



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Division
Adjudication Department-II

Before
Shahzad Afzal Khan, Director/ Head of Department
(Adjudication Department-I)
In the matter of

Shah Sachal Sami Foundation

Show Cause Notice No. & Issue Date:	No. SECP/SCD/ADJ-I/40/2021-3665, dated November 2, 2023
Date of Hearing:	December 21, 2023
Present at the Hearing Representing the Respondent	Mr. Muhammad Umer, Chief Executive Officer; Mr. Yasir Mahmood, Finance Manager; (Authorized Representative)

ORDER

UNDER SECTION 282 J (1) OF THE COMPANIES ORDINANCE, 1984 FOR CONTRAVENTION OF CIRCULAR 01 OF 2010 DATED JANUARY 15, 2010.

This Order shall dispose of the proceedings initiated through the Show Cause Notice dated November 2, 2023 (the SCN) by the Securities and Exchange Commission of Pakistan (the Commission) against Shah Sachal Sami Foundation (the Company and/or Respondent No. 1); Mr. Muhammad Umer, Chief Executive Officer (CEO) (Respondent No. 2); Ms. Farzana, Director (Respondent No. 3); Mr. Muhammad Rajib, Director (Respondent No. 4); Mr. Shafique Ahmed Meom, Director (Respondent No. 5); Ms. Shehnaz, Director (Respondent No. 6); Mr. Zahid Ali Soomro, Director (Respondent No. 7); and Ms. Zaib Un Nisa, Director (Respondent No. 8), hereinafter collectively referred as the Respondents, issued under Section 282 J (1) of the Companies Ordinance, 1984 (the Ordinance).

2. Brief facts leading to this case are that the Company was incorporated on October 18, 2016, under Section 42 of the Ordinance, and licensed by the Commission on March 30, 2017, to undertake Investment Finance business (restricted to Non-Bank Microfinance) as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Company (Establishment and Regulations) Rules, 2003 (the NBFC Rules). In terms of powers conferred under Section 282 D of the Ordinance, the Commission issued a Circular 01 of 2010 dated January 15, 2010 (the Circular) requiring all the NBFCs to submit their monthly returns through the Specialized Companies Returns System (SCRS) by the 10th of every month. It transpired from the record of the Commission that

- (i) The Company has not filed its monthly return through SCRS since May 2023 contrary to the requirement of the Circular. In this regard, an explanation was sought from the Company vide email dated September 8, 2023, and a reminder dated September 13, 2023. However, no response has been received from the Company.
- (ii) The Company filed its last SCRS returns for the month of April 2023 on September 28, 2023, i.e. with a delay of more than four (4) months. Previously, the Company, through the Commission's letter dated September 15, 2022, was warned for non-filing of SCRS returns as per the requirement of the Circular (i.e. delayed filing of SCRS returns), for the period of May 2022 to July 2022. However, despite of previous warning issued to the Company, SCRS returns were not submitted as per the requirement of the Circular.

4. In view of the above deficiencies, the Respondents, *prima facie*, was non-compliant with the provisions of the Circular, which attracts the penal provisions provided under Section 282 J(1) of the



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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 requirement of the law is reproduced as under:

The Circular:

"In exercise of powers of the Commission under Section 282D of the Companies Ordinance 1984, all the NBFCs are required to submit their monthly returns through the specialized Companies Return System (SCRS) by the 10th of every month".

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."

5. Written response to the SCN duly signed by the Respondent No.2 was received vide letter dated November 15, 2023, whereby the Respondents, submitted on merits as under:

"..... We would like to inform you that Shah Sachal Sami Foundation (SSSF) has submitted all the pending required SCRS returns (SCRS) through SECP Portal. Screen Shots of the SECP portal of submitting returns is enclosed for your kind perusal.

It is stated that the delay in the submission of SCRS returns by SSSF is due to turnover of the employees of the Company particular in Accounts and Compliance Department. Now we assure you that from onward we shall submit the return on timely basis as prescribed under the law.

In this regard you are requested to please with draw the Show Cause Notice and obliged."

It is pertinent to mention that the screenshots of filling of SCRS returns annexed with the above-said written reply are for the preceding period i.e. before May 2023.

6. In order to afford the Respondents an opportunity of personal representation, a hearing in the matter was fixed for December 21, 2023, before the undersigned, wherein Mr. Muhammad Umer, Chief Executive Officer; and Mr. Yasir Mahmood, Finance Manager; appeared as Authorized Representative of the Respondents (**Representatives**). The Representatives were advised to explain the reasons for the alleged non-compliance as narrated in the SCN. The Representatives reiterated the stance taken in the above-stated written response to the SCN. It was highlighted to the Representatives that the Company/Respondent No. 1, failed to ensure compliance with the requirements of the Circular despite



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of previously issued Warning Order dated June 30, 2022, and a letter dated September 15, 2022. The Representatives submitted that their company's office is in Nawab Shah, where it was quite difficult for them to hire a suitable person for accounts and compliance functions as per the requirement of laws i.e. ACCA etc. However, now they have set up an office in Islamabad and hired a Finance Manager, Mr. Yasir Mahmood, who will ensure the timely submission of SCRS returns. The Representatives also intimated that their audit is in process and they will be able to file all the pending SCRS returns by February 28, 2024. In the end they assured that the Respondents will remain compliant with the regulatory requirements in future.

7. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondents and their Authorized Representatives. It has been noted that as per the requirement of the Circular, Respondent No. 1 was required to file the SCRS returns by 10th of every month. However, by filing the SCRS returns for the Month of April 2023 in the month of September 2023 (i.e. with a delay of 4 months) and by not filing the monthly SCRS since May 2023, the Respondent remained noncompliant with the requirement of the Circular despite of earlier Order dated June 30, 2022, and Warning Letter dated September 15, 2023, issued by the Commission. The justification of non-submission or delayed submission of SCRS returns owing to employee turnover is also not tenable, as this mandatory requirement could have been fulfilled if the Respondents adopted a vigilant approach. Thus, a violation of the provisions of the Circular is established.

8. In view of the above-stated facts, circumstances, and submissions made by the Respondents and their Representatives, the Respondents have failed to comply with the requirements of the Circular, which attracts the imposition of penalty under Section 282 J (1) of the Ordinance. Therefore, in exercise of the powers conferred upon me thereof, I hereby, impose a fine of **Rs.50,000/- (Rupees, Fifty Thousand Only)** on the Company/Respondent No.1 on account of the aforesaid established and conceded non-compliance. The Respondents are also advised to ensure meticulous compliance with all applicable laws in true letter and spirit, henceforth.

9. The Company is hereby directed to deposit the afore-mentioned fine 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 thirty (30) days of the date of this Order and furnish receipted voucher evidencing payment of the same.

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 / Head of Department
Adjudication Department-I

Announced:
January 11, 2024
Islamabad.