Asset management licence of DCML cancelled | Forex, Pakistan

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<p>LAHORE: The Securities and Exchange Commission of Pakistan (SECP) has cancelled the Asset Management Licence of Dawood Capital Management Limited (DCML) and imposed a penalty of Rs20 million on its chief executive officer for providing �undue benefits� to his relatives and connected persons. {loadposition content_adsense300}The commission has also taken action against DCML�s chief financial controller/company secretary. DCML was managing three Collective Investment Schemes (CIS) Dawood Income Fund (DINF), Dawood Islamic Fund (DISF) and First Dawood Mutual Fund (FDMF), according an order issued by the SECP.

CDC Trustees had informed the SECP that the connected persons of DCML and the closed relatives of the CEO had redeemed their investments from DISF before provisioning, which decreased its net asset value (NAV) substantially. The SECP probed this matter and found that its connected persons had made redemptions from DISF as well as from DINF before provisioning, and the connected persons of DCML and the CEO and her close relatives had averted imminent losses of Rs18.224 million.

While taking cognizance of the matter, the commission initiated proceedings and issued show-cause notice on November 8, 2012 to the management and Board of DCML for violations of Regulation 38(a) and Regulation 38(n) of the Non-Banking Finance Companies and Notified Entities Regulations 2008, which attracts penal action under the Companies Ordinance, 1984.

The CFO and the company secretary provided a copy of the notice of 107th board of directors (BoD) meeting, which consisted of seven agenda items through a letter dated October 4, 2012.

During the proceedings, the management of DCML argued that the matter of provisioning was approved in the 107th board meeting on an instant motion and the redemptions before provisions were just a �chance event�.

However, the directors submitted the relevant documents to the SECP, most importantly the draft minutes circulated to them for the 106th board meeting.

These documents revealed that the matter of provisioning was discussed at the 106th board meeting. It also showed that the audit committee had also discussed provisioning issue in its 39th meeting.

When the final minutes of audit committee and 106th board meeting were reviewed, it was found that the matter pertaining to the provisioning was wilfully deleted by the management of DCML to conceal the facts and the same was confirmed by the directors and audit committee when inquired.

After the issuance of show-cause notice, the management again provided a copy of the agenda for 107th board meeting consisting of eight agenda items, which indicated that the company had submitted forged copy of the agenda for 107th board meeting earlier.

All the directors, excluding the CEO, admitted that the management was fully aware of the fact that the matter of provisioning was to be decided in the upcoming 107th board meeting.

The close relatives of the CEO redeemed their investments in the closed period for which the notice of closed period was served to the CEO.

All the directors except CEO admitted that they were unaware of the fact DCML, its CEO and connected parties redeemed their investments prior to the recording of provisions and avoided the loss of Rs18.224 million.

Three directors of DCML resigned immediately from the directorship as they came across of sheer breach of fiduciary responsibility by the management of DCML.

The chairman of the audit committee stated that the matter of provisioning was discussed at length in the audit committee meeting and subsequent 106th board meeting and the CFO was advised to present detailed working in the next board meeting for the decision by the directors.

The matter pertaining to submission of the forged notice to the SECP and deletion of the matter relating to the provisioning from the final minutes of the audit committee meeting and the 106th board meeting was inquired from the chairperson and the

CEO who responded that it was done by the CFO by mistake in his personal capacity and he has been suspended and is under departmental enquiry. Upon enquiry they submitted that the CFO was not amongst the beneficiaries from the redemptions prior to provisioning.

Given the tampering of documents, deletion of facts from the official documents without the approval of authorities concerned and submission of forged information to the SECP indicate that the entire chain of events was tailored accordingly to cover up the undue benefit passed on to the CEO, her close relatives and the connected persons of DCML through redeeming the units of DISF and DINF before the recording of provisions and the imminent loss of Rs18.224 million was averted and diverted towards the general investors of DINF and DISF under DCML�s management.

Therefore, the commission cancelled the licenses for carrying out asset management and investment advisory services by DCML and imposed penalty of Rs20 million on the CEO and Rs1 million on the CFO and company secretary. Further, the Trustees of all the three CISs were directed to extinguish/revoke the schemes under the NBFCS regulations.</p> <p>�</p> <p>Courtesy: Dawn</p>