



Securities and Exchange Commission of Pakistan  
Specialized Companies Division  
Policy, Regulation and Development Department  
(Modaraba Wing)

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No. SC/M.MS/Habib/2019/329  
December 20, 2019

Mr. Muhammad Shoaib Ibrahim,  
Chief Executive Officer,  
Habib Metropolitan Modaraba Management Company (Pvt.) Ltd,  
Manager of First Habib Modaraba,  
5<sup>th</sup> Floor, Hirani Centre, HBZ Plaza,  
I.I. Chundrigar Road,  
Karachi.

**Subject: Order under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997**

Dear Sir,

Enclosed is a copy of the order dated December 20, 2019, passed in the subject matter by the Registrar Modaraba, for your information and compliance.

Regards,

Tauqeer Ahmad Sipra  
Management Executive



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT  
(MODARABA WING)

Before Ms. Bushra Aslam, Executive Director/Registrar Modaraba  
In the matter of  
First Habib Modaraba

Number and Date of Notice: SC/M.MS/Habib/2019-300 dated December 5, 2019  
Date of Hearing: December 19, 2019  
Present for Respondent: Mr. Tehsin Abbas, Chief Financial Officer

**ORDER**

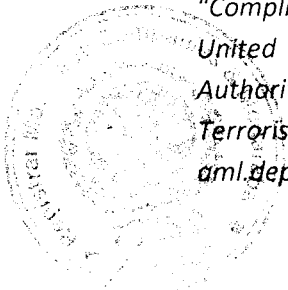
**Under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997**

This Order shall dispose of the proceedings initiated against First Habib Modaraba (the "Modaraba"), managed by Habib metropolitan Modaraba Management Company (Private) Limited (the "Modaraba Company") through show cause notice dated December 5, 2019 (the "Notice") issued under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (the "Act") for violation of S.R.O.245(1)/2019 dated February 22, 2019.

2. Brief facts of the case are that Securities and Exchange Commission of Pakistan (the "Commission") has notified the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "AML Regulations") vide SRO 770(I)/2018 dated June 13, 2018, which require all Regulated Persons to conduct self-risk assessment, have appropriate mechanisms to provide the risk assessment information to the Commission, and ensure implementation of targeted financial sanctions under the United Nations Security Council Resolutions, adopted by the Government of Pakistan, and refrain from forming business relationship with proscribed persons and entities under the Anti Terrorism Act, 1997(XXVII of 1997) and related matters. The term Regulated Person has been defined in the Regulations as "regulated person" for the purposes of these regulations means "securities brokers, futures brokers, Insurers, Takaful Operators, NBFCs and Modarabas". Further, the Regulated Persons through S.R.O. 245 (I)/2019 dated February 22, 2019 (the "SRO") are also directed to comply with the reporting requirements and submit information in the manner prescribed to the respective supervisory departments of the Commission, in consonance with the requirements of the AML Regulations and Guidelines.

3. Furthermore, Para iii of S.R.O. 245(1)/2019 requires the regulated persons to comply with the following:

*"Compliance report on statutory regulatory orders issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions and intimation from National Counter Terrorism Authority/Ministry of Interior regarding updates in list of proscribed persons under the Anti Terrorism Act, 1997, shall be submitted within three day of receiving the same, through email to [aml.dept@secp.gov.pk](mailto:aml.dept@secp.gov.pk) by authorized officer of the Regulated Person."*



*Bushra Aslam*



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
SPECIALIZED COMPANIES DIVISION  
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT  
(MODARABA WING)**

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4. In order to facilitate the submission of the above referred compliance reports by the regulated persons, the Commission has automated the reporting mechanism for its regulated entities. During our review of the compliance status of the regulated persons with the aforesaid requirement of the SRO, it was noted that the Modaraba Company did not submit any compliance reports for the SROs/intimations during the period August 1, 2019 to October 28, 2019. Further, no compliance reports were received via email.

5. Consequently, the Notice dated December 5, 2019 under Section 40A of the Act was served on the Modaraba Company through its Chief Executive Officer ("CEO") as to why penalty may not be imposed on the Modaraba Company and its CEO in breach of the SRO. The Modaraba Company was also provided an opportunity of hearing on December 19, 2019 before the undersigned to clarify its position.

6. The Modaraba Company vide letter dated December 12, 2019 submitted a response to the Notice and maintained that the core corporate objective of the Modaraba Company has been to follow all applicable laws and regulations in letter and spirit. Its compliance department has checked the non-compliance issue highlighted in the Notice and found that due to some IT security issues, its IT department had set spam filters at high level. It was done due to serious attacks detected on their system in past. Owing to the said spam filters, the email which was sent on August 2, 2019 by the Commission regarding submission of compliance reports through web portal were blocked by the said filters and could not be received by its relevant department. The Modaraba Company has further added that while communicating on phone with Commission's officials at Karachi office, it came to know the non-compliance of the aforesaid requirements. Subsequently, the Modaraba Company immediately replied to all unattended SROs through relevant web portal. Presently, e-services web portal is reviewed on daily basis to respond the SROs within stipulated time period.

7. Hearing in the matter was conducted on December 19, 2019. Mr. Tehsin Abbas, Chief Financial Officer appeared on behalf of CEO and the Modaraba Company. The power of attorney submitted by him was perused and placed on record. During the course of hearing Mr. Tehsin reiterated the same arguments as were already submitted by the Modaraba Company. It was merely due to technical glitch, as new system was introduced, he further added. He also requested to condone the delay occurred in this regard.

8. Before proceeding to decide the case, I deem it necessary to advert to the following relevant provisions of the SRO, under which the Notice was served on to the Company:

*"any person to whom this directive applies and who contravenes or fails to comply with the requirements of this directive or submits a return which is false in material respect or where under a misstatement is made shall be liable to imposition of penalty under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), which may extend to ten million rupees and where such contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues."*

*Bushwa*



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
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9. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Act, representations made by the Modaraba Company in its written response to the Notice and arguments advanced at the time of hearing. In view of the fact that the default has been removed and assurance for future compliance of the law has been committed, I am inclined to take a lenient view and do not impose any fine on the Modaraba Company. However, the Modaraba Company is warned to remain careful in future and ensure meticulous compliance with all applicable provisions of the law in future.

**Bushra Aslam**  
Executive Director/Registrar Modaraba

Announced  
December 20, 2019  
Islamabad.

