



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

No. SCD-SD(Enf)/NAMCO/2014/138 .

**BEFORE THE EXECUTIVE DIRECTOR**

**IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO**  
**NATIONAL ASSET MANAGEMENT COMPANY LIMITED AND ITS DIRECTORS**

Show Cause Notice	No.SCD-SD(Enf)/NAMCO/2014/020 dated February 7, 2014
Date of 1 <sup>st</sup> Hearing	March 21, 2014
In Attendance	<ol style="list-style-type: none"><li>1. Mr. Zaheer Ahmed Paracha CEO designate of M/s National Asset Management Company Limited</li><li>2. Mr. Saleem Shahzada Director of M/s National Asset Management Company Limited</li></ol>
Date of 2 <sup>nd</sup> Hearing	April 7, 2014
In Attendance	<ol style="list-style-type: none"><li>1. Syed Shahab Qutub Authorized representative of the Respondents (except ex-directors namely Mr. Shafiq A. Khan and Hafiz Avais Ghani)</li><li>2. Mr. Zaheer Ahmed Paracha CEO designate of M/s National Asset Management Company Limited</li></ol>



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

**ORDER**

1. This Order shall dispose of the proceedings initiated against M/s. National Asset Management Company Limited (hereinafter referred to as **"NAMCO"**) and its directors (hereinafter collectively referred to as the **"Respondents"**) through Show Cause Notice dated February 7, 2014 (hereinafter referred to as the **"SCN"**) under Section 282J(1) & J(2) read with Section 282D and Section 282M of the Companies Ordinance, 1984 (hereinafter referred to as the **"Ordinance"**) for contravention of Regulation 10(b) & 10(c) and Regulation 65(4) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (hereinafter referred to as the **"NBFCs & NEs Regulations, 2008"**).
2. NAMCO is a Non-Banking Finance Company incorporated in Pakistan as public unlisted company in the year 2005 under the Ordinance. NAMCO was licensed by the Securities and Exchange Commission of Pakistan (hereinafter referred to as the **"Commission"**) to undertake the businesses of asset management and investment advisory services under the Non-Banking Finance Companies (Establishment & Regulation) Rules 2003 (hereinafter referred to as the **"NBFC Rules 2003"**) and the NBFCs & NE Regulations, 2008.
3. The shareholding pattern of NAMCO as on June 30, 2013 is given hereunder:

Share Holders' Name	Shares Holding (%)
<b>Associated:</b>	
First National Equities Limited	37.38%
Switch Securities (Pvt.) Limited	4.67%
First Pakistan Securities Limited	4.67%
Ali Aslam Malik	6.55%
	<b>53.27%</b>
<b>Others:</b>	
Azneem Bilwani	28.04%
Roomana Nasir	7.48%
Basheer Ahmed & Nishat Basheer	7.01%
Syed Etrat Hussain Rizvi/Samina Rizvi	4.18%
Others	0.02%
	<b>46.73%</b>
<b>Total</b>	<b>100.00%</b>



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

4. As of March 31, 2014, NAMCO is managing one closed-end collective investment scheme i.e. NAMCO Balanced Fund (hereinafter referred to as "NBF") and one open end collective investment scheme i.e. NAMCO Income Fund (hereinafter referred to as "NIF") with net assets amounting to Rs.1,081.87 million and Rs.115.28 million respectively. Further, NAMCO has NIL portfolio of investment advisory.
5. Performance of both the funds i.e. NBF and NIF reflects the following position during the past five years:

Year (July-June)	NAMCO Balanced Fund				NAMCO Income Fund			
	Benchmark Return %	Fund Return %	Out/(under) Performance %	Net Assets (Rs. in M)	Benchmark Return %	Fund Return %	Out/(under) Performanc e %	Net Assets (Rs. in M)
FY2013-14*	22.70	15.51%	(7.19)	1,081.87	9.64	4.22	(5.42)	115.28
FY 2012-13	39.50	19.81	(19.69)	941.51	9.97	6.74	(3.23)	106.98
FY 2011-12	11.03	3.08	(7.95)	790.82	12.45	15.14	2.69	107.39
FY 2010-11	23.99	12.97	(11.02)	766.21	13.08	8.30	(4.78)	91.95
FY 2009-10	28.68	18.60	(10.08)	678.16	12.44	7.48	(4.96)	278.50
FY 2008-09	(28.76)	(29.15)	(0.39)	721.81	13.99	14.76	1.37	286.40

\* YTD (Jul 13-Mar 14)

6. Brief facts of the matter relating to the appointment of directors/CEO leading to the issuance of SCN are elaborated in chronological order as follows:
- i. WHEREAS, NAMCO was non-compliant with the requirements prescribed under Regulation 10(b) and 10(c) of the NBFCs & NE Regulations, 2008, which states that:

*"An NBFC shall .....*

*(b) not later than 10 days before the notice of meeting called for the election of directors or within 10 days of the occurrence of any casual vacancy submit an application for the appointment or change to the Commission"*

AND WHEREAS, Regulation 10(c) reads as:

*"the application shall be submitted in compliance with the requirements of Schedule IX and be accompanied by information and documents required therein"*



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

- ii. AND WHEREAS, NAMCO's the then CEO, Mr. Shahid Mahmood resigned on April 25, 2013 with effect from May 31, 2013 and since then the CEO's position remained unfilled/vacant until the issuance of the SCN dated February 7, 2014.
- iii. AND WHEREAS, the Commission prior to the expiry date of May 31, 2013 advised NAMCO vide its letter dated May 10, 2013 to timely propose the name of new CEO as per prescribed requirements laid down under the NBFC regulatory framework.
- iv. AND WHEREAS, NAMCO through its letter dated June 18, 2013 apprised that they were in the process of finalizing the name of a suitable candidate and would inform the Commission upon finalization.
- v. AND WHEREAS, the Board of Directors was also advised through letter dated June 25, 2013 to propose the name of a suitable individual to fill the vacant position of CEO created as a result of resignation of Mr. Malik in terms of Regulation 10(b).
- vi. AND WHEREAS, NAMCO vide its response dated June 27, 2013 submitted that the Board had taken the matter on top priority and the application for the appointment of new CEO to the Commission would be made by July 15, 2013.
- vii. AND WHEREAS, in view of NAMCO's consistent failure to ensure compliance, the Commission's vide its letter dated August 23, 2013 apprised the Board on the pending matters including the appointment of CEO with an advice to ensure compliance latest by September 15, 2013 failing which necessary enforcement action may be initiated in terms of relevant provisions of law.
- viii. AND WHEREAS, NAMCO vide its letter dated September 18, 2013 informed that a candidate had been shortlisted for the position of CEO, who requested for a time period until September 28, 2013 for acceptance of the offer for appointment. However, the said timeline for his appointment was not complied with.



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

- ix. AND WHEREAS, NAMCO was also non-compliant with Regulation 10(b) with regards to appointment of directors on Board.
- x. AND WHEREAS, NAMCO forwarded a notice dated October 10, 2013 and apprised the Commission of the resignation of Mr. Avais Ghani from NAMCO's Board. Also as per NAMCO's intimation dated January 20, 2014 Mr. Shafiq A. Khan, another director on the Board resigned, which was duly approved by the Board.
- xi. AND WHEREAS, in terms of Regulation 10(b) of the NBFCs & NEs Regulations, 2008 NAMCO was required to apply to the Commission for approval of suitable individuals for appointment as directors on Board within ten days. However, till the issuance of the SCN, NAMCO did not propose any candidates to fill these casual vacancies, which was inconsistent with the requirements of the aforesaid regulation.
- xii. AND WHEREAS, NAMCO was earlier cautioned by the Commission through letter dated June 11, 2013 for not adhering with the timeline for submitting the application for appointment of directors in terms of Regulations 10(c) and 10(d) of the NBFCs & NEs Regulations, 2008 and was advised that the Commission had taken a lenient view and hence no action was taken against NAMCO with a clear warning that such regulatory lapses should not reoccur in future and NAMCO shall ensure compliance with the requirements of regulatory framework in true letter and spirit.
7. Further, brief facts in the matter of conversion of closed end fund i.e. NBF into an open end scheme leading to the issuance of the SCN are as below:
- i. WHEREAS, NAMCO was non-compliant with the requirements stipulated in Regulation 65 of the NBFCs & NE Regulations, 2008, which provides for:
- "An Asset Management Company managing a Closed End Fund or an Investment Company shall, upon expiry of every five years from 21st November 2007 or the date of launch of the fund whichever is later, hold*



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

*within one month of such period a meeting of the certificate holders in case of a Closed End Scheme or shareholders in case of an Investment Company to seek approval of the certificate holders or shareholders, as the case may be, to convert into an Open End Scheme or revoke the Closed End Scheme or wind up the Investment Company, subject to applicable provisions of the Ordinance, the Rules and these Regulations."*

AND WHEREAS, Regulation 65(4) of the NBFCs & NEs Regulations, 2008 stipulates:

*"The Commission after ensuring the completion of formalities by the concerned NBFC and Closed End Fund, as prescribed in the Rules, these Regulations and the Ordinance or the conditions as specified by the Commission, shall allow the conversion or revocation or winding up of the fund, as the case may be."*

- ii. AND WHEREAS, the certificate holders of NBF in their meeting held on January 31, 2013 resolved and approved the conversion of NBF from closed end to open end scheme.
- iii. AND WHEREAS, the Commission vide letter dated May 3, 2013 conveyed its approval of conversion of NBF into an open end scheme in terms of Regulation 65(4) of the NBFCs & NEs Regulations, 2008 subject to the terms and conditions mentioned therein.
- iv. AND WHEREAS, NAMCO was explicitly communicated vide Commission's letter of May 3, 2013 that the effective date of conversion of NBF into open end scheme would not be later than July 1, 2013, which was also not complied with by NAMCO.
- v. AND WHEREAS, on June 5, 2013 NAMCO submitted second supplemental Trust Deed of NBF for approval, which was duly approved by the Commission and communicated to NAMCO on June 19, 2013.



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

---

- vi. AND WHEREAS, NAMCO was asked to share the draft offering document of NBF by June 26, 2013, which it failed to do so.
- vii. AND WHEREAS, NAMCO was once again advised through an email dated July 8, 2013 to get NBF registered as a notified entity and submit the draft offering document without any further delay.
- viii. AND WHEREAS, upon receipt of NBF's draft offering document, NAMCO was communicated with the comments and recommendations of the Commission vide its email dated July 9, 2013 and it was also emphasized to apply for NBF's registration as notified entity.
- ix. AND WHEREAS, NAMCO submitted copy of the offering document after amending the same in light of the Commission's comments, however, it did not proceed for the said registration as notified entity.
- x. AND WHEREAS, NAMCO was required in terms of an email dated July 18, 2013 to share update on the matter with an advice to the management for NBF's registrations as notified entity prior to the approval of its offering document.
- xi. AND WHEREAS, instead of achieving requisite compliance within the prescribed time limit of July 1, 2013, NAMCO requested for an extension in timeline for conversion of NBF into an open end scheme, however, the Commission vide letter dated July 1, 2013 acceded to its request and out of good faith granted twenty days extension until July 20, 2013 for the said conversion.
- xii. AND WHEREAS, instead of complying with the aforesaid requirements within the extended timeline, NAMCO applied for yet another extension for a period of one month for completion of NBF's conversion.
- xiii. AND WHEREAS, NAMCO failed to apprise the certificate holders of NBF regarding the conversion status subsequent to its failure to meet the deadline.
- xiv. AND WHEREAS, NAMCO has only managed to secure in-principle approval of the Commission of the restated supplemental trust deed of



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

the fund which was granted by the Commission on June 19, 2013 and since then NAMCO has failed to secure registration of NBF as a notified entity as required under Regulation 44 of the NBFCs & NEs Regulations, 2008 as well as approval for the replacement offering document.

- xv. AND WHEREAS, instead of securing registration, NAMCO through various communiques reiterated that since July 16, 2013 they were awaiting Commission's approval on NBF's replacement of offering document to proceed further in the matter.
  - xvi. AND WHEREAS, given the NAMCO's tenacious non-compliances, the Board of Directors of NAMCO was advised vide Commission's letter dated August 23, 2013 to ensure compliance on all the pending matters including that of NBF's conversion into an open end scheme latest by September 15, 2013 failing which an appropriate enforcement action would be initiated in accordance with the applicable provisions of law.
  - xvii. AND WHEREAS, NAMCO through its response dated September 18, 2013 reiterated its earlier stance and again committed to resolve the issue without submitting any time bound action plan.
  - xviii. AND WHEREAS, given NAMCO's continued failure to submit application for registration of NBF as notified entity and submission of NBF's registered trust deed, an email was sent on December 4, 2013 seeking an update in the matter. NAMCO vide response dated December 4, 2013 apprised that NBF's trust deed was still with the sub-registrar for registration.
8. AND WHEREAS, as a result of continuous violation of Regulation 10(b) and 10(c) and Regulation 65 of the NBFCs & NEs Regulations, 2008, NAMCO and its directors were served with SCN under Section 282J(1) and 282J(2) read with Section 282D and Section 282M of the Ordinance on February 7, 2014.
9. AND WHEREAS, NAMCO furnished its response to the SCN through its authorized representative, Syed Shahab Qutub on March 6, 2014, as per which the arguments were mainly focused on the following:





**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

- i. NAMCO stated that it always remained cognizant of its obligations with regards to the appointment of the CEO and directors in terms of Regulations 10(b) and 10(c) of the NBFCs & NEs Regulations, 2008;
  - ii. The Board of Directors of NAMCO in its meeting held on February 26, 2014 approved the appointment of Mr. Zaheer Ahmed Paracha as CEO of NAMCO;
  - iii. The Board in its meeting held on February 26, 2014 also approved the appointment of Mr. Zaheer Ahmed Paracha and Mr. Haroon Abdullah as directors on Board on account of vacancies created due to the resignation of directors, Mr. Avais Ghani and Mr. Shafiq Ahmed Khan;
  - iv. That the delay in fulfillment of the above positions was not deliberate but was solely on account of the time consumed in finding suitable candidates for the critical positions of CEO and directors;
10. With regards to conversion of NBF into an open end scheme, NAMCO's response to the SCN contained following submission:
- i. NAMCO stated that it always remained cognizant of its obligations under Regulation 65 of the NBFCs & NEs Regulations, 2008;
  - ii. Delay in completing the process of conversion of NBF into an open end scheme was mainly on account of certain factors that were beyond the control of its management *inter alia* the time consumed in the registration of the trust deed for the fund;
  - iii. That NAMCO has both the capacity and the intent to ensure compliance with Regulation 65 of the NBFCs & NEs Regulations, 2008.
  - iv. In order to proceed expeditiously with the registration of the fund as a notified entity and approval of the offering document by the Commission, the CEO designate would take up all outstanding issues with the Commission immediately;
  - v. A time bound action plan for completing the process of the conversion of NBF into an open end scheme would also be provided to the Commission by NAMCO shortly;



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

11. In terms of the above SCN and the response furnished by NAMCO, opportunities for being heard were extended through two hearings conducted in the matter narrated hereunder:

- i. First hearing in the matter was held on March 21, 2014. Mr. Saleem Shahzada, director and Mr. Zaheer Ahmed Paracha, CEO (designate) in person attended this hearing. During the course of the hearing, Mr. Paracha stated that he was fully aware of the failures to meet the earlier timelines with regards to appointment of directors and CEO by NAMCO. During the hearing, Mr. Saleem Shahzada and Mr. Zaheer Ahmed Paracha also stated that they were trying to improve the liquidity positions of NBF. Mr. Saleem Shahzada acknowledged the delay in NBF's conversion into an open end scheme and gave a firm commitment on behalf of the Board that NBF's conversion process would soon be accomplished. He also expressed that the management is already engaged with NBF's major certificate holders to persuade them to retain their investments in the fund. He assured that he would update the Commission in a couple of days regarding progress of the said conversion; however, no update was conveyed till the date of issuance of this order.
- ii. Second hearing in the matter was held on April 7, 2014. Hearing was attended by the authorized representative of the Respondents, Syed Shahab Qutub and Mr. Zaheer Ahmed Paracha, CEO (designate). Mr. Qutub submitted authorization letter (Vakalatnama) from the current directors of NAMCO namely, Lt. Gen (Retd.) M. Hamid Khan, Mr. Saleem Shahzada, Mr. Imtiaz Bashir and Mr. M. Asim Mustafa while Mr. Qutub apprised that he did not receive the authorization on behalf of the ex-directors of NAMCO i.e. Mr. Shafiq A. Khan and Hafiz Avais Ghani to represent them in the matter. These two ex-directors also did not approach the Commission to appear in person in the hearing. During the hearing, Mr. Qutub informed that NBF's registration matter was resolved and it would be converted into an open end scheme within next couple of months. Mr. Paracha had added that they were working on to improve the liquidity position of NBF to ensure that the redemption requests could be honored after conversion. He further



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

apprised that they were meeting the individual certificate holders of NBF requesting them to hold their investment in the fund after its conversion.

- iii. During the course of hearing, Mr. Paracha also submitted a working paper, which contained that NAMCO's building of liquid reserves for NBF for fulfillment of redemption requests in post conversion scenario. Moreover, NAMCO had also planned to start dialogues with its existing investors to get an idea about expected redemption schedule. Mr. Paracha requested for a further extension of a grace period of six months for completion of conversion process. However, during the hearing Mr. Qutub and Mr. Paracha were apprised that the matter of NBF's conversion had considerably delayed and has been lingering since July 2013 in spite of multiple extensions and various advices by the Commission, therefore, no further requests for extension will be considered.

12. NOW THEREFORE, I have considered the submissions made by the Respondents in light of the relevant provisions of the Ordinance, NBFC Rules, 2003 and the NBFCs & NEs Regulations, 2008. I have also examined the facts, evidence and documents on record in addition to the written and verbal submissions made on behalf of the Respondents. After hearings, the arguments raised by the Respondents I have come to the conclusion that:

**A) Appointment of CEO/Directors:**

- i) NAMCO remained non-compliant with the requirements prescribed under Regulation 10(b) and 10(c) of the NBFCs & NE Regulations, 2008 regarding to the appointment of its CEO since June 1, 2013 until the issuance of SCN on February 7, 2014
- ii) NAMCO was earlier advised through the Commission's letter dated May 10, 2013 to timely propose the name of new CEO to fulfill the requirements of NBFC regulatory framework. However, NAMCO apprised that they were in the process of finalizing the name of a suitable candidate and would inform the Commission once finalized.



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

- iii) Upon failure to submit application for appointment of new CEO, the Board of Directors was advised through letter dated June 25, 2013 to propose the name of a suitable individual to fill the vacant position of CEO arisen as a result of resignation of Mr. Malik. NAMCO assured that the application for the CEO's appointment would be submitted to the Commission by July 15, 2013; however, the said timeline was not met.
- iv) Considering the NAMCO's consistent failure to achieve compliance, the Commission was compelled to raise the matter with Board of NAMCO vide its letter dated August 23, 2013 highlighting the pending issues including that of the appointment of CEO. NAMCO was strictly cautioned to ensure compliance earlier by September 15, 2013 and failure in the matter would lead to initiation of necessary enforcement action as per the relevant provisions of law.
- v) On expiry of September 15, 2013 deadline it was intimated that a person had been selected for the position of CEO who would join the office by September 28, 2013. Nonetheless, this timeline was also not complied with.
- vi) Irrespective of the fact that the Commission had been continuously following up as evident from its letters dated May 9, 2013, June 11, 2013, June 25, 2013 and August 23, 2013 and repeated assurances provided by NAMCO through its letters dated June 18, 2013, June 27, 2013 and September 28, 2013, the entity i.e. NAMCO remained to operate without a CEO in place.
- vii) Similarly, NAMCO also remained non-compliant with regards to appointment of directors on Board. It was earlier intimated that Mr. Avais Ghani had resigned from NAMCO's Board in October, 2013 while another director Mr. Shafiq A. Khan resigned in January, 2014. However, NAMCO did not submit applications to the Commission for appointment of new directors within 10 days of the occurrence of casual vacancies created on account of their resignations. Hence, NAMCO acted inconsistently with the requirements stipulated in Regulation 10(b) of the NBFCS & NEs Regulations, 2008.



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

- viii) Given the violation as stated in preceding para NAMCO was in this case also cautioned earlier vide Commission's letter dated June 11, 2013 that it had defaulted in meeting the timeline for submission of the application for appointment of directors in terms of Regulations 10(c) and 10(d) of the NBFs & NEs Regulations, 2008 and was also advised that the Commission had taken a lenient view and no action was being taken against NAMCO with a clear warning that such regulatory lapses should not reoccur in future. Meticulous compliance with the requirements of regulatory framework in true letter and spirit in future was also emphasized. However, irrespective of the Commission's advice, NAMCO continued to operate in violation of the regulatory framework.
- ix) Only after the issuance of the SCN, the Board of Directors of NAMCO approved the appointment of its new CEO on February 26, 2014.

***B) Conversion of NBF into an Open End Scheme:***

- x) As regards to the conversion of NBF NAMCO was explicitly advised vide the Commission's letter May 3, 2013 that the effective date of conversion of NBF into open end scheme would not be later than July 1, 2013.
- xi) On June 5, 2013 NAMCO submitted second supplemental Trust Deed of the Fund for approval, which was duly approved by the Commission and communicated to NAMCO on June 19, 2013. NAMCO was required to share the draft offering document of NBF by June 26, 2013, and on its failure, the management of NAMCO was advised through an email dated July 8, 2013 to get NBF registered as a notified entity and submit the draft offering document without any further delay.
- xii) Upon receipt of the Fund's draft offering document, NAMCO was again requested to apply for registration of NBF as notified entity. However; it failed to apply for the said registration of NBF.
- xiii) On NAMCO's request for an extension in time period for conversion of NBF into an open end scheme, the Commission allowed it to ensure compliance by July 20, 2013. However, in spite of extended timeline



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

---

NAMCO neither achieved compliance nor demonstrated any concrete progress towards addressing the matter.

- xiv) The Commission vide its email dated July 18, 2013 advised NAMCO to get NBF's registrations as notified entity prior to the approval of offering document. Instead of complying with the aforesaid requirements within the extended timeline of July 20, 2013, NAMCO applied for a yet another extension for one month to convert NBF into an open end scheme.
- xv) Further, instead of securing registration, NAMCO through various communications reiterated that since July 16, 2013 they were awaiting Commission's approval on NBF's replacement offering document to proceed further in the matter.
- xvi) Given NAMCO's persistent non-compliance and casual approach of the management, the Board of Directors of NAMCO was also advised through the Commission's letter dated August 23, 2013 to ensure compliance on all the pending matters including conversion of NBF latest by September 15, 2013 failing which an appropriate enforcement action would be initiated in accordance with the applicable provisions of law. However, NAMCO maintained similar assurances without any concrete time bound plan.
- xvii) In view of the NAMCO's continued failure to submit application for registration of NBF as notified entity and submission of its registered trust deed, NAMCO was communicated vide email dated December 4, 2013 to update in the matter. However, same assertions were made that NBF's trust deed was still with the sub-registrar for registration.
- xviii) Further, NAMCO vide its letter dated May 13, 2014 apprised that the Board in its meeting held on April 29, 2014 unanimously decided to expedite the conversion process of NBF into an open end scheme and advised the management to complete it in shortest possible time. Considerable time has already lapsed since the Commission's approval for conversion of NBF and a series of subsequent advices, requests and extensions for compliance. The Board was also earlier advised through the Commission's letter dated August 23, 2013 to ensure compliance on



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

the pending matters including conversion of NBF. However, instead of completing the conversion process, NAMCO, time and again requested for extensions even vide its aforesaid letter dated May 13, 2014, they are still just conveying their resolve to address the issue in shortest possible time without specifying any specific date.

- xix) Additionally, in respect of NAMCO's claim that approval of NBF's offering document was pending with the Commission, NAMCO being a regulated asset manager must know that an offering document may only be accorded approval of the Commission pursuant to registration of the fund as notified entity, which NAMCO has failed to achieve despite repeated advices and reminders by the Commission.
13. After a detailed and thorough perusal of the facts, evidence and information available on record, contentions and averments made by the Respondents, it has been established beyond reasonable doubt that NAMCO knowingly and willfully continued to operate in violation of Regulations 10(b) & 10(c) and the position of CEO remained vacant for over eight months period despite repeated reminders by the Commission. Similarly, NAMCO also failed to appoint new directors to fill the casual vacancies created on account of resignation by two of its directors on Board. Only after the issuance of the SCN dated February 7, 2014, the Board approved the appointment of CEO and directors on February 26, 2014.
14. It is further established NAMCO till the issuance of Order has failed to convert NBF into open end scheme in compliance with regulation 65 of the NBFCs Regulations. It has not been able to secure registration of NBF as a notified entity under Regulation 44 of the NBFCs & NEs Regulations, 2008. Moreover, conversion of NBF into an open end scheme within the extended deadline of July 20, 2013 and further extension to the Board till September 15, 2013 for ensuring compliance was not adhered to by NAMCO. Instead, NAMCO time and again approached the Commission for extension in effective timeline of conversion of NBF into an open end scheme, which depicts the Board/management's lack of commitment to satisfactorily provide asset management services and manage the funds in the best interest of the certificate holders who have opted on January 31, 2013 for its conversion and



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

in total disregard of the governing regulatory framework. In a recent letter dated May 21, 2014 NAMCO informed that the management had started the conversion process of NBF into an open end scheme and requested to extend the effective date for application of back end load from July 1, 2013 to 1<sup>st</sup> day of operation as open end scheme. However, NAMCO was informed vide the Commission's letter dated May 29, 2014 that its request for extension in effective date for charging back end load from July 1, 2013 to first day of operation of NBF as an open end scheme was not acceded to by the Commission, since it had not submitted duly completed application accompanied with requisite documents and information as stipulated in Regulation 44(4) of the NBFCs & NEs Regulations, 2008.

15. NAMCO was licensed by the Commission to carry out their businesses of Asset Management services in terms of NBFC Rules, 2003 and was required to adhere with all the requirements of the prevailing regulatory framework at all time in letter and spirit. Repeated advices and numerous extensions in respect of the above matters provided by the Commission were taken for granted. It is also established that the constant default for the violations was willful and NAMCO chose to remain non-compliant and in total disregard of the applicable regulatory framework.
16. In view of the foregoing, it is established that NAMCO knowingly and willfully violated the provisions of Regulations 10(b) & 10(c) and Regulation 65 of the NBFCs & NEs Regulations, 2008, which is punishable under Section 282J(1) of the Ordinance. Therefore, I hereby impose a penalty of an amount of Rs.1,000,000/- (Rupees one million only) on NAMCO and Rs.100,000 (Rupees one hundred thousand only) on each of its current directors (i.e. Lt. Gen (Retd.) M. Hamid Khan, Mr. Saleem Shahzada, M. Imtiaz Bashir and Mr. M. Asim Mustafa) as well as on ex-directors namely Mr. Shafiq A. Khan and Hafiz Avais Ghani since these violations pertained to the period of their presence on NAMCO's Board.
17. The matter is disposed of in the above manner and NAMCO and its above stated directors & Ex-directors are hereby directed to deposit the penalty amount in the account of the Commission maintained in the designated branches of MCB Bank Limited not later than thirty (30) days from the date of this Order and furnish the copy of deposit challan to the undersigned.





**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Specialized Companies Division**

---

18. This Order is issued without prejudice to any action, which may be taken or warranted for the above said defaults under any other provision of the law.

**(Shahid Nasim)**

Executive Director

**Announced on May 30, 2014**  
**Karachi.**