

## Press Release

### **SEC Starts Legal Proceedings against 15 COs**

**Islamabad – March 29, 2005:** In order to enhance compliance of the corporate laws, the Securities and Exchange Commission of Pakistan (SEC) initiated legal proceedings against fifteen companies during February 2005 for non-holding of annual general meeting, non/late circulation of quarterly accounts and suspension of business for a complete year.

Maintaining strict vigilance of the corporate sector, the SEC also penalized three firms of auditors for failure to comply with legal provisions besides imposing penalty on a company for failure to file mortgage and charge created by it within the prescribed period.

One company was restrained from passing special resolution which was contrary to the interest of the minority shareholders, whereas one company was advised to circulate the revised notice of Extra Ordinary General Meeting (EOGM) to the shareholders as the information provided to the shareholders through the notices were insufficient. Similarly, one company was directed to appoint non-executive director from the existing board on its application for exemption from the provisions of the Code of Corporate Governance.

Two companies were issued notices to make good defaults as these companies had misappropriated provident fund and had not paid amount to provident fund trust. Three companies were warned for non-disclosure of material information in their notices of EOGM and non-publication of notice of annual general meeting within prescribed period.

Legal proceeding have been initiated against four companies for violating laws relating to appointment of whole time secretaries, utilization of unauthorized deposits and declaration of dividend during current year without having profit from the operations. Proceedings have been initiated against two audit firms for non-compliance with provisions of section 260 of the Ordinance.

During February 2005, 124 out of 161 complaints of investors were resolved whereas comments on remaining 37 complaints were called for from the concerned companies. These complaints mainly related to non-receipt of dividend warrants, non-encashment of dividend warrants, delay/non-transfer of shares and issue of duplicate shares, non-receipt of annual and interim accounts and wrongful deduction of Zakat and Other miscellaneous complaints relating to the non-holding of AGM, non-circulation of notice of meeting etc.

Efforts were also made to facilitate companies and prospective investors to promote efficiency in operations and further investments. Twenty-seven companies were allowed to place their quarterly accounts on their respective websites instead of circulating among shareholders by post, after fulfilling the requirements of Circular 19 of 2004 issued by SEC and technical clarifications were provided on several issues to various companies/persons during the month.