





# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan, Director/ Head of Department

(Adjudication Department-I)

In the matter of

## CSC Empowerment & Inclusion Programme

Show Cause Notice No. & Issue Date:	No. SECP/SCD/ADJ-I/CSC/62/2022/082 February 02, 2024
Date of Hearing:	March 04, 2024; and March 06, 2024
Present at the Hearing	Mr. Mubashar Mehmood (Authorized Representative)

### ORDER

UNDER SECTION 282 J (1) OF THE COMPANIES ORDINANCE, 1984 FOR CONTRAVENTIONS OF RULE 7(2) AA OF THE NON-BANKING FINANCE COMPANIES (ESTABLISHMENT AND REGULATIONS) RULES, 2003; AND REGULATIONS 10(A) & (AA) OF THE NON-BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008.

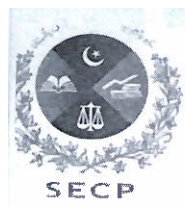
This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the Commission) through the Show Cause Notice dated February 02, 2024 (the SCN) against CSC Empowerment & Inclusion Programme (the Company and/or Respondent No. 1); Ms. Amna Sharif, Director (Respondent No. 2); Mr. Asim Hameed, Director (Respondent No. 3); Mr. Muhammad Ali, Director (Respondent No. 4); Mr. Qaisar Raza, Director (Respondent No. 5), and Beghum Shaista Jan, Chief Executive Officer (CEO) (Respondent No. 6) hereinafter collectively referred as the Respondents, issued under Section 282 J (1) of the Companies Ordinance, 1984 (the Ordinance) for contraventions of rule 7(2) (aa) of the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules); and Regulations 10(a) & (aa) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

2. The Respondents, *prima facie*, were non-compliant with the provisions of the Rule 7(2)(aa) of the NBFC Rules and regulations 10(a) & (aa) of the NBFC Regulations, which attracts the penal provisions provided under Section 282 J(1) of the Ordinance. Therefore, SCN was issued to the Respondents, calling upon them to show cause in writing as to why the penalty as provided under Section 282 J (1) of the Ordinance, may not be imposed on them for the aforementioned contraventions of the law. The said requirements of the law are reproduced as under:

#### Rule 7(2)(aa) of the NBFC Rules:

"(2) A NBFC shall not,....

(aa) appoint or change its chief executive or any of its directors subject to fulfillment of the fit and proper criteria and prior approval of the Commission provided that the Commission may refuse appointment of any person."



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## Regulation 10 of the NBFC Regulations:

*"10. Procedure for approval for appointment or re-appointment of directors and chief executives.- An NBFC shall follow the following procedure for obtaining approval of appointment or re-appointment or any change of its directors or chief executive, -*

- (a) *in case of election of directors in the Annual or Extraordinary General Meeting, the NBFC, 10 days before the date of the meeting in which election of directors is to be held, shall submit an application for the individuals seeking to contest the elections whether they are retiring directors or otherwise;*
- (aa) *within ten days from the date of election of directors in a general meeting, the NBFC shall submit an application for appointment or reappointment of chief executive;"*

## Section 282J(1) of the Ordinance:

*"Penalty for failure, refusal to comply with, or contravention of any provision of this Part.- (1) Notwithstanding anything contained in any other provision of this Ordinance, if a NBFC or the notified entity or its officers (including auditors) fails or refuses to comply with, or contravenes any provision contained in this Part or of any of the provisions of the rules or regulations made under section 282 B or regulation, circular or directive or any direction or order passed by the Commission under the provisions contained in this Part or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, in addition to any other liability under this Ordinance, be also punishable with fine the amount of which shall not exceed fifty million rupees:*

*Provided that if the failure, refusal, default, contravention is committed by NBFC or the notified entity, every director, manager, or other officer or person responsible for the conduct of its affairs shall, unless he proves that the failure or contravention or default took place or committed without his knowledge, or that he exercised all diligence to prevent its commission, be deemed to be guilty of the offence."*

3. Written response to the SCN duly signed by the Company Secretary was received on February 20, 2024, whereby the Respondents, *inter-alia*, submitted as under:

### Quote

*"02. Your honor will appreciate that:*

- *Since incorporation of the Company in year 2015, all changes on the board of directors of the Company have been duly approved by relevant department of SECP, Islamabad.*
- *CRO, SECP, Lahore on receipt of such approvals from SECP, Islamabad has duly accepted Forms 29 of the Company.*
- *The subscribers to the Memorandum and Articles of Association of the Company that are still continuing on the board of directors of the Company are all duly approved by SECP at the time of grant of license.*
- *Majority of now non-bank microfinance companies were previously registered as NGOs/NPOs under other laws. They converted into non-bank microfinance companies under the guidance of recommended lawyer of Pakistan Poverty Alleviation Fund (now Pakistan Microfinance Investment Company Limited). At the time of conversion into non-bank*



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*microfinance companies, the relevant department of SECP did extensive checking and clearance was given to all subscribers to the Memorandum and Articles of Association of the Company/ first directors of the Company.*

*Later, on any change in directors of the Company, relevant department of SECP first clears the incoming director and intimates the approval to the Company for filing and clearance Form 29. hence, all directors of the Company are duly approved by relevant department of SECP, Islamabad.*

- *Non-bank microfinance companies have slowly completed a long journey from simple NGOs/ NPOs under other laws (having virtually no filing requirements) to non-bank microfinance companies under SECP's umbrella.. SECP played an important role in this and relaxed many requirements of NBFC Rules to facilitate non-bank microfinance companies.*

*03. As stated above, there are no directors of the Company or chief executive of the Company which have not been approved by SECP at the time of first appointment. We request your honor to please take a lenient view of the matter and withdraw the SCN under reference and oblige.*

*04. We hereby undertake that such non-compliance will not be repeated in future and strict compliance with NBFC Rules will be ensured."*

Unquote

4. In order to afford the Respondents an opportunity of personal representation, a hearing in the matter was fixed for March 04, 2024 which was adjourned on the request by Respondents. Later hearing was re-fixed for March 06, 2024 wherein Mr. Mubashar Mehmood appeared as Authorized Representative of the Respondents (**Representative**). The Representatives were advised to explain the reasons for the alleged non-compliance as narrated in the SCN. The Representative:

- reiterated the stance taken in the above-stated written response to the SCN and admitted that there was an oversight with regards to approvals before the election of the Board.
- informed that fit & proper of all the existing directors was obtained at the time of their initial appointment as directors of the Company i.e. at the time of incorporation and licensing of the Company, however the specific approval before their reappointment through elections in AGMs of 2019 and 2022 was overlooked by the Company; and
- requested to take lenient view.

5. Keeping in view the contents of SCN and reply by the Company, following issues were framed which needs to be addressed to conclude the proceedings on hand:

- a. Whether prior approval of the Commission was sought by the Company for appointment/ reappointment/ change of its CEO or any of directors?
- b. Whether application for individuals seeking to contest the election of directors was submitted with the Commission, ten days prior to the AGM?
- c. Whether application for appointment/ reappointment of CEO filed with the Commission within ten days from the date of election of directors in AGM?



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- d. Whether the initial approval of CEO and directors obtained at the time of licensing suffice the requirement of rule 7(2)(a) of the NBFC Rules and regulation 10(a) & (aa) of the NBFC Regulations?
6. In light of the applicable provisions of law and the written and verbal submissions and arguments of the Respondents and their Representative, the aforesaid issues are discussed as under:
- a. *Whether prior approval of the Commission was sought by the Company for appointment/reappointment/change of its CEO or any of directors?*  
No, the Company has appointed/ reappointed directors during AGMs held in September 2019 and 2022 but neither sought prior approval of the Commission for the said appointment nor for the appointment/ reappointment of CEO, thereby contravening the provisions of rule 7(2)(aa) of the NBFC Rules.
- b. *Whether application for individuals seeking to contest the election of directors was submitted with the Commission, ten days prior to the AGM?*  
No, the requirement under regulation 10(a) of the NBFC Regulations to submit application for individuals seeking to contest the election of directors with the Commission, ten days prior to the AGM was neither complied by the Company for AGM held in September 2019 nor for AGM held in September 2022.
- c. *Whether application for appointment/ reappointment of CEO filed with the Commission within ten days from the date of election of directors in AGM?*  
No, the application for appointment/ reappointment of CEO after the AGMs held in September 2019 and 2022 was not filed with the Commission in contravention of requirement prescribed under regulation 10(aa) of the NBFC Regulations.
- d. *Whether the initial approval of CEO and directors obtained at the time of licensing suffice the requirement of rule 7(2)(a) of the NBFC Rules and regulation 10(a) & (aa) of the NBFC Regulations?*  
No, the requirements prescribed under rule 7(2)(a) of the NBFC Rules and regulation 10(a) & (aa) of the NBFC Regulations are explicit and requires the Company to obtain fresh approval of the directors ten days prior to their appointment/ reappointment in the AGM and the CEO within ten days of appointment/ reappointment of directors in the AGM.
7. In view of the aforesaid, it is evident that the Respondents have misconstrued the requirements of the applicable legal framework and have failed to obtain the requisite approval for: (i) appointment/ reappointment of directors in AGMs held in September 2019 and September 2022; and (ii) appointment/ reappointment of CEO within ten days of election of directors in aforesaid AGMs and have admitted the same though their written submission vide letter dated February 15, 2024 and also in verbal submission during the hearing held on March 06, 2024.

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8. In view of the above-stated facts, circumstances, and submissions made by the Respondents and their Representatives, I am of the considered view that the provisions of rule 7(2)(aa) of the NBFC Rules; regulations 10(a) & (aa) of the NBFC Regulations have been breached by the Respondents. I, therefore, in terms of the power conferred under Section 282 J (1) of the Ordinance, conclude the proceedings initiated against the Respondents by imposing a penalty of **Rupees One Hundred Thousand Only (Rs. 100,000/-)** on the Company and warn the remaining Respondents to remain careful in adoption of correct accounting standards and ensure meticulous compliance with all applicable laws in true letter and spirit, henceforth.

9. The aforementioned penalty must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty (30) days from the receipt of this Order, and duly deposited bank challan shall be furnished to the Commission. In case of non-deposit of the penalties, proceedings for recovery under Section 485 of the Act as arrears of land revenue will be initiated.

10. This Order is issued without prejudice to any other action that the Commission may initiate against the Company and/or its CEO in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.



(Shahzad Afzal Khan)  
Director/ HOD  
Adjudication Department-I

**Announced:**  
Dated: March 25, 2024  
Islamabad.

# REPORT ON THE PROGRESS OF THE WORK

Presented to the Board of Directors  
at the Annual Meeting held on the 15th day of December, 1904.

The Board of Directors of the American Telephone and Telegraph Company, at its meeting held on the 15th day of December, 1904, has the honor to acknowledge the report of the President and the various departments of the Company, and to express its appreciation of the excellent results achieved during the year.

The Company has during the year 1904, continued its policy of expansion and development, and has made significant progress in all its operations. The total revenue for the year has increased, and the Company has been able to meet its obligations and pay dividends to its stockholders.

The Board of Directors has the honor to express its appreciation of the excellent services rendered by the President and the various departments of the Company during the year 1904, and to express its confidence in the future of the Company.