



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

Shell Pakistan Limited

Number and date of Show Cause Notice (SCN)	2(439)SMD/Adj-1/2023-266 Dated September 26, 2023
Date of Hearing:	October 23, 2023
Present at the Hearing:	Ms. Ferzeen E. Bhadha, Advocate Vellani & Vellani (Authorized Representative)

ORDER

UNDER SECTION 106 OF THE SECURITIES ACT, 2015

This Order shall dispose of the proceedings initiated against Shell Pakistan Limited (**the Company and/or the Respondent**) through Show Cause Notice No. 2(439)SMD/Adj-1/2023-266 dated September 26, 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 Annual General Meeting (**AGM**) held on May 04, 2023. The names along with their date of appointment are as under:

S.NO	Name of Director(s)/CEO	Date of Appointment
1	Mr. Zain k. Hak	June 13, 2023
2	Mr. Zaffar A. Khan	June 13, 2023
3	Mr. Rafi. H Basheer	June 13, 2023
4	Mr. Pervez Ghias	June 13, 2023
5	Mr. Badruddin F. Vellani	June 13, 2023
6	Mr. John King Chong Lo	June 13, 2023
7	Mr. Amir R. Paracha	June 13, 2023
8	Mr. Zarrar Mahmud	June 13, 2023
9	Ms. Madiha Khalid	June 13, 2023
10	Mr. Imran R. Ibrahim	June 13, 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.



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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 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 28, 2023 that it regretted the oversight in submitting the Forms in due time and assured to file Form 4 as and when required within prescribed time in future. However, the record available with the Commission transpires that the Company filed Form 4 on August 28, 2023 **with a delay of 69 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:

"... We write in reference to the Show Cause Notice No. 2(439)SMD/Adj-1/2023-266 dated September 26, 2023 and to the observations made therein and in this regard the Company respectfully submits as under.

- The directors of the Company were elected at the Annual General Meeting of the Company held on May 4, 2023, and their three-year term of office was to become effective from June 13, 2023.*
- Each of the directors provided to the Company, the information of their respective beneficial ownership in the equity securities of the Company pursuant to section 101(1) of the Securities Act 2015 within a few days of the said elections (between 11 and 18 May*



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2023). The Company intended to submit the information to the Securities and Exchange Commission of Pakistan on the requisite Form 4 within the prescribed seven days from the effective date of directors commencing their term of office, considering that such effective date was when the directors assumed office.

- However due to oversight and human error the Company was unable to notify the Securities and Exchange Commission of Pakistan of its directors' beneficial ownership in the equity securities of the Company on the requisite Form 4 within the time prescribed under the Securities Act 2015. The Company has taken steps to ensure such omission does not occur in the future by placing trackers in its system for reminding relevant officers to submit filings to the Securities and Exchange Commission of Pakistan within the time prescribed. The lapse on the part of the Company was genuine and is deeply regretted and it is humbly requested that such lapse be kindly condoned.
- It is respectfully submitted that the Company did not commit any willful default and has not knowingly defaulted in the compliance of any provision of the Securities Act 2015 or the Reporting and Disclosure (of Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Companies) Regulations, 2015 and as such no penalties mentioned ought to be levied against the Company or any of its directors or officers.
- Further, it is also respectfully emphasized that the Company is a conscientious corporate citizen and is well aware of its statutory obligations and has at all times adhered to and duly observed the requirements of the legislation. The Company has however duly taken note of the comments made in the Show Cause Notice and shall in the future endeavour to ensure compliance of filings pursuant to the Securities Act 2015 and the Reporting and Disclosure (of Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Companies) Regulations, 2015."

8. The Company was provided opportunity of personal representation and the hearing was fixed in the matter for October 23, 2023. The hearing was attended by Ms. Ferzeen E. Bhadha, Advocate Vellani & Vellani as the Authorized 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 oversight and human error. Moreover, the Representative added that it was their understanding that the filing of Form 4 is only required at the time of new appointment; 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 69 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



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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 received 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 01, 2023
Islamabad