



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

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:	Mr. Abid Sayeed (Authorized Representative)

ORDER

UNDER SECTION 106 OF THE SECURITIES ACT, 2015

This Order shall dispose of the proceedings initiated against Pakistan Paper Product Limited (the Company and/or the Respondent) 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 contravention of Section 102(3) of the Act read with regulation 3(3) 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 Company is a listed Company at the Pakistan Stock Exchange (PSX) and it appointed the following individuals on its board pursuant to Extra Ordinary General Meeting (EOGM) held on May 11, 2023. The names along with their date of appointment are as under:

S.NO	Name of Director(s)/CEO	Date of Appointment
1	Mr. Abbas Sayeed	May 11, 2023
2	Mr. Abid Sayeed	May 11, 2023
3	Mr. Sayeed Imran	May 11, 2023
4	Mrs. Muleika Sayeed	May 11, 2023
5	Dr. Asadullah Sayeed	May 11, 2023
6	Ms. Aisha Fariel Salahuddin	May 11, 2023
7	Mr. Matiuddin Siddiqui	May 11, 2023

3. In terms of Section 102(3) of the Act read with regulation 3(3) of the Regulations, the Company was required to file Form 4, within seven (7) days of the receipt of information on Form 1 from the respective director. However, the record available with the Securities and Exchange Commission of Pakistan (the Commission) transpires that the Company, *prima facie*, did not ensure compliance with the aforesaid requirement of the Act and Regulations in respect of all Directors.

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

Section 102(3) of the Act:

"102. Register of directors' interests notified under section 101.—... (3) Whenever a listed company is notified of any matter in consequence of requirement imposed by sub-section (1) of



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section 101, the company shall notify it to the Commission, within seven days of the receipt of the information, showing therein name of director, executive officer or shareholder, date of appointment or acquisition of beneficial ownership and number of shares held by him..”

Regulation 3(3) of the Regulations:

“3. Reporting of Beneficial ownership in listed equity securities under section 101 to section 103 of the Act:-...

(3) The listed company shall notify the Commission in Form 4 whenever such company receives Form 1 from a director, executive officer, or substantial shareholder pursuant to the requirement of section 101(1) of the Act.”

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,—

(b) in the case of a company, the company and its every director or officer who is knowingly and willfully in default, to pay by way of penalty to the Commission such amount which may extend to five hundred thousand rupees and to a further amount 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 clarification/explanation from the Company with respect to its alleged failure to file Form 4. The Company responded vide letter dated August 26, 2023 that there was misunderstanding as for the last two to three years, they were submitting SMD BO Forms after AGM and was waiting for the next AGM to submit these forms. However, the record available with the Commission transpires that the Company filed Form 4 on August 28, 2023 **with a delay of 102 days.**

6. In view of the above, the Company, *prima facie*, has violated Section 102(3) of the Act read with regulation 3(3) of the Regulations, which attracts applicability of the penal provisions of Section 106(2)(b) of the Act. Accordingly, the Commission while taking cognizance of the aforementioned non-compliance served the SCN upon the Company, requiring it to submit its written reply within 14 days of the date of the SCN.

7. In response to SCN, the Company vide letter dated October 09, 2023 submitted its 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 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)”*

8. The Company was 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 as the Authorized



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Representative (**the Representative**) of the Company. 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 arguments and submissions made in the written reply and admitted the delay in filing of Forms 4 which occurred due to an error in the SECP system and it was completely unintentional. Moreover, the Representative added that it was their understanding that the filing of Form 4 is required to be filed after each AGM and therefore, they were waiting for the next AGM to submit these forms. However, on receiving the letter from the Commission in this regard, subsequently, Forms 4 have been filed by the Company in respect of all Directors. The Representative requested that a lenient view may be taken in the matter and assured the compliance of the said provisions of the law in future.

9. I have gone through the facts of the case and considered both written and verbal submissions of the Representative in light of the applicable provisions of the law and observed that the Company was required to file Forms 4, within seven (7) days of the receipt of information on Form 1 from the respective director as required under Section 102(3) of the Act read with regulation 3(3) of the Regulations. However, as per record of the Commission, the Company filed Forms 4 in respect of all of its Directors after a substantial delay of 102 days i.e. on August 28, 2023, which was admitted by the Company and the Representative.

10. In view of the foregoing facts and the verbal submission made by the Representative, non-compliance/ contravention of the provisions Section 102(3) of the Act read with regulation 3(3) of the Regulations has been established and same has also been admitted by the Company. Therefore, in exercise of the powers conferred upon me under Section 106(2)(b) of the Act, I hereby impose a penalty of **Rs. 10,000/- (Pak Rupees Ten Thousand Only)** on the Company on account of the aforesaid established default.

11. The Company is 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 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.

12. 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