



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Talent Management, Finance and Communication Division

## ***PRESS RELEASE***

### **. SECP takes enforcement action against directors and auditors**

ISLAMABAD, July 19: In order to ensure the compliance of prevailing laws and statutes by regulatees, the Enforcement Department of the SECP monitors the affairs of listed and unlisted companies and their statutory auditors. During May and June, various regulatory and punitive actions were initiated against directors and auditors of companies with the aim to safeguard interest of stakeholders particularly minority shareholders.

The department ordered investigation and inspection into the affairs of 4 companies. The said investigations were initiated on account of long-term suspension of operations, mismanagement of affairs, non-payment of dividend and non-provision of information to the members of companies.

Proceedings were initiated against auditors of the 20 companies, failing to discharge their duties in accordance with the requirements of the law. Seventeen cases have been finalized and penalty has been imposed on 15 auditors while warnings have been issued in 2 instances.

In order to protect the rights of minority shareholders, the department identified 8 violations of unauthorized inter-corporate financing and initiated proceedings against the directors of these companies. Directors of 4 companies have been penalized while directors of 2 companies have been strictly warned to ensure compliance. In addition, directors of 2 companies have been penalized on account of abuse of powers while in 10 instances directors were penalized for misstating facts to shareholders.

The department initiated legal proceedings against companies for depriving shareholders of their right to participate in the affairs of the companies by not holding or delaying annual general meeting of companies. In this regard, directors of 2 companies were penalized and penalty was imposed where the company failed to disclose material information to shareholders regarding proposed sale of property in the statement of material facts annexed with the notice of annual general meeting.

In order to ensure availability of material information to shareholders enabling them to make informed decisions, permission was granted to a listed company to place their quarterly accounts on company's website. To facilitate operational ability of a company, the SECP granted permission to issue shares otherwise than right at discount to its director against their outstanding loan amounting to Rs343.2 million.

During the period under review, 138 show-cause notices were issued and 136 cases against directors and statutory auditors were concluded. The said proceedings were initiated owing to breach of relevant provisions of law related to unauthorized inter-corporate financing, late/non-submission of quarterly accounts, improper preparation of annual financial statements, non-submission of consolidated financial statements, misstatements of financial statements, authorization of financial statements, misuse of powers by directors and failure by auditors to abide by their respective statutory duties.

Furthermore, 7 companies, failing to file their annual audited accounts with the SECP, have been penalized. Meanwhile penalty has also been imposed on directors of 25 companies for non-conforming with the requirements of the law regarding authorization and issuance/circulation of annual financial statements.

Facilitation has also been extended to 2 companies by granting approval to rectify their respective registers of mortgage/charge and extension in time has been granted to a company to file its modification of charge. Exemption from preparation of consolidated financial statements was granted in the matter of a listed company. Further, a company was allowed to postpone the annual audited accounts and annual general meeting to coincide the financial year of parent and subsidiary company.

In order to safeguard the interests of stakeholders at large and particularly minority shareholders, the department persistently works towards addressing grievances of stakeholders and facilitating market participant. A central complaint mechanism is in place in the department that successfully resolved 34 shareholders' complaints during the period under review.

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