



Through Courier

No.1290

Before The Director/HOD (MSSID)
In the matter of Show Cause Notice issued to
Mr. Shunaid Qureshi, CEO Al-Abbas Sugar Mills Limited
Under Section 22 of the Securities and Exchange Ordinance

Date of Hearing:

January 28, 2015

Present at the Hearings:

Representing Shunaid Qureshi

i) Mr. Zuhair Abbas

CFO & Company Secretary, Al-Abbas Sugar Mills Limited

ii) Mr. Muhammad Farhan

Sales and Share Officers, Al-Abbas Sugar Mills Limited

Assisting the Director/ HOD (MSSID)

i) Mr. Mirza Shoaib Baig

Deputy Director, MSSID

ORDER

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. SMD/MSW/AABS/87/2014 dated December 1, 2014 ("**SCN**") issued by Securities and Exchange Commission of Pakistan ("**the Commission**") under Section 22 of the Securities and Exchange Ordinance, 1969 ("**the Ordinance**") to Mr. Shunaid Qureshi, CEO, Al-Abbas Sugar Mills Limited ("**the Respondent**").

2. The brief facts of the case are that the Respondent being CEO of Al-Abbas Sugar Mills Limited (AABS) and client of Ghani Osman Securities Limited, TREC holder of KSE, purchased 5,000 and 244,000 shares of AABS on July 22, 2014 and November 6, 2014, respectively. Details of transactions are given below:

	Transaction Date	Symbol	Name	Member Name	Bought QTY	Bought Amount
Period 1	2014-07-22	AABS	Shunaid Qureshi	Ghani Osman Securities Limited	5,000/-	540,000/-
Period 2	2014-11-06	AABS	Shunaid Qureshi	Ghani Osman Securities Limited	244,000/-	30,134,000/-

3. The period from July 19, 2014 to July 25, 2014 ("Period 1") and from November 4, 2014 to November 10, 2014 ("Period 2") were declared as "Closed Period" by AABS wherein no Director, CEO or



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Executive should have, directly or indirectly, dealt in the shares of AABS in any manner. However, from the analysis of trading data of KSE it was revealed that the Respondent executed the abovementioned transactions in the scrip of AABS, during the Closed Period, which is prima facie a violation of the KSE Regulations.

4. Keeping in view the said fact, the Commission vide its letter dated November 17, 2014 sought the reasons/basis from the Company Secretary of the AABS for buying the shares of AABS during the closed period during Period 1 and Period 2. The response of Company Secretary is reproduced hereunder:

"The trading of Respondent during Period 1 and Period 2 is a matter of fact. However, he submitted that no material price sensitive decisions were taken the board meeting held on November 10, 2014. The meeting was held to approve the annual budget for the year ending September 30, 2015 and the recommendation of the name of Cost Auditor of the Company for the year ended September 30, 2014 to the Commission. He further stated that there was no need to mention the closed period in the notice of the said board meeting and the closed period were inadvertently mentioned in the notice. The board meeting dated November 10, 2014 neither declared any interim or final results nor made any business decision that may affect the price of company's share rather all the matter discussed were procedural matters and have nothing to do with any material business that are price sensitive."

5. As the response was not found satisfactory therefore SCN dated November 06, 2012 was issued to the Respondent under Section 22 of the Ordinance for violation of Clause 35 (xxiii) of Listing Regulations of KSE. The Respondent through SCN was asked to explain its position through written reply within ten days of issuance of SCN.

6. The Respondent vide letter dated December 8, 2014 submitted its response to the SCN. The relevant contentions raised in his response in addition to those submitted by Company Secretary of AABS vide letter dated November 17, 2014 are reproduced hereunder:-



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“Transaction of Period 1 was inadvertently omitted and is of insignificant value. For period 2, I would like to inform you that an authority letter was provided to the Bank by the undersigned wherein they issued standing instructions to sell securities under the pledge with them any time. Instructions on August 29, 2014 were also given to the broker to purchase shares of the company at any rate between Rs. 122/- per share to Rs. 126/- per share in order to maintain the shareholding in the company. On November 06, 2014 the bank sold 244,000/- shares at the rate of Rs. 123.50/- per share which were bought as per my instructions. The fact that transaction occurring during the closed period is purely coincidental in nature. In view of the above we request you to please condone the above as it was inadvertently done and there is no one who has adversely affected with these transactions”

7. The Respondent was required to appear in person or through an authorized representative (with documentary proof of such authorization), at SECP Head Office at 9th Floor, NICL Building, 63-Jinnah Avenue, Islamabad on December 29, 2014 at 11: 00 a.m. before the Director / HOD (MS&SID) to put forward his defense. The Respondent through a letter from his Executive Secretary Mr. Abdul Rehman Qureshi dated December 22, 2014 requested that the Hearing in this matter be rescheduled after January 15, 2015 as the Respondent is out of country and expected to return in the second week of January 2015 and the place of hearing may also be changed to SECP Office, Karachi. The Request of the respondent was acceded to and the same was communicated vide letter dated December 26, 2014.

8. Hearing in the matter was fixed and held on January 28, 2015 at 5th Floor, state Life building # 2, Wallace Road, Karachi through video Conferencing. The Respondent provided power of attorney in favour of Mr. Zuhair Abbas, CFO & Company Secretary, AABS to execute all or any act or things in connection with SCN. The representatives of the Respondent submitted the same stance during the hearing, which was submitted vide letters dated November 17, 2014 and December 8, 2014. The representatives of Respondent asserted that the transaction in Period I was insignificant in size whereas the transaction in Period 2 was done under authority provided to the Bank and instructions to broker on August 29, 2014. He also reiterated his stance that the closed period was inadvertently announced for the meeting held on November 10, 2014 as the meeting was held to approve the budget and appoint Cost auditor whereas proviso of Rule 5.19.15 Listing Regulations of KSE and proviso of clause (xxiii) of

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code of Corporate Governance state that each 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.

9. I have perused the record and the written reply submitted by the CFO and Company Secretary on behalf of the Respondent. After a detailed and thorough perusal of the facts, information available on record and arguments made by the representative of the Respondent during the course of the hearing, my observations on the same are as follows:

- i) During the hearing and in written reply the representative of the Respondent has not denied the purchase of shares by the Respondent during the closed period announced by AABS both during Period 1 and Period 2.
- ii) With regard to contention of the Respondent that the purchase in period 1 was not significant, it is pertinent to note that the Listing Regulations forbid CEO, Directors and Executives to trade during the closed period because these individuals hold material nonpublic information which persons outside the company does not have until the announcement after the board meeting. It is the basic tenet of securities regulation that the counterparties in a securities transaction should be provided with level playing field by making sure that one party does not have unfair informational advantage due to its privileged position as insider of the company. In order to preserve the investor's confidence in the integrity of the securities market, it is essential that no person with access to non-public price sensitive information be allowed to deal in the shares of the company until the information is widely disseminated to the public. Trading by the insiders of a company like CEO and Directors before a public announcement gives impression of outright abuse of position and informational asymmetry which damages the integrity of financial market by giving impression of misuse of inside information tarnishing the investor's confidence in securities market.

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- iii) Respondent's argument that the closed period for the meeting held on November 10, 2014 was announced by mistake is also not correct as the AABS announced closed period from October 24, 2013 to October 31, 2013 for the meeting held on October 31, 2013 on the same agenda as board meeting of November 10, 2014 i.e. appointment of Cost Auditor and approval of Budget for the current year.
- iv) Respondent's contention that standing instructions were given to Bank to sell and the brokerage house to buy reflects careless attitude. Being a director and CEO of a listed company it is responsibility of the Respondent to notify to all institutions of the closed period in order to avoid any suspicion on trading that is conducted in his account.
- v) Respondent violated the closed period twice within the period of six months which indicates either a complete disregard of regulations, deliberate malpractice or gross negligence by the CEO of the AABS.

10. The key point is that the Respondent being the CEO of AABS was an insider of the company and held non-public price sensitive information about the company. AABS announced closed period for approval of quarterly account for the nine months ended June 30, 2014 in Period 1 and to approve Annual Budget for the year 2015 and appointment of Cost Auditor for 2014 in Period 2. The Company Secretary vide his letters dated July 18, 2014 and October 31, 2014 announced closed period for the meetings held on July 25, 2014 and November 10, 2014 respectively with intimate to CEO, Directors and Executives. Nevertheless, the Respondent exhibiting complete disregard of closed period bought 5,000/- shares in Period 1 and 244,000/- shares in Period 2. Therefore, the Respondent has failed to abide by applicable rules and regulations by violating the clause 35 (XXIII) of Listing Regulations of KSE and clause 5.19.15 of KSE Regulations.

11. With regard to the contention of Respondent regarding the size of transaction in Period 1 and nature of business approved in board meeting at the end of Period 2, it is important to emphasize that the volume, quantity and nature of transactions may not be relevant where law prohibits any transaction. The objective and intent of Law is very clear. As directors of the company are first source of



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inside information, the spirit behind the announcement of closed period by the company is to bar the insider of the company to trade directly or indirectly and to get benefit of inside information. Therefore, the CEO, Directors and Executives of the company which has announced closed period must abide by the law in both letter as well as the spirit by refraining from dealing in the securities of the company directly or indirectly.

12. The violation of the Rules and Regulations is a serious matter in view of the Commission. Therefore, in exercise of the power under section 22 of the Ordinance, however taking a lenient view this time, I hereby impose a penalty of 100,000/- (Rupees One Hundred Thousand Only) on the Respondent. I 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.

13. 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 date of this Order and furnish the copy of the deposit challan to the Commission.

Abid Hussain
Director/HOD (MSSID)
Announced on February 13, 2015,
Islamabad.