, 2014	October 22, 2014	October 22, 2014	October 22, 2014 to till information was made public	October 29, 2014 – November 4, 2014	Closed period started from the date of board meeting rather than from the date of Notice	Default accepted





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9. Thus, the violations committed by the Respondent may be classified in the following three categories:-

- a) Minimum 7 days notices were not issued for convening BOD Meetings.
- b) Improper determination of Closed Periods.
- c) Non-issuance of Notice for BOD Meeting held on April 29, 2014.

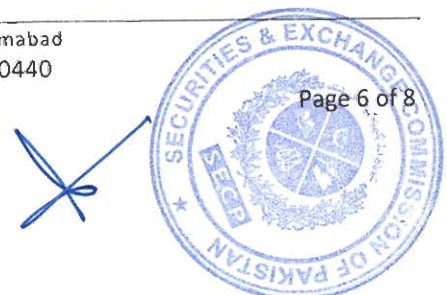
10. It appears from the foregoing that the Respondent has admitted the violations mentioned at para ((a) and 9(b). However, with regard to violation mentioned at para 9(c), the Respondent contended that the Notice for the under reference meeting was issued on April, 22, 2014. A copy of letter No. Corp.-20,14/07/C-8 dated April 22, 2014 was provided to substantiate the assertion.

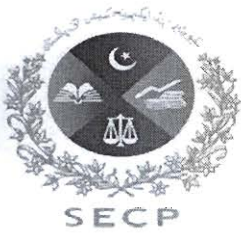
11. In order to verify the aforesaid claim of the Legal Counsel (i.e. issuance of Notice for holding of Board Meeting on April 29, 2014) the matter was referred to Karachi Stock Exchange, which responded that:-

*"Kindly note letter No. Corp.-2014/07/C-8 dated April 22, 2014 was received by the Exchange both in hard and soft form i.e. through fax on April 22, 2014. As far as the receipt of hard copy of the letter is concerned, the same is generally received through Courier Service. It is further informed that the Exchange did not circulate the letter, however, it was notified separately through Daily Announcement Sheet and voice announcement of the same was also made for information of all concerned".*

12. The above-narrated reply, received from KSE, in my opinion endorsed the assertion of the Respondent and the issue mentioned at para 10(c) of the Order stands resolved.

13. Concerning the accepted violation mentioned at para 9(a) and 9(b), I am of the view that the purpose of circulation of all written notices, including the agenda, of meetings at least seven days prior to the meetings is to provide reasonable time to the directors for going through the relevant documents so that they may present their fair views in Board Meeting. It is worth mentioning that upon receipt of the notice for holding of Board Meeting, the directors become privy to the material information/business decisions, which are likely to be discussed/taken in the proposed meeting, therefore, the aforesaid clause of KSE Rule Book prescribes the "close period be started from the date of notice" so that directors, CEO or executives may not, directly or indirectly, deal in the shares of the company in any manner until the information is made public. Thus, the notices to the directors for holding of Board Meetings and determination of closed periods are highly correlated with each other, run concurrently and have significance for directors, CEO, executives, the small shareholders and other participants to stock market.





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14. In the instant matter, the Respondent has convened a total of eight Board Meetings from February 25, 2013 to October 22, 2014. Out of eight Notices issued for convening of Board meetings, in five notices the notice period was for less than seven days and accordingly, the close period was also incorrectly determined. Further, the Respondent did not communicate the Close Period to KSE for Board Meeting held on October 4, 2014 and determined improper closed period for Board Meeting held on October 29, 2014.

15. The Respondent being a public listed company must be aware of its legal obligations under KSE Rule Book. It is pertinent to mention that KSE Rule Book has been made under SE Ordinance, 1969. Any violation of KSE Rule Book attracts provisions of Section 22 of the SE Ordinance.

16. The Respondent has committed violation of the KSE Regulations repeatedly, which attract penal provisions of Section 22 of the SE Ordinance. The repeated violations depicts relaxed attitude of the Respondent towards compliance in letter and spirit of the regulatory framework. For convenience, the text of the section 22 of the SE ordinance is reproduced hereunder:-

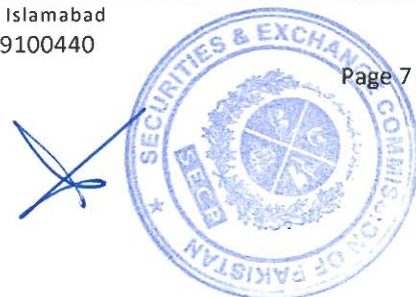
**Penalty for certain refusal or failure.** -(1) If any person-

- a) *refuses or fails to furnish any document, paper or information which he is required to furnish by or under this Ordinance; or*
- b) *refuses or fails to comply with any order or direction of the [Commission made or issued under this Ordinance; or*
- c) *contravenes or otherwise fails to comply with the provisions of this Ordinance or any rules or regulations made thereunder*

*the Commission may, if it is satisfied after giving the person an opportunity of being heard that the refusal, failure or contravention was willful, by order direct that such person shall pay to the Commission by way of penalty such sum not exceeding fifty million rupees as may be specified in the order and, in the case of a continuing default, a further sum calculated at the rate of two hundred thousand rupees for every day after the issue of such order during which the refusal, failure or contravention continues.*

17. I have considered the assurance from the Respondent's Legal Counsel that no such violations/default will be repeated in future. Further, I confirmed from the available record that none of the director/officer of the Respondent has traded during the period, which was likely to be declared closed period and majority of the Directors have attended the Board Meetings.

18. In view of the facts stated above, in exercise of powers conferred upon me under Section 22 of the SE Ordinance, I hereby impose a token penalty of Rs. 50,000 on the Respondent for each stance of default totaling Rs. 350,000/- (Rupees Three Hundred Fifty Thousand) only. The





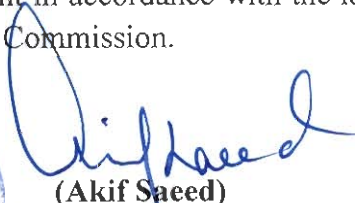
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Respondent is also directed to comply with the relevant rules and regulations in letter and spirit in future.

19. The Respondent is further directed to deposit the fine 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.

20. This Order is being issued without prejudice to any other action that the Commission or the Karachi Stock Exchange may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.



  
(Akif Saeed)  
Commissioner (SMD)

Islamabad.  
Announced on November 4, 2015