



Through Courier

Before The Director / HOD (MS&SID)

In the matter of Show Cause Notice issued to Mari Petroleum Company Limited under  
Section 22 of the Securities and Exchange Ordinance, 1969

*Date of Hearing:*

January 14, 2015

*Present at the Hearing:*

*Representing Mari Petroleum Company Limited:*

*Mr. Shahid Raza, Partner, Orr Dignam & Co.  
Syed Hassan Ali Raza, Senior Associate, Orr  
Dignam & Co.*

*Mr. Assad Rabbani, Company Secretary, Mari  
Petroleum Company Limited*

*Mr. Waheed Iqbal, Corporate Affairs Officer,  
Mari Petroleum Company Limited*

*Assisting the Director/HOD (MS&SID):*

*Mr. Awais Ali, Assistant Director (MS&SID)*

**ORDER**

1. This order shall dispose of the proceedings initiated through Show Cause Notice bearing No. SMD/MSW/MARI/36/2014-974, dated December 12, 2014 (“SCN”) issued to Mari Petroleum Company Limited (“Company”) by the Securities and Exchange Commission of Pakistan (“Commission”) under Section 22 of the Securities and Exchange Ordinance, 1969 (“Ordinance”).

2. The brief facts of the case are that the Company is a public limited company listed on all the three stock exchanges of Pakistan. An announcement was made by the Company on Karachi Stock Exchange (“KSE”) on June 04, 2014 at 12:56 p.m. that a meeting of the Board of Directors (“BOD”) of the Company was held on June 04, 2014 in which the Company declared a cash dividend of 10%. Subsequently, an announcement regarding approval of proposal for dismantling of Mari GPA by its BOD was disseminated to the KSE at 03:17 p.m.



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3. The Company vide its letter dated November 12, 2014 informed the Stock Exchange that the “Economic Coordination Committee (“ECC”) in its meeting held on November 12, 2014 had approved the proposal for dismantling of MARI GPA and replacing it with a Market Oriented Formula”.

4. According to Press Release No. 866 dated November 12, 2014 issued by Ministry of Finance, it was observed that in addition to the information disseminated by MARI through its letter dated November 12, 2014 regarding dismantling of MARI GPA, it was also decided that 88% of the undistributed balance will be transferred to Government of Pakistan as redeemable preference share capital while remaining 12% will be issued to General Public. However, the latter was not disclosed in the Company’s above referred letter to the stock exchange.

5. In light of the above, the Commission served the SCN under section 22 of the Ordinance, for violation of Section 15D (1) of the Ordinance and Regulation 5.19.13 (c) of the KSE Regulations and required the Company to submit its written reply within ten days from the date of SCN. The Chief Executive Officer of the Company was also required to appear either in person or through an authorized representative before the undersigned on December 30, 2014.

6. Orr Dignam and Co. (“**the Counsel**”) vide its letter dated December 22, 2014 informed the Commission, that they will act as Counsel on behalf of the Company and submitted their reply to the SCN. Furthermore, the Counsel requested to reschedule the date of hearing, which was acceded to and the hearing was rescheduled for January 14, 2015. Relevant extracts of the Counsel’s response are reproduced below:

*“The SCN offers no evidence that our Client knew about such ECC decision and yet withheld it. Instead, the SCN relies exclusively on the press release of the Ministry of Finance, whose contents could not have been “inside information” as same were not within our Client’s knowledge.*



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*The ECC decision had not been formally conveyed to our Client and while our Client was aware that ECC had decided to dismantle the Mari Gas Wellhead Price and to replace it with a market oriented pricing formula, it was not aware of the specific terms and conditions (including that pertaining to the undistributed balance) on which ECC approved such dismantling.*

*That the Company has a track record of regulatory compliance and given such track record, there is no reason to speculate that our Client made only partial disclosure on November 12, 2014 and that it withheld disclosure of other material inside information within its knowledge.*

*The SCN that our Client withheld information is unsubstantiated, baseless, illogical, and unjustified. Indeed, in the absence of formal confirmation to our client of ECC's decision regarding the undistributed balance, it would have been irresponsible and unlawful for our Client to release any information in that regard to the Stock Exchanges as any such information would have been premature, "false or incorrect" speculative and contrary to Section 17(b) of the Ordinance (which prohibits a person from making "any suggestion or statement as a fact that which he does not believe to be true") and to Section 18 of the Ordinance (which prohibits a person from "making any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect in any material particular")*

*For the reasons set out above, SECP is requested to kindly withdraw the SCN. In alternative, if SECP finds that our Client violated the provisions of Section 15D (1) and Section 22 (c) of the Ordinance and Regulation 5.19.13 (c) of the KSE Regulations notwithstanding the above explanation, then we humbly request SECP, given the unblemished record of regulatory compliance of our Client who acted in good faith, to condone the same on the basis that our Client will be careful in future".*



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7. In order to decide the case, a hearing in the matter was held on January 14, 2015 at the Commission's Office, which was attended by the Counsel on behalf of the Company along with the officers of the Company.

8. The Counsel during the course of hearing reiterated the facts communicated to the Commission vide their letter dated December 22, 2014. He emphasized that the Company did not receive any official decision from Ministry of Petroleum and Natural Resources or the ECC therefore the allegation of non-disclosure of material information by the Company is not correct. The SCN was issued relying on the press release of Ministry of Finance to which the Company was not aware. Therefore, the SCN may be withdrawn. He added that if the Commission is not satisfied with the submissions of the Company then keeping in view the compliance track record the *bona fide* omission may be condoned.

9. In order to decide as to whether the Company was aware of the proposal discussed during the ECC meeting held on November 12, 2014, the Counsel, during the hearing, was asked to explain the process through which Ministry of Petroleum was approached with the dates of discussion on various proposals. The Counsel provided a copy of the Company's letter dated February 04, 2013 addressed to Ministry of Petroleum & Natural resources, through which the Company gave its concurrence for conversion of its un-distributed balance into non-voting, non-cumulative and non-convertible preference shares and dismantling of MARI GPA formula. Further, it was admitted that the Board of Directors in their meeting held on June 04, 2014 discussed and approved the proposal which was made to the ECC.

10. Before concluding the matter, it is necessary to discuss the requirements of law and its importance. Provisions of Section 15D (1) of the Ordinance and Regulation 5.19.13(c) of the KSE Regulations requires that every listed company shall immediately disseminate any inside information which directly concerns the listed securities. Non-disclosure of material information is a threat to the integrity of stock markets. It is the right of the investors and shareholders to received timely, reliable, readily accessible and complete information from the management of the Company. This will lead to



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fair and level playing field for all investors. It prohibits fraud, deception and material misstatements and omissions in connection with the purchase and sale of a share based on rumors.

11. It has been observed that the shares of the Company are being traded extensively during the last few months. In anticipation of the said material announcement by the Company on November 12, 2014, the share price witnessed a positive trend since the beginning of the trading session and this trend further intensified near the time of the announcement resulting in the share price touching the upper lock. The upper cap price sustained till the end of the trading session and the share price closed at Rs628.82. Likewise, the trading volume in the share increased by 26% as compared to the previous trading session, which reflects the materiality of the announcement made by the Company on the said date and its contribution towards the increased trading activity in the shares of MARI.

12. Subsequently, the Commission vide letter dated December 09, 2014 directed the Company to disclose the complete set of price sensitive information to the general public, which was complied with on December 10, 2014. It is pertinent to mention that share price of MARI witnessed a significant decrease and closed at Rs644.15 registering a decline of 4.92% as compared to the previous day closing price, which clearly shows the impact of the price sensitive information on the share price of the company. Further, the trading volume in the share also increased to 1.9 million shares on December 10, 2014, which is twice the trading volume on previous trading day.

13. After detailed and thorough perusal of the facts, evidence/information available on record, contentions made by the Counsel in its response dated December 22, 2014, and arguments submitted during the course of hearing, it is established that the Company has contravened the provisions of Section 15D (1) of the Ordinance and Regulation 5.19.13(c) of the KSE Regulations.

14. The Company being listed on Stock Exchange is expected to be conversant and fully complied with all the regulatory requirements. In any event, listed companies are required to ensure that any disclosure of price sensitive information should be complete and immediate, and not in a manner that compromises the investors' confidence and transparency of the stock market. I am of the



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view that consistent compliant regulatory record of the Company is not a valid justification for ignorance of a violation which is material.

15. Considering the above and in exercise of the powers under Section 22 of the Ordinance, while taking a lenient view, I hereby impose a penalty of Rs.1,000,000 (One Million Rupees Only) on the Company. I further direct the Company to ensure that due care and caution be exercised while announcing any price sensitive information and to ensure full compliance of all rules, regulations and directives of the Commission in the future for avoiding any punitive action under the law.

16. The matter is disposed of in the above manner and the Company is directed to deposit the penalty as mentioned in paragraph 15 above, in the account of the Commission being maintained with the MCB Bank Limited not later than thirty (30) days from the date of this Order and furnish a copy of the deposit challan to the undersigned.

**Abid Hussain**  
Director / HOD (MSSID)  
Announced on February 2, 2015  
Islamabad.