



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision and Registration Department

Before the Director/HOD (MSRD)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to NetSol Technologies Inc a beneficial owner of more than ten percent equity security of NetSol Technologies Limited

Date of Hearing

September 03, 2013

Present at Hearing:

Representing the Respondent:

*Mr. Rashid Sadiq,
Chief Executive Officer,
RS Corporate Advisory*

Assisting the Director/HOD (MSRD):

*Mr. Muhammad Farooq,
Joint Director (SMD)*

Order

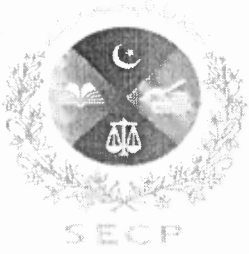
This order will dispose of the proceedings initiated under Section 224(4) of the Companies Ordinance, 1984 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") through Show Cause Notice No. S.M(B.O)C.O.222/13(69)05 dated 24/07/2013 ("**Notice**") issued to Committee of NetSol Technologies Inc ("**Respondent**"), a beneficial owner of more than ten percent equity securities of NetSol Technologies Limited ("**Issuer Company**").

2. The facts of the matter leading up to aforesaid Notice are that the Issuer Company is a public listed company and the Respondent being a beneficial owner of more than ten percent of its ordinary shares was required to file returns of beneficial ownership on Form 32, within the period stipulated under Section 222 of the Ordinance. However, it failed to file Form 32 within the stipulated time period, for the changes taken place in its beneficial ownership during the period from November 2012 to January 2013 (the "**period**"), which attract penal provisions contain in Section 224(4) of the Ordinance.

3. Section 222(2)(c) of the Ordinance stipulates the period within which the Form 32 is required to be submitted as under:-

"where there is any change in the position or interest as aforesaid including a change in the beneficial ownership of any equity, security, within fifteen days of such change".

4. The Respondent filed two returns of beneficial ownership on Form 32 with this Commission on 23/01/2013, showing therein the following changes in its beneficial ownership, with the delay as mentioned against each:-



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Sr. No	Date of Transaction	Number of Shares	Nature	Extend or Delay
1	07/11/2012	150,000	Purchase	62
2	08/11/2012	43,000	Purchase	61
3	12/11/2012	111,000	Purchase	57
4	19/11/2012	134,000	Purchase	50
5	20/11/2012	500	Purchase	49
6	22/11/2012	50,000	Purchase	47
7	23/11/2012	160,000	Purchase	46
8	26/11/2012	73,000	Purchase	43
9	27/11/2012	1,000	Purchase	42
10	30/11/2012	100,000	Purchase	39
11	03/12/2012	300,000	Purchase	36
12	04/12/2012	100,000	Purchase	35
13	05/12/2012	161,000	Purchase	34
14	06/12/2012	325,000	Purchase	33
15	07/12/2012	20,000	Purchase	32
16	01/01/2013	50,000	Purchase	19
17	02/01/2013	400,000	Purchase	18
18	15/01/2013	29,000	Purchase	5

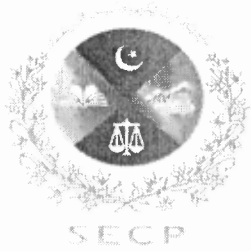
5. The aforesaid changes in beneficial ownership were reported to the Commission with delay ranges from 5 days to 62 days in contraventions of Section 222(2)(c) of the Ordinance, which *prima facie* attract penal provisions contain in Section 224(4) of the Ordinance, which provides as under:-

“Whoever knowingly and wilfully contravenes or otherwise fails to comply with any provision of section 222, section 223 or section 224 shall be liable to a fine which may extend to thirty thousand rupees and in the case of a continuing contravention, non-compliance or default to a further fine which may extend to one thousand rupees for every day after the first during which such contravention, non-compliance or default continues”.

6. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon it to explain through written reply along with documentary evidence, if any as to why action may not be taken against it pursuant to Section 224(4) of the Ordinance, for aforesaid contraventions of Section 222 of the Ordinance. Mr. Rashid Sadiq, Chief Executive Officer (“**Authorized Representative**”), filed written reply to the Notice vide letters dated 06/8/2013 and 16/09/2013.

7. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed for 03/09/2013 at the Commission’s Head Office, Islamabad. On the said date, the Authorized Representative appeared on behalf of the Respondent. The submissions made in

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writing as well as verbally on behalf of the Respondent by the Authorized Representative be summarized as under:-

- a. *The Respondent is a foreign company based in United States (US) and it does not have any place of business in Pakistan. The purchase of shares is reported to the Respondent in US and the same is sent to Pakistan for preparation of returns which are again sent to US for signatures of its President. This movement of document between Pak —US and non-availability of President for signing of the Form 32 in fact resulted in minor delays in filing of these statutory forms.*
- b. *The Respondent is a law abiding and it has filed the Form 32 on its own. The delays are minor ones which have not committed "wilfully" or "knowingly".*
- c. *The Authorized Representative assured that the Respondent will comply with the requirement of Section 222 of the Ordinance within the prescribed time period in future.*

8. I have considered the aforesaid submissions made by the Respondent. The Respondent has admitted the default of late filing of the return of beneficial ownership with the contention that the said default was not committed willfully and knowingly. The Authorized Representative contended that the default took place due to completion of certain formalities, i.e. the return was required to be signed by a person who is residing in USA. The Respondent has assured for timely filing of the returns of beneficial ownership in future and requested to condone the default in question. Moreover, the Respondent has reported the said changes in beneficial ownership by its own. Considering the submissions made by the Respondent, I intend to agree with the contention of the Respondent and of the view that the late filing of the under reference returns of beneficial ownership may not be willful. Therefore, a lenient view of the matter has been taken and the Respondent is hereby strictly warned to ensure timely compliance of Section 222 of the Ordinance in future.

10. This Order is issued without prejudice to any other action that the Commission/Registrar may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.




(Imran Inayat Butt)
Director/HQD (MSRD)

Islamabad.

Announced on October 11, 2013

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