



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

*Through Courier*

Before

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

In the matter of

**Show Cause Notice issued to M/s Margalla Financial (Private) Limited**  
**Under Section 150(2) of the Securities Act, 2015**

Number and date of Show Cause Notice (SCN)	2(315) SMD/Adj-1/2021-94 dated July 25, 2023
Date(s) of Hearing:	November 06, 2023
Present at the Hearing(s):	Mr. Abdul Azeem Khan, Director (Authorized Representative)

### ORDER

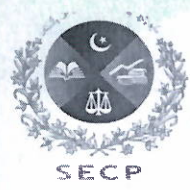
This Order shall dispose of the proceedings initiated against M/s Margalla Financial (Private) Limited (the “**Company**” or the **Respondent**”) for its alleged failure to submit its annual audited financial statements for the year ended June 30, 2022 within four (04) months of the end of its financial year, with the Securities & Exchange Commission of Pakistan (the “**Commission**”), in terms of Section 84 of the Securities Act, 2015 (the “**Act**”) read with Regulation 34(3) of the Securities Brokers (Licensing and Operations) Regulations, 2016 (the “**Regulations**”).

2. Brief facts of the case are that the Company, being a private limited company incorporated under the Company Law on June 03, 2014, is a Trading Right Entitlement Certificate (TREC) holder of M/s Pakistan Stock Exchange Limited (PSX) and licensed as a securities broker with the Commission. A thematic review of the Company was carried out to review compliance with Section 84 of the Act read with Regulation 34(3) of the Regulations. Section 84 of the Act read with Regulation 34(3) of the Regulations *inter alia* requires a regulated person (as defined under Section 2(xlvii) of the Act), including a securities broker, to lodge its financial statements, a balance sheet and a cash flow statement along with an auditor’s report with the Commission within four (04) months after the end of the financial year. During the review, it was observed that the Company did not lodge its annual audited financial statements for the year ended June 30, 2022 with the Commission as per the prescribed timeline i.e. by October 31, 2022.

3. The relevant provisions of Section 84 of the Act read with Regulation 34(3) of the Regulations and the penal provisions of Section 150(2) of the Act, in case of contravention of afore-referred provisions of law, are reproduced as under:

**Section 84 of the Act:**

**“84. Audited accounts to be lodged with the Commission.— A regulated person other than a**



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I  
Adjudication Division

*representative, shall –*

*(a) for the financial year from the day on which he commences to carry on a regulated securities activity; and*

*(b) for each subsequent financial year,*

*prepare financial statements, a balance sheet and a cash flow statement made up to the last day of the financial year which shall show a true and fair view, contain the information prescribed, and shall lodge those documents with the Commission not later than four months after the end of the financial year, together with an auditor's report which shall express opinions on such matters as may also be prescribed."*

## **Regulation 34(3) of the Regulations:**

*"34. Preparation and submission of financial statements ... (3) A securities broker shall submit, within four months after the end of each financial year, its annual financial statements to the Commission along with its audit report."*

## **Section 150(2) of the Act:**

*"150. Disciplinary action in respect of licensed person... (2) Subject to section 151, where a licensed person is or was at any time, guilty of misconduct, the Commission may make one or more of the following orders, separately or in addition to any power exercisable under clause (i), (ii) or (iii) of sub-section (1) that the licensed person shall pay to the Commission by way of penalty such sum,—*

*(a) not exceeding fifty million rupees;*

*(b) not exceeding the amount of any profit gained or loss avoided by the licensed person as a result of the misconduct in question;*

*(c) appropriate to reimburse the Commission for the costs and expenses it has reasonable incurred in relation or incidental to the investigation of the licensed person's conduct..."*

4. In view of the above, the relevant department of the Commission requested clarification/explanation from the Respondent vide email dated May 26, 2023, followed by a reminder dated June 05, 2023. The Respondent vide its email dated June 05, 2023 *inter alia* submitted that its financial statements have not been finalized owing to unforeseen resignation of its statutory auditor in August 2022, while the appointment/finalization of new auditor was underway. The Respondent also referred to the pendency of its application dated October 27, 2022 seeking extension in holding of its Annual General Meeting (AGM) with the concerned Company Registration Office (CRO), Islamabad. However, as per the record of the concerned CRO, the said application was pending under objection of the CRO since October 28, 2022 and the Respondent did not submit any response thereto.

5. Considering the above-mentioned facts and the *prima-facie* non-submission of annual audited financial statements by the Respondent, a Show Cause Notice dated July 25, 2023 was served upon the



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I  
Adjudication Division

Respondent for contravention of Section 84 of the Act read with Regulation 34(3) of the Regulations under the penal provisions of Section 150(2) of the Act.

6. A response letter dated August 08, 2023 was submitted by the Respondent, the relevant extracts of which are reproduced hereinbelow:

*“Reference is made to SCN...dated July 25, 2023, wherein our company was asked to provide explanation for not submitting Audited Annual Financial Statements for the financial year ended June 30, 2022, within the stipulated time. We would like to apprise you of the reasons for not being able to file the annual accounts in time, which are as follows:*

*During the preparation of Financial Statements, our Statutory Auditor abruptly resigned in August 2022, without prior notice. We had to engage a new auditor on a short notice who required more time to finalize the accounts.*

*Because of delay in preparation of annual statements, we applied to the SECP CRO Islamabad for extension in holding of AGM (a copy of the application is attached with this letter). Due to technical issues regarding filing of Form A and 29 as a result of death of one of our directors, the request of extension remained pending with the CRO. Only last week, we have been informed by CRO Islamabad to reapply for the extension. We will be reapplying for the extension shortly and once granted, we will hold the AGM and approve of the annual accounts. We are confident that without any further objections from the CRO, we will be able to get the extension to hold the overdue AGM within the next week. We hope to submit the audited annual financial statements to your office as soon as possible.*

*We would like to apologize for the inordinate delay in the submission of the statements and that given the unusual circumstances, we are hopeful of your understanding and leniency in this matter...”*

7. In order to meet the ends of justice and provide an opportunity of being heard to the Respondent, a hearing was fixed for October 23, 2023. However, the Respondent vide email dated October 19, 2023 requested for an adjournment of the hearing. Accordingly, another hearing was fixed for November 06, 2023, which was attended by Mr. Abdul Azeem Khan, Director, being the Authorized Representative of the Company. A board resolution dated November 06, 2023 was also submitted by the Respondent, evidencing authorization of Mr. Abdul Azeem to represent the Company at the said hearing. During the course of hearing, the Authorized Representative was advised to explain the reasons for the alleged non-compliance as narrated in the SCN. The Representative reiterated the written submissions, and informed that the concerned CRO has now issued a direction vide letter dated November 03, 2023 under Section 147 of the Companies Act, 2017 to the Company to convene its overdue AGM within 30 days of the direction, so as to *inter alia* lay therein its audited accounts for the year ended June 30, 2022. The Respondent during the hearing committed to ensure compliance with the same within the given timelines.



# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I  
Adjudication Division

8. As per the record of the Commission, the Company has subsequently held its overdue AGM on November 30, 2023, as reported to the concerned CRO on the Form-A made up to June 30, 2022. Accordingly, the Company has also duly submitted its annual audited financial statements for the year ended June 30, 2022 with the Commission vide its letter dated December 04, 2023.

9. I have gone through the relevant provisions of law, evidence available on the record and the submissions made by the Respondent through its Authorized Representative. I have observed that the Section 84 of the Act read with Regulation 34(3) of the Regulations clearly mandate submission of annual audited financial statements of a regulated person, including a securities broker, within 04 months of its financial year. I have also perused the penal provisions contained under Section 150(2) of the Act for the contravention of law in question. It is clearly evident that the Respondent failed to lodge its annual audited financial statements with the Commission within the prescribed timeline of 04 months following its year-end i.e. by October 31, 2022, and has now subsequently filed the same with a considerable delay on December 04, 2023. Be that as it may, the Respondent has requested to condone the questioned inordinate delay on its part and has demonstrated its commitment to adhere to all applicable laws in a timely manner in the future.

10. In view of the above-stated facts and circumstances, submissions made by the Respondent and the established default of the Respondent in timely complying with Section 84 of the Act read with Regulation 34(3) of the Regulations, I have hereby decided to impose a **penalty of Rs.25,000 (Rupees Twenty Five Thousand) only on the Respondent**. The Respondent is directed to deposit the aforesaid penalty in the designated bank account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited, within a period of thirty (30) days from the date of this Order, and furnish receipted voucher issued in the name of the Commission for information and record. The Respondent is also directed to ensure meticulous and timely compliance of applicable laws in true letter and spirit in future.

11. This order is being issued without prejudice to any other action(s) that may be initiated/taken against the Respondent and/or its officers responsible for the violations of the aforesaid provisions of the law, accordingly.

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

**Announced:**

December 21, 2023

Islamabad