



Securities and Exchange Commission of Pakistan

Internal & External Communications Department

PRESS RELEASE

FOR IMMEDIATE RELEASE

SECP'S REGULATORY POLICIES RESULT IN INCREASED COMPLIANCE

ISLAMABAD – NOVEMBER 26, 2008: The timely regulatory actions taken by the Securities and Exchange Commission of Pakistan (SECP) have resulted in increased compliance on part of the corporate and other sectors under its purview.

During the year 2008, the SECP authorized 19 inspections where it was suspected that substantial shareholders' interests may have been affected or where such activities were observed which were against the shareholders' interests. Inspections in some companies revealed instances where raw material worth millions was misappropriated under the disguise of impairment and series of suspicious transactions potentially leading to a concerted scheme aimed at stripping off the company from its assets in a phased manner; premises of a listed company was leased without shareholders approval and rent was taken away by one of the directors; manufacturing facility was leased out and the rent was received by the associated concern; and funds raised through the issue of rights shares were funneled out of the listed company by extending advances and loans to the directors, etc. While in another case, fake shares of a listed company are in circulation and proceedings are underway to get hold of those involved in this criminal activity.

Inspections of books of accounts also revealed that some of the Companies were not maintaining basic statutory record, which includes fixed asset register, shareholders register, minute's books of directors/shareholders meeting and books of accounts of the company. In order to improve compliance, punitive action has been taken against such companies, under the relevant provisions of the Companies Ordinance, 1984. As a result of inspections, further proceedings under Section 263 of the Companies Ordinance, 1984 have been initiated against certain companies. However, some companies have resisted the inspection orders of SECP and have filed appeals.

SECP is continuously monitoring compliance of rules and regulations on part of the corporate sector in Pakistan. As a result of on going activity various enforcement actions were taken during the year which included directing the company to undo the defaults and to carry out certain actions whereby shareholders interest is protected by presenting true picture of the state of affairs of the companies. During the period from January 1, 2008 to October 31, 2008, 107 orders have been passed by the Enforcement Department of the SECP under various provisions of the Companies Ordinance, 1984 while a number of other proceedings are under way pending finalization.

Earlier, the SECP had conducted an investigation in the case of a listed company where the directors had sold off the company's investment in shares of another listed company to an associated off-shore company and as a result of the subsequent sell-off of the other listed company pocketed huge gains. The SECP restrained those involved in this criminal activity from receiving the proceeds of the price differential from the fraudulent deal, and directed that the payment be held in trust with SECP. The directors of the company went into appeal

against the order of the SECP before the Sindh High Court, however, the Court dismissed the appeal while stating that the detection of scam by SECP in the case was commendable and that the appeal had no merits.

Sd.

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