

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to LSE Financial Services Limited

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Dates of Hearing

June 10, 2022

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**Order-Redacted Version**

Order dated July 25, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of LSE Financial Services Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated March 2, 2022.
2. Name of Respondent	LSE Financial Services Limited, (the Company and/ or the Respondent No. 1) Company Secretary, (the Respondent No.2),
3. Nature of Offence	Alleged contraventions of Sections 137 (3) and (5) read with Section 137(10) of the Companies Act, 2017 ( <b>the Companies Act</b> ).
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case and considered the written submissions by the Respondents as well as the verbal assertions and arguments made by Representatives of the Respondent No.1 in light of the afore-mentioned legal provisions and state that:</p> <ul style="list-style-type: none"><li>(i) in absence of affixation of time stamps on the proxies received, it could not be substantiated/ validated that whether these proxies were exactly received before forty-eight (48) hours of the commencement of the EOGM or not. Although, the provision of affixation of time stamp on the proxies received is not specifically mentioned, however, in order to meet the requirement of the law in true letter and spirit, there should be a mechanism in place to record the time of receipt of proxies;</li><li>(ii) further the Respondents have provided the evidence of verification of proxies and authorizations, through multiple resources, however, despite verifying the proxy documents through multiple resources which are quite cumbersome system/ process, the Company should have to develop some system (like maintaining signature cards etc.) for verification of proxies and authorizations.</li></ul> <p>Keeping in view the above, it is established that the requirements of Section 137(3)(b) and 137(5) of the Companies Act were not met by the Respondents in true letter and spirit which shall be liable to penalize</p>

	<p>under Section 137(10) thereof. It is appreciable that in order to address the matter of recording the time of receipt of proxy, the Company is devising a mechanism for electronic recording of time of receipt of proxy and despite of not having signatures cards the proxies and authorizations were verified through other multiple resources and available record. However, the Company being a licensed NBFC and ex-stock exchange (i.e. having long operational history of stock exchange business), was expected to already have stringent and prudent mechanism in place to ensure and exhibit thorough compliance of all the applicable laws in true letter and spirit, but the aforesaid contraventions depict otherwise. Therefore, I in terms of the powers conferred under Section 137 (10) of the Companies Act, hereby impose a penalty of <b><u>Rs. 15,000/- (Rupees; Fifteen Thousand, Only)</u></b> on the Company / Respondent No. 1 on account of aforesaid established contravention. Moreover, the Respondent No. 1 is, advised to ensure compliance with all the applicable regulatory requirements including recording the time of receipt of proxies and verification of proxies and authorization in true letter and spirit in future. The <u>Respondent No. 2</u> i.e. Ex-Company Secretary of Respondent No. 1 is <b><u>Warned</u></b> to be careful in future as far as compliance with the regulatory requirement is concerned.</p>
5. Penalty Imposed	Rs. 15,000/-
6. Current Status of Order	Penalty not deposited