

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

In the matter of Show Cause Notice issued to SME Leasing Limited

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Dates of Hearing

November 26, 2021

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**Order-Redacted Version**

Order dated February 14, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of SME Leasing Limited. Relevant details are given as hereunder:

| <b>Nature</b>         | <b>Details</b>  |
|-----------------------|---|
| 1. Date of Action     | Show cause notice dated November 04, 2021.  |
| 2. Name of Respondent | SME Leasing Limited (the Respondent and/ or the Company)  |
| 3. Nature of Offence  | Alleged contraventions of <u>Regulation 4 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (Regulations)</u> read with <u>Section 282J of the Companies Ordinance, 1984 (the Ordinance)</u> .   |
| 4. Action Taken       | <p>Key findings were reported in the following manner:</p> <p>I have examined the facts of the case in light of the applicable provisions of the law, the written submissions, and verbal arguments of the Respondent and its Representatives and is of the considered opinion that the Respondent and its Parent Company are two separate legal entities and are operating under different regulatory frameworks. Therefore, both have to ensure compliance of their respective regulatory framework. However, it has been observed that despite being advised, the Respondent failed to provide any road map showing its commitment to comply with the requirement of MER that has been in contravention since August 31, 2020, rather the Respondent has kept the compliance of MER in abeyance due to the ongoing privatization of its Parent Company. The Respondent's equity of Rs.21 million as on June 30, 2021, contrary to the minimum required level of Rs.50 million, clearly depicts a shortfall of 58% i.e. Rs.29 million. It is pertinent to mention here that regulation 4 of the Regulations requires the Respondent to meet MER at all times. The Respondent, by not maintaining MER, has failed to comply with the requirements of regulation 4 of the Regulations. Moreover, the Representatives had also admitted the non-</p> |

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|                            | <p>compliance on part of the Respondent during the hearing proceedings</p> <p>Therefore, in exercise of the powers conferred under Section 282 J of the Ordinance, I hereby, conclude the proceedings initiated against the Respondent through the SCN without imposing any monetary penalty, however, the Respondent is hereby <b>warned</b> to be careful in future about compliance with all the applicable regulatory requirements.</p> |
| 5. Penalty Imposed         | Warning   |
| 6. Current Status of Order | No Appeal has been filed by the respondents.  |