



# Securities and Exchange Commission of Pakistan

## Adjudication Division Adjudication Department-I

**Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)**  
**In the matter of Show Cause Notice issued to \*\*\*, chief executive/director of**  
**Leiner Pak Gelatine Limited**

Dates of Hearing

March 15, 2021

### Order-Redacted Version

Order dated March 19, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of \*\*\*, chief executive/director of Leiner Pak Gelatine Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated February 15, 2021,
2. Name of Company	Leiner Pak Gelatine Limited
3. Name of Individual*	The proceedings were initiated against ***, chief executive/ director of the Company i.e. Leiner Pak Gelatine Limited
4. Nature of Offence	Violation under section 153(k), section 171, section 175, section 189, section 193 and section 479 of the Companies Act, 2017.
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I, have analyzed the facts of the case, relevant provisions of the Act, and arguments put forth in writing as well as during the course of the hearing. In this regard, I, have observed that:</p> <p>(i) As per available information:</p> <p>(a) the Respondent and his spouse were holding 9.47% and 21.88% shareholding (total 31.35%) of *** (brokerage house) at the time of election of directors held in extra ordinary general meeting on January 18, 2019 for next tenure of three years.</p> <p>(b) At the time of renewal of license of brokerage of *** (brokerage house on March 27, 2019, both the Respondent and his spouse were declared as sponsors of *** (brokerage house in terms of the Regulations.</p> <p>(c) the Respondent and his spouse had furnished written undertakings of sponsorship of corporate brokerage house.</p> <p>Hence, I, am of the view that the Respondent was, directly or indirectly, sponsor of the corporate brokerage house and was engaged in the business of brokerage at the time of election of directors held on January 18, 2019.</p> <p>(ii) I, have noted that despite the fact that violations of the requirements of the Act were identified by the concerned Corporate Supervision Department of the Commission in February 2020; the Respondent, however, did not take any step to remove the irregularity and non-compliance of</p>



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	<p>section 153(k) of the Act and he continued to act as director/chief executive of the listed company as well. Hence, proceedings were initiated vide aforesaid SCN, as he was ineligible to become director of the listed company, being sponsor of licensed brokerage house.</p> <p>(iii) In view of above, the default of violation of section 153(k) of the Act persisted since the date of election of director i.e. January 18, 2019.</p> <p>(iv) During the course of proceedings, it was informed that depletion of shareholding of the Respondent and his spouse took place due to transfer of shares to their son, however, despite the aforesaid transfer and consequent depletion of shareholding of the Respondent and his spouse, the status of sponsorship of licensed brokerage house still exists.</p> <p>2. I, am of the view that the provisions of section 153(k) of the Act and section 189 of the Act were introduced in the Act to promote market integrity by virtue of fairness and transparency within the financial markets aimed at protecting client and investor interests in cases of listed companies, including mitigating with conflicts of interest of persons acting as directors of listed companies and licensed brokerage houses at the same time. Section 153 of the Act debar ineligible persons to become director and sub-section (k) of the same, in pertinent part, explicitly prohibits a person, or is a spouse of such person who is a sponsor, director or office of a corporate brokerage house to become director of a listed company. Moreover, a person, who is ineligible to become director cannot continue to be chief executive of the Company, in term of section 189 of the Act.</p> <p>3. Keeping in view, the Respondent has violated the requirements of section 153(k) and section 189 of the Act and period of defaults persisted since the date of election of directors held in extra ordinary general meeting held on January 18, 2019 and his date from becoming chief executive of the Company respectively. It is relevant to highlight that he did not disassociate himself from sponsorship of brokerage house or directorship of listed company i.e. of Leiner Pak Gelatine Limited, during the mentioned period and no corrective action was taken in this regard, and he continued to act as chief executive of the Company as well. Therefore, I, in terms of section 175 and section 193 of the Act, hereby impose a penalty of Rs. 162,750/- only (Rupees one hundred sixty two thousand, seven hundred and fifty) on the Respondent.</p> <p>Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission or violation of the Act.</p>
6. Penalty Imposed	A Penalty of Rs. 162,750/- only (Rupees one hundred sixty two thousand, seven hundred and fifty) was imposed on all the Respondent.
7. Current Status of Order	Penalty was deposited. No Appeal has been filed by the respondents.