



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

*Before*

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

*In the matter of*

**Directors of Shield Corporation Limited**

Number and date of Show Cause Notice (SCN)	2(443)SMD/Adj-I/2023-314 Dated October 23, 2023
Date of Hearing:	January 18, 2024
Present at the Hearing:	(i) Mr. Hussain Juzer Ali (Consultant) (ii) Hafiz Muhammad Hasan (Company Secretary) (Authorized Representatives)

### **ORDER**

#### **UNDER SECTION 106 OF THE SECURITIES ACT, 2015**

This Order shall dispose of the proceedings initiated against Directors of Shield Corporation Limited (**the Company**) through Show Cause Notice No. 2(443)SMD/Adj-I/2023-314 dated October 23, 2023 (**the SCN**) issued under Section 106(2)(a) of the Securities Act, 2015 (**the Act**) read with Regulation 3(4) of the Reporting and Disclosure of (Shareholding by Directors, Executive Officers and Substantial Shareholders in Listed Company) Regulations, 2015 (**the Regulations**) and Section 103 of the Act.

2. Brief facts of the case are that the following individuals (**Collectively referred hereunder as Respondents**) were appointed as Director of the Company on July 20, 2023.

S. No	Name
1	Mr. Ebrahim Qassim
2	Mr. Muhammad Haroon Qassim
3	Mr. Vali Muhammad A. Habib
4	Mr. Muhammad Rafique Umer Afinwala
5	Mr. Abdul Ghaffar Umer Kapadia
6	Mrs. Saadia Naveed
7	Mr. Muhammad Salman Qassim



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3. In terms of Section 103 of the Act read with Regulation 3(4) of the Regulations, the Respondents were required to file a statement of beneficial ownership i.e. *Form 5 to the Commission*, within (7) seven days of their appointment as director of the Company. However, they filed the said Form on October 11, 2023 to the Commission with delay of 76 days.

4. From the above, it appeared that the Respondents, *prima facie*, has failed to comply with the requirements of Section 103 of the Act which attracts applicability of the penal provision of Section 106(2)(a) of the Act. Accordingly, the Commission while taking cognizance of the aforementioned non-compliance served upon the Respondents, the SCN requiring him to submit its written reply within 14 days of the date of the SCN. Hafiz Muhammad Hasan (Company Secretary) on behalf of the Respondents vide letter dated November 01, 2023, submitted that as under:

*"The requisite Form-4s and Form-5s dated October 11, 2023 have been filed on October 11, 2023 and submission in this regard is also made to the Commission through our letter # H/FIN/142/2024 dated October 11, 2023. Certified true copies of the same are attached, for your ease of perusal.*

*However, in this regard, we would like to submit that submission in terms of Section 102(3) and 103 of the Securities Act, 2015 read with sub-regulation 3(3) and 3(4) of the Reporting and Disclosure of (Shareholding by Directors, Executive Officers and substantial shareholders in Listed Companies) Regulation, 2015, was inadvertently missed within the prescribed time period.*

*In view to the above, the Company aims to strictly adhere to the legal provisions and be legally compliant in future with all the prevailing laws and regulations and request the esteemed Commission to kindly condone the delay and drop the proceedings initiated against the said notices."*

5. The Respondents were provided opportunity of personal representation and the hearing in the matter was fixed for January 18, 2024. The hearing was attended by Mr. Hussain Juzer Ali (Consultant) and Hafiz Muhammad Hasan (Company Secretary) as Authorized Representatives (the Representatives) of the Respondents. During the hearing proceedings, the Representatives admitted the violation of law i.e. the delay in filing of Forms 5, and reiterated the written argument earlier submitted in response to the SCN. Moreover, the Representatives added that it was their understanding that the filing of Forms 5 were only required at the time of new appointment as all directors were re-elected except for Mr. Muhammad Rafique Umer Afinwala. However, on receiving the clarification letter dated October 04, 2023 from the Commission in this regard, subsequently filing of the Form 5 has been made by the Respondents. Moreover, the Representatives requested that a lenient view may be taken in the matter and assured the compliance with the provisions of the law in future.

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

**Section 103 of the Act**

***"103 - Notification to the Commission of directors and others' interest***



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(1) Every director, executive officer or substantial shareholder of a listed company shall submit to the Commission in the prescribed form -

- (a) a statement of beneficial ownership in the listed equity securities of the company or any other nature of securities as may be prescribed by the Commission;
- (b) the particulars of any change in the interest aforesaid; and
- (c) any change in his position.

(2) The reporting requirement imposed by sub-sections (1) shall be fulfilled before the expiration of a period of seven days beginning with the day on which the requirement first arises."

### **Regulation 3(4) of the Regulations**

***"3 – Reporting of Beneficial ownership in listed equity securities under Section 101 to Section 103 of the Act ...***

- (4) The directors, executive officers and substantial shareholders of the equity securities in a listed company shall in accordance with section 103 of the Act submit statement of Beneficial ownership in Form 5 and report any subsequent change therein or position to the Commission on Form 6."

### **Section 106 of the Act**

***"106. Directive by the Commission. —***

- (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, —
  - (a) in the case of an individual, to pay by way of penalty to the Commission such sum which may extend to five hundred thousand rupees and to a further sum which may extend to one thousand rupees per day for every day during which the default continues."

7. I have gone through the facts of the case and considered the submissions of the Representative both written and verbal in light of the applicable legal provisions mentioned in the preceding paras and the available record and said that the Respondents were required to file his/her return of beneficial ownership on Form 5 within seven (07) days of becoming director of the Company as required under Section 103 of the Act read with Regulation 3(4) of the Regulations. Further, it was admitted that the Respondents did not make the required disclosures to the Commission on Form 5, subsequently, the disclosures were made on Form 5 to the Commission on October 11, 2023, once the Respondents became aware of the noncompliance. Moreover, the reasons of non-compliance are not tenable as Pakistan Stock Exchange (PSX) issued clarification on April 20, 2022, which was widely circulated on the internet and available on the websites of the Commission and PSX. The aforesaid clarification is clearly depicted that **the filing of Form 5 is applicable on every director who is appointed afresh, re-appointed and a nominee director. The duty to file requisite form regarding beneficial ownership is necessary every time when a person becomes a director**". It also states, "the listed companies are also required to file Form 4 in case of every director (fresh/re-appointed/nominee)".

8. In view of the foregoing and the admission made by the Representatives, non-compliance/contraventions of the provisions of Section (103) of the Act read with Regulation 3(4) of the



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Regulations have been established and same have also been admitted by the Representatives. Therefore, in exercise of the powers conferred upon me under Section 106(2)(a) of the Act, I hereby impose a penalty of Rs.70,000/- (**Pak Rupees Seventy Thousand Only**) on the Respondents in the following manner:

S. No	Respondent(s)	Amount of Penalty Imposed (Rs.)
1	Mr. Ebrahim Qassim	10,000
2	Mr. Muhammad Haroon Qassim	10,000
3	Mr. Vali Muhammad A. Habib	10,000
4	Mr. Muhammad Rafique Umer Afinwala	10,000
5	Mr. Abdul Ghaffar Umer Kapadia	10,000
6	Mrs. Saadia Naveed	10,000
7	Mr. Muhammad Salman Qassim	10,000
	<b>Total</b>	<b>70,000</b>

9. The Respondents is advised to meticulously adhere to all applicable Laws, Rules, Regulations and Directions etc. notified/issued from time to time in true letter and spirit at all times.

10. The Respondents 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.

11. Order is issued without prejudice to any other action that the Commission may initiate against the Respondents 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:**  
January 29, 2024  
Islamabad