



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan, Director/Head of Department (Adjudication-I)

In the matter of

Directors of Pakistan Paper Product Limited

Number and date of Show Cause Notice (SCN)	2(432)SMD/Adj-1/2023 Dated September 20, 2023
Date of Hearing:	October 18, 2023
Present at the Hearing:	(i) Mr. Abid Sayeed (Authorized Representative)

ORDER

UNDER SECTION 106 OF THE SECURITIES ACT, 2015

This Order shall dispose of the proceedings initiated against Directors of Pakistan Paper Product Limited (**the Company**) through Show Cause Notice No. 2(432)SMD/Adj-1/2023 dated September 20, 2023 (**the SCN**) issued under Section 106 of the Securities Act, 2015 (**the Act**) on account of alleged contraventions of Section 103 of the Act read with regulation 3(4) of the Reporting and Disclosure (of Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Companies) Regulations, 2015 (**the Regulations**).

2. Brief facts of the case are that the following individuals (**Collectively referred hereunder as the Respondents**) were elected as Directors of the Company on May 11, 2023.

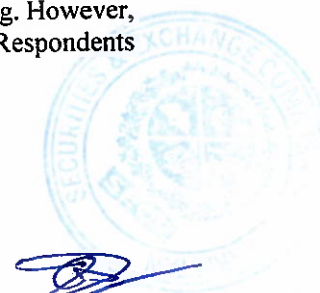
S.No.	Name(s)	Status
1	Mr. Abbas Sayeed	Director
2	Mr. Abid Sayeed	Director
3	Mr. Sayeed Imran	Director
4	Mrs. Muleika Sayeed	Director
5	Dr. Asadullah Sayeed	Director
6	Ms. Aisha Fariel Salahuddin	Director
7	Mr. Matiuddin Siddiqui	Director

3. In terms of Section 103 of the Act read with regulation 3(4) of the Regulations, the Respondents were required to file Form 5 with the Commission, within seven (7) days of being elected as the director of the Company and Form 6 within seven (7) of any subsequent change in their shareholding. However, the record available with the Commission transpires that no compliance was made by the Respondents except for **Mr. Matiuddin Siddiqui**.

4. The relevant provisions of the law are reproduced as under:

Section 103 of the Act:

"103 - Notification to the Commission of directors and others' interest





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- (1) Every director, executive officer or substantial shareholder of a listed company shall submit to the Commission in the prescribed form -
- a statement of beneficial ownership in the listed equity securities of the company or any other nature of securities as may be prescribed by the Commission;
 - the particulars of any change in the interest aforesaid; and
 - any change in his position.
- (2) The reporting requirement imposed by sub-sections (1) shall be fulfilled before the expiration of a period of seven days beginning with the day on which the requirement first arises."

Regulation 3(4) of the Regulations:

"3 - Reporting of Beneficial ownership in listed equity securities under Section 101 to Section 103 of the Act ...

(4) The directors, executive officers and substantial shareholders of the equity securities in a listed company shall in accordance with section 103 of the Act submit statement of Beneficial ownership in Form 5 and report any subsequent change therein or position to the Commission on Form 6."

Section 106 of the Act:

106. Directive by the Commission.—(1) ...

(2) where any person who contravenes or fails to comply with any provision of sections 101, 102, 103, 104, 105 and 107, the Commission may by order in writing direct,—

(a) in the case of an individual, to pay by way of penalty to the Commission such sum which may extend to five hundred thousand rupees and to a further sum which may extend to one thousand rupees per day for every day during which the default continues;"

5. The Commission vide letter dated August 21, 2023 sought explanation from the Respondents with respect to their alleged failure to file Form 5. The Company on behalf of the Respondents vide letter dated August 26, 2023 submitted that there was misunderstanding regarding filing of Forms as for the last two to three years, they were submitting SMD BO Forms after AGM and they were waiting for next AGM to submit these forms. However, they regretted for the late submission of these forms.

6. The record of this office shows that the aforesaid directors have filed their respective Forms 5 on August 30, 2023 with a delay of 104 days.

7. In view of the above, the Respondents, *prima facie*, have violated the provision of Section 103 of the Act read with regulation 3(4) of the Regulations. Accordingly, the Commission while taking cognizance of the aforementioned non-compliance served the SCN upon the Respondents, requiring them to submit their written reply within 14 days of the date of the SCN.

8. In response to SCN, the Respondents vide letter dated September 28, 2023 submitted their reply as under:

- "First of all, we would like to inform you that we have submitted; Form 1, and 4, dated 28th August 2023, and Form 5 submitted on 30th August 2023, (delayed) due to an error in the SECP system. (Copy of relevant forms and other documents enclosed).
- We regret the inconvenience caused and assure you that It was not done with any ill intention. You may observe from our company records /history that we properly comply with every directive in a timely manner. Further, as our Company Secretary stated in her earlier letter dated 26th August 2023 regarding "Clarification for Late Submission of Forms 1, 4, and 5". Our explanation is 100% true that there was only a misunderstanding



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as for the last three years we were submitting SMD-BO forms after the Annual General Meeting which is usually held in October (copy of letter enclosed)"

9. The Respondents were provided opportunity of personal representation and the hearing was fixed in the matter for October 18, 2023. The hearing was attended by Mr. Abid Sayeed, Chief Executive as the Authorized Representative (**the Representative**) of the Respondents. The Representatives reiterated the written argument submitted earlier in response to SCN and admitted the oversight in filing of Forms 5. Moreover, the Representatives added that it was their understanding that Form 5 were to be filed after each AGM as they have been filing as such for the past two to three years and therefore, they were waiting for the next AGM to submit these forms. The Representative submitted vide letter dated October 20, 2023 that it was unintentional as it was an oversight by the Company Secretary who was not aware as the SECP notification dated April 20, 2022. Further, the Representative submitted that there was no change in the beneficial ownership by any director.

11. I have gone through the facts of the case and considered the submissions of the Respondents and the Representatives both written and verbal in light of the applicable provisions of the law and observed that the Respondents were required to file their returns of beneficial ownership on Forms 5 with the Commission, within seven (07) days of becoming director of the Company as required under Section 103 of the Act read with regulation 3(4) of the Regulations. However, the Respondents have not filed their beneficial ownership on the requisite forms in time due to their misunderstanding. Moreover, the Representatives claimed that the Clarification dated April 20, 2022 was missed due to oversight, which caused in delay of filing their respective Forms. As per the record, the Respondents/Directors have filed their Forms 5 on August 30, 2023 **with a delay of 104 days**.

12. In view of the foregoing and the verbal as well as written submissions made by the Representatives and the Respondents, I have observed that the reasons of non-compliance are not tenable as the Pakistan Stock Exchange (PSX) Clarification dated April 20, 2022 is widely circulated on the internet and available on the websites of the Commission and PSX which clearly depicts, "the filing of Form 5 is applicable on every director who is appointed afresh, re-appointed and a nominee director. The duty to file requisite form regarding beneficial ownership is necessary every time when a person becomes a director". Thus, the Respondents failed to file their returns of beneficial ownership on Forms 5 with the Commission, within seven (07) days of becoming director of the Company, non-compliance/contravention of Section 103 of the Act read with regulation 3(4) of the Regulations has been established and same has also been admitted by the Respondents as well as by the Representatives. Therefore, in exercise of the powers conferred upon me under Section 106(2)(a) of the Act, I hereby impose a penalty of **Rs.30,000/- (Pak Rupees Twenty-Five Thousand Only)** on the Respondents, in the following manner:

S. No.	Name of Director(s)	Amount of Penalty Imposed (Rs.)
1.	Mr. Abbas Sayeed	5,000
2.	Mr. Abid Sayeed	5,000
3.	Mr. Sayeed Imran	5,000
4.	Mrs. Muleika Sayeed	5,000
5.	Dr. Asadullah Sayeed	5,000
6.	Ms. Aisha Fariel Salahuddin	5,000
Total		30,000

13. The Respondents are hereby directed to deposit the aforesaid fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank



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Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record.

14. This Order is issued without prejudice to any other action that the Commission may initiate against the Respondent in accordance with the law(s) on matter subsequently investigated or otherwise brought to the knowledge of the Commission.

(Shahzad Afzal Khan)
Director/ Head of Department
(Adjudication Department-I)



Announced:

November 14, 2023
Islamabad