



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- II

Adjudication Division

Through Courier

Before

**Hammad Javed, Additional Director / Head of Department
(Adjudication Department – II)**

In The Matter of

1. M/s Sunrise Automation (Private) Limited through its Chief Executive;
2. Ms. Fiza Shabbir (CNIC # 61101-5217183-6), Chief Executive Officer/Director;
M/s Sunrise Automation (Private) Limited;
3. Mr. Ali Shahzad, (CNIC # 37405-3881954-1), Director,
M/s Sunrise Automation (Private) Limited;

| | | |
|---|---|--|
| Show Cause Notice | No. Adj-II/502/05/IAN-58/Onsite/23-24-1123 dated November 14, 2023 | |
| Date on which hearing opportunity provided | Date | Attended by |
| | November 30, 2023 | Mr. Ali Shahzad, Director, requested adjournment. |
| | February 12, 2024 | Mr. Ali Shahzad, Director. |
| | April 25, 2024 | No one appeared. |
| | April 26, 2024 | No one appeared. |
| | May 3, 2024 | No one appeared. |

**Order Under Sections 502, 500 And 172 for Violation of Section 26(2) of The Companies
Act, 2017**

The Securities and Exchange Commission of Pakistan (the ‘Commission’) issued show cause notice No. Adj-II/502/05/IAN-58/Onsite/23-24-1123 dated November 14, 2023 (the ‘SCN’) to **M/s Sunrise Automation (Private) Limited** (the ‘Company’) having correspondence address i.e. Office Two, Block No.6, Suharwardy Road, G-6/1, Aabpara, Islamabad, **Ms. Fiza Shabbir, CNIC # 61101-5217183-6**, Chief Executive Officer / Director and **Mr. Ali Shahzad, CNIC # 37405-3881954-1**, Director, (collectively referred to as the ‘Respondents’) under section 502, 500 for violation of Section 26(2) and section 172 of the Companies Act, 2017 (the ‘Act’), for carrying on allegedly unlawful/prohibited business of offering and providing micro loans to general public, without obtaining requisite lending license from the Commission or State Bank of Pakistan (“SBP”).

2. The Company was incorporated on October 07, 2021 under the Companies Act, 2017 (‘Act’) with paid-up capital of Rs. 100,000/- divided into 10,000 shares of Rs.10 each. The shareholding pattern of the Company is as under:

| Sr. | Names | CNIC | Designation/ Status | Shareholding % |
|-----|-----------------------|-----------------|------------------------|-------------------|
| 1 | Fiza Shabbir | 61101-5217183-6 | CEO/Director | 10 |
| 2 | Ali Shahzad | 37405-3881954-1 | Director | 50 |
| 3 | Sheikh Muhammad Ammar | 61101-2007893-5 | Director | 40 |



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3. Further it is pointed out that Ms. Fiza Shabbir, Chief Executive Officer/Director of the Company also held position of Chief Executive Officer/Director in Wisdom Forward Technology (Private) Limited (“WFT”) incorporated on February 25, 2021 with the following pattern of shareholding:

| Sr. | Name | CNIC Number | Designation/ Status | Shareholding % |
|-----|-------------------------|-----------------|------------------------|-------------------|
| 1 | Fiza Shabbir | 61101-5217183-6 | CEO/Director | 50 |
| 2 | Muhammad Yousaf Shabbir | 61101-2459725-3 | Director | 50 |

4. The principal line of business of the Company as mentioned in clause 3(i) of the memorandum of association (‘MoA’) is as under:

The principal line of business of the company shall be to establish and run data processing centers, computer centers, software development centers, offices and to provide consultancy and data processing software development services, both application packages and operating systems and other services, and to impart training of electronic data processing, computer software and hardware to customers and others to buy, sell, export, import of software, hardware and establishment of incidental infrastructural facilities, subject to permission of relevant authorities.

5. The facts leading to the SCN are that during social media surveillance, it was observed that the Company is offering micro-loans to general public through smartphone application “WeCash” available on Google Play Store, *prima facie*, without obtaining requisite lending license from the State Bank of Pakistan (“SBP”) or the Commission. It was further noticed that the Company had posted recruitment advertisement on LinkedIn looking for recovery officers. Information given in the advertisement and on the official Facebook page of ‘WeCash’ app apparently indicated that the Company and the app have some connection with each other.

6. The Commission also received a complaint dated August 26, 2022, wherein the complainant alleged that ‘FlexiMoney’ app was owned by Chinese national and the said app was being operated through the Company and WFT in collaboration with AZM Foundation. Another complaint dated September 8, 2022 by Mr. Sheikh Muhammad Ammar (Director / shareholder of the Company) was received by the Commission stating that the Company was initially incorporated to undertake call center business, while his credentials were used without his consent. He further alleged malpractices, suspicious and illegal activities through bank account of the Company being maintained with Bank Alfalah, ISE tower branch.

7. To ascertain the genuineness of aforesaid alleged violations committed by the Respondents, the Commission vide Order dated December 7, 2022, investigated into the affairs of the Company under section 257 of the Act. The investigation team in the Investigation Report dated June 16, 2023, reported that the Respondents were providing micro loan facilities to general public without obtaining the requisite licence from the Commission, in violation of section 26(2) of the Act, 2017 read with Part VIII A of the Ordinance and MoA of the Company. The Company also facilitated its associated company i.e. Wisdom Forward Technology (Pvt.) Limited in carrying out illegal lending activities.



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8. Based on the facts mentioned in the preceding paragraphs, SCN dated November 14, 2023 was issued to the Respondents calling upon them to furnish submissions in writing to explain within ten (10) days of the date of SCN, as to why penalty may not be imposed on:

- (i) **M/s Sunrise Automation (Private) Limited** under section 502 of the Act, for alleged violation of section 26(2) of the Act.
- (ii) **Chief Executive/Director of the Company**, under section 500 of the Act, for alleged violation of section 26(2) of the Act.
- (iii) **Disqualification order** for a period of up to five years under section 172 of the Act may not be passed against the Chief Executive/Director of the Company.

9. Further, the Respondents were advised to inform if they wanted to avail opportunity of being heard in person or through authorized representative(s).

10. Ms. Fiza Shabbir, the CEO/Director of the Company neither furnished written response to the SCN nor submitted any request for extension in time for submission of reply to the SCN in writing. However, Mr. Ali Shahzad, Director of the Company submitted written reply to the SCN and explained his position in his defense, detail of which is given in the following paragraph.

11. In view thereof, reminders for submission of written reply to the SCN were sent to the Respondents through courier as well as via emails on November 20, 2023, November 30, 2023, January 30, 2024, February 9, 2024, March 6, 2024, March 8, 2024, April 15, 2024 and April 18, 2024. Reminders sent through emails were delivered at abidalihhc@gmail.com (email id given in incorporation Form-II of WFT), alishahzadmoghal@gmail.com (email id of Mr. Ali Shahzad, Director given in incorporation Form-II of the Company), jawadniazi@hotmail.com (email id of Legal Counsel/Authorized Representative of Ms. Fiza Shabbir, CEO/Director of the Company), fizahshabbir34@gmail.com (email id of Ms. Fiza Shabbir, CEO and Director of the Company).

12. Barrister Jawad Niazi, the Legal Counsel of Ms. Fiza Shabbir, CEO/Director of the Company, vide email dated November 30, 2023 intimated this office that **"As per instructions from my client, I would like to withdraw my power of Attorney on behalf of miss Fiza Shabir in all cases."**

13. Regarding service of SCN and reminders/hearing notices, section 53 of the Act provides *"a document or information may be served on the company or any of its officers at the registered office of the company against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified."*

14. As far written reply to the SCN submitted by Mr. Ali Shahzad, Director of the Company vide email dated November 18, 2023 is concerned, the contents of the written reply to the SCN are reproduced hereunder: -

Contents of Reply to SCN by Mr. Ali Shahzad, Director:

Quote

"I am writing this reply in response to the show cause notice I received regarding the Sunrise Automation Pvt Ltd activity and my mere involvement in the company as a dummy director. I hope this may find its purpose well. As in my previous statements, I have cleared



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my role in the whole matter where I was not the decision maker, and a lot of things were kept hidden from me or I was not authorized to be involved in many matters.

"In line with previous hearings and statements recorded at SECP, it is reiterated that I was working as a consultant and employee of M/s Wisdom Forward Technology Private Limited and was paid a monthly salary. Moreover, I only became a director in M/s Sunrise Automation Private Limited on the instructions of Ms. Fiza Shabbir and for this role, I was getting an additional remuneration of PKR 25000/-. At the outset, it is clarified that I was never paid any amount, including but not limited to dividends, in my capacity as an employee in the two companies.

I was hired by Ms. Fiza Shabbir to assist the companies in enhancing their setup and streamlining the company operations till the time licenses were obtained. The decision to not apply for the relevant licenses was the sole decision of Ms. Fiza Shabbir and I was completely in the dark regarding the status of the companies, being an employee only.

Time and again I advised Ms. Fiza Shabbir, CEO of Wisdom Forward Technology that they need to get the license as it will take time to get the license and make the business legitimate, however being an employee, my input was limited as best since Ms. Fizza Shabbir was the CEO. The decision not to pursue the license was completely of Ms. Fizza Shabbir.

My role in the company was limited to instructions handed down to me by Ms. Fizza Shabbir and I have always been advised to conduct business activities under the law of the land and in line with business ethics. I cannot comment on why Ms. Fizza Shabbir refused my advice.

Being an employee of the companies, I had no role in the financials or decision-making. Only Ms. Fizza Shabbir and Mr. Cheng (Nigo) were privy to the financials and running of the companies. My role in the company was limited to administrative and secretarial tasks as instructed by Ms. Fizza Shabbir and Mr. Cheng (Nigo) from time to time.

While it is correct that I helped Mr. Ammar, Sheikh get a salary for being a director, this appointment was with his consent, and all necessary documentation and consent was sent by Mr. Ammar Sheikh directly to SECP. SECP codes pertaining to appointment were sent directly to Mr. Ammar Sheikh and I am not privy to any such correspondence.

Mr. Cheng (Nigo) and Ms. Fiza Shabbir explicitly undertook not to use Sunrise Automation Private Limited for business activities. However, after receipt of the show cause notices from SECP, it was revealed that such commitments were false. Only upon this assurance did I become a director in the said company and for the lure of an additional salary of PKR 25000/-.

My Bonafede can be established from the fact that I assisted Mr. Ammar Sheikh with his day-to-day domestic expenses since he did not have any funds available at the time. I do not know what prompted Mr. Ammar Sheikh to file a complaint against me. It is my understanding that in collusion with Ms. Fizza Shabbir, who has financially been



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assisting Mr. Ammar Sheikh, they are trying to shift the blame on me, who was only an employee in the said companies.

Despite the above, I have assisted Mr. Ammar Sheikh in getting business even when I was not getting any personal advantage out of that arrangement. My sole intention in involving Mr. Ammar Sheikh was to assist in his financial struggle just for the good of my heart treating him like a friend, which was my mistake as he is just greedy and mischievous.

It is pertinent to mention that M Fiza Shabbir was consistently advised to obtain requisite approvals for their business activities, but she did not act upon such advice. Once the matter of "We Cash" arose, I was informed that all Chinese know each other, and they have sent an apology letter for using the name of our company without consent.

As far as bank transactions are concerned, my Bank Alfalah Account was a payroll account drawn in the year 2017 when I was a manager of finance at another company. For the last 6 years, I only used this account for personal transactions thus, the statement balance of 6 Years would only show salaries and other incomes of consultancy. This includes other work conducted by me which did not fall under my job description.

The transactions highlighted in the previous hearings were being credited from the Sunrise Automation account and were undertaken by the Chinese individuals and the same amounts were withdrawn and handed over to Ms. Fiza Shabbir. It is imperative to highlight that Ms. Fizza Shabbir acknowledged receiving the said amounts in the last hearing.

Additionally, I have opened a Sunrise Automation account at Bank Alafalah with Alfa Transact for the company's online banking system on the instructions of Ms. Fizza Shabbir who stated that the said account shall be used for some future office transactions. At no point in time was it disclosed that the said account would be used for loan disbursement. Immediately upon opening the account, the Chinese individuals changed the passwords of the email account associated with this bank account, resulting in me being in the dark about the activities they conducted. The first time I was informed about the transactions from this account was when we received the notification for justification of the transaction from Bank Alfalah.

Being an employee, it is reiterated that I have limited access to the whole business and my job was to assist in obtaining the license. Ms. Fiza Shabbir avoided her NBFC license because she said it would be impossible for her to fulfill the legal requirements.

Throughout my tenure of working for these people, I used to always urge them to make it a legal entity with a license and conduct business under a technology company. Being a director of Sunrise Automation Pvt Ltd, I am ready to wind up the company as it is no concern of mine, and I am just facing the torment of my life just for being a director of the company in good faith of someone that we will have the license and will make this business legitimate with E-commerce and other legal business plans. I just want to wind up the company and bank accounts associated with it though I don't want to even see the faces of the other directors who colluded with each other against me for helping them. I can sign the papers in person alone for the winding up of the company while they can be notified and wind up the company once and for all and we never see each other again.



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This case puts a massive dent in my life as it makes me nowhere in life for work. I just want to close the company as per my consent as the people who were really into the business of "The Chinese", are long gone, and the company which is my name and is the only thing I am suffering from. If the winding up of the company and account is the solution, then I am ready to do it at once as this company is of no use and I have nothing to do with it.

To sum up, being an employee of the companies, I did not have the authority or capacity to provide microfinance facilities to the general public hence the undersigned is not in violation of section 26(2) of the Act".

Unquote

15. The Respondents were provided multiple opportunities of making representation and of being heard. Hearings were fixed for November 30, 2023, February 12, 2024, April 25, 2024, April 26, 2024 and May 3, 2024. The hearings were fixed through zoom link advising the Respondents that they may visit 2nd Floor of Securities & Exchange Commission of Pakistan's Head Office situated at NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad, Pakistan at the scheduled date and time, in case they so intend to appear for the scheduled hearing in person. The detail outcome of the aforesaid hearing opportunities afforded to the Respondents is given in the following para.

16. In response to the hearing scheduled on:

- i) **November 30, 2023**, no one turned up to attend the hearing. However, after the lapse of time fixed for hearing, on the same day, an adjournment request was received via email from Mr. Ali Shahzad, Director of the Company, wherein he requested adjournment for two days and assured to appear before the authority for recording of his statement.
- ii) **February 12, 2024** only Mr. Ali Shahzad, Director of the Company appeared before the authority and reiterated the stance submitted in written reply to the SCN and stated that detail reply for the SCN will be submitted by Friday 16, 2024 along with relevant details and explanations, which he submitted vide email dated February 16, 2024 as per his commitment relevant extracts of which will be discussed in the succeeding paras.
- iii) **April 25, 2024** no one appeared to attend the hearing at the scheduled time i.e. 02:45 p.m. However, it is important to mention here that Ms. Fiza Shabbir, appeared before the undersigned in another case of M/s Wisdom Forward Technology (Pvt.) Limited as CEO/Director at the scheduled time i.e. 03:15 p.m. whereby she requested to reschedule the hearing to next day.
- iv) **April 26, 2024** Ms. Fiza Shabbir, CEO/Director of the Company failed to attend the hearing through zoom link, despite the fact that hearing was re-fixed for April 26, 2024 on her request. She acknowledged the receipt of intimation of hearing through her return email dated April 25, 2024 stating "**Noted with thanks.**" It is further pointed out here that this office vide email dated April 26, 2024 again wrote to the CEO/Director of the Company stating that two hearings were rescheduled on your request and you had acknowledged the same. But despite your



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confirmation, you failed to join the hearing on the scheduled time till now. Kindly provide you contact number to remind you for the hearings. In reply, Ms. Fiza Shabbir, CEO/Director of the Company vide her return email dated April 28, 2024 wrote to this office that **“You can contact me through Email fizahshabbir34@gmail.com I will be available next time according to your Hearing date and time I missed your zoom meeting due to time difference”**.

- v) **May 3, 2024** was fixed for final opportunity of hearing to Ms. Fiza Shabbir, CEO/Director of the Company through zoom link for making personal representation before the authority and of being heard. The intimation of the hearing fixed for May 3, 2024 was delivered at fizahshabbir34@gmail.com. But neither she attended the hearing nor replied to email till date.

17. As mentioned in clause (ii) of paragraph 16 hereabove, Mr. Ali Shahzad, Director of the Company, consequent to hearing held on February 12, 2024, made further submissions in his defense vide email dated February 16, 2024 stating that ***“Attached is my reply as required and I am also working on the Bank Details Justification so that I can make my point that I have nothing to do with any financial illegal activity and justify my role as a consultant in pursuing them for the legal framework.”***

Further Submissions made by Mr. Ali Shahzad, Director, are reproduced here below:

“I am writing this reply in response of the hearing attended on 12 February 2024 with the HOD Adjudication-II. I was asked to have my statement recorded in this reply in response to the Show Cause notice for Sunrise Automation Pvt Ltd.

Sir, I have made my statement and clarified my position in previous hearings and replies that I was just providing my Corporate Services as a consultancy for the obtaining of license for the NBFC and other agreement and meetings work for the collaboration.

As far as Sunrise Automation Pvt Ltd is concerned, I have stated the true facts that on the orders of Mr. Wang (Name as I Heard of), his Chinese representative who often I have seen there and mainly Ms. Fiza Shabbir who was the CEO of the Wisdom Forward Technologies, I registered Sunrise Automation Pvt Ltd. with the view that, the company shall not be in operation until the license is done and we will use this tech company as IT service provider to NBFCs and other financial IT Products to companies. I was asked to open a bank account with Online Banking system.

I became the Director of the company as I was being rewarded Rs. 25,000/- to Rs. 30,000/- just for the extra income to my salary. I opened the account at Bank Alfalah and provide them with the Emails provided by Chinese and Ms. Fiza Shabbir. I was not informed that this bank account is being used by them until we got notified by the bank that we need explanation to the Nature of transactions in this account. I complained to all of them as this is unfair as the company is on my name being a director and I shall be responsible for the consequences, but they didn't take a notice on that.

I had a query for the transaction of Rs. 2.2 to 2.4 million PKR from Sunrise Automation Pvt Ltd Bank Account to my personal account. In reply of that I have stated in my previous hearings and in the last hearing that, Ms. Fiza admitted in the hearing in



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Investigation Department that, when Bank put a notification for the justification of the transaction in the Sunrise Automation Pvt Ltd, Chinese transferred that money in my personal account via Alfa Transact Online as there was no cheque book of the company account and I withdrew the money and handed over to Ms. Fiza as she was the sole responsible for all the matters with the Chinese including Money matters and I was clean from my side that I have no involvement in any financial dealings with anyone.

I am also questioned about the Bank Balances shown in my personal accounts at the following Banks:

- *Silk Bank Rs. 2,298,283/-*
- *Bank Alfalah Rs. 17,960,896/-*

*Concerning these 2 Bank Accounts, I have stated that these above-mentioned accounts are my Personal Payroll Accounts, and these are the aggregated Credit Balances which includes **all the transactions of my personal incomes from last 8 years. The tenure for the Sunrise Automation Pvt Ltd was very short.** I am in the process of requesting the respective Banks to issue my bank statements as for the Silk Bank I have stopped using this account from a long time. **I will collect the bank statements and highlight the Sunrise tenure and Transitions in the statements and justify them.** If there is any deposit or other slips I can gather, I will surely share them with the department for complete facilitation as there is nothing to hide as what I am stating is as it happened.*

*As soon as I gather the bank details, I will share them and make a statement on that. I just want to plea that **I was only responsible for being a director of the Sunrise while strings of the company operations were in other people hand,** and I was getting a small amount of money monthly for my monthly income increment. I am regretting and have made sure I will never involve in this kind of operations anywhere even for the consultancy in the future as I have a reputation to maintain in my personal and professional life.*

Kindly, take in the consideration for my statement and I will also provide and state the details of my bank statements that I have nothing to do with any financial illegal activity in this regard."

18. The aforementioned replies submitted by Mr. Ali Shahzad, Director of the Company, have been examined and observed that arguments extended by the Respondent Director are not satisfactory being incogent and unconvincing coupled with findings of the Investigation Report dated June 16, 2023. Further, it is also pointed out here that despite availing considerable time, Mr. Ali Shahzad, Director of the Company failed to substantiate his stance he took in reply to the SCN and during the hearing held on February 12, 2024 by not producing documentary evidence as per his claim to counter the allegations levelled against him in the instant SCN.

19. It is evident from the foregoing that the Respondents were provided multiple opportunities of making representation and of being heard to explain their position with regard to alleged violation of section 26(2) of the Act, 2017 read with Part VIII A of the Ordinance. But Ms. Fiza, the Chief Executive Officer/Director of the Company opted not to explain/defend her position despite service/delivery of SCN and reminders/hearing notices.



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20. However, Mr. Ali Shahzad, Director of the Company submitted his reply to the SCN in writing, appeared before the authority on February 12, 2024 and also furnished further submissions vide email dated February 16, 2024 to explain his position in his defense as per his assurance made during the said hearing. It is pertinent to mention here that to conclude the adjudication proceedings initiated through the instant SCN, a final opportunity of hearing was afforded to Mr. Ali Shahzad, Director of the Company, vide hearing notice dated April 15, 2024 to appear before the undersigned to place his viewpoint in his defense, if any, to rebut the allegations against him on April 25, 2024. But he opted not to attend the hearing fixed for April 25, 2024. The hearing notice dated April 15, 2024 was delivered at alishahzadmoghal@gmail.com (email id of Mr. Ali Shahzad, Director given in incorporation Form-II of the Company) on April 18, 2024). The hearings were fixed through zoom link advising the Respondents that they may visit 2nd Floor of Securities & Exchange Commission of Pakistan's Head Office situated at NIC Building, 63 Jinnah Avenue, Blue Area, Islamabad, Pakistan at the scheduled date and time, in case they so intend to appear for the scheduled hearing in person.

Issue to be determined:

21. It was alleged in the instant SCN that the Respondents were providing micro loan facilities to general public without obtaining the requisite licence from the Commission, *prima facie* in violation of section 26(2) of the Act, 2017 read with Part VIII A of the Ordinance and MoA of the Company. In order to arrive at decision, I have gone through the facts of the case, record of the Company, documents available with the Commission including findings of the investigation team in the Investigation Report dated June 16, 2023, which reported that the Respondents were providing micro loan facilities to general public without obtaining the requisite licence from the Commission, and relevant provisions of law. Before analyzing the allegations, it seems appropriate to discuss the relevant provisions of law on the subject-matter and reproduce the same hereunder: -

Legal Framework:

22. In terms of clause 3 (iii) of MoA, the Company, its Chief Executive and Directors ('*Respondents*') are restricted from indulging in banking, non-banking finance, stock brokerage business, etc.:

Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Mutual Fund, Leasing, Investment Company, Investment Advisor, Real Estate Investment Trust management company, Housing Finance Company, Venture Capital Company, Discounting Services, Microfinance or Microcredit business), Insurance Business, Modaraba management company, Stock Brokerage business, forex, real estate business, managing agency, business of providing the services of security guards or any other business restricted under any law for the time being in force or as may be specified by the Commission.

23. Further, the Company, its Chief Executive and Directors, in clause 3(iv) of MoA of the Company have undertaken not to engage in the following businesses:

a) *engage in any business in sub clause (iii) or any unlawful operation*



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- b) *launch multilevel marketing (MLM), Pyramid and Ponzi schemes, or other related activities/business or any lottery business.*
- c) *engage in any permissible business unless the requisite approval, permission, consent a license is obtained as may be required under any law for time being in force.*

24. In terms of Part VIII A of the Companies Ordinance, 1984 (**'Ordinance'**), micro financing is form of business which can only be undertaken by non-banking micro finance company (**'NBFC'**). In terms of section 282C of the Ordinance, any NBFC shall not be incorporated without prior approval of the Commission and NBFC shall not carry on business unless it holds a license issued by the Commission. Section 282C of the Ordinance is reproduced below for ease of reference: -

282C. Incorporation of NBFC.- (1) *A NBFC shall not be incorporated without prior approval of the Commission.*

(2) *Notwithstanding anything contained in any other provision of this Ordinance, a NBFC shall not carry on business unless it holds a licence issued in that behalf by the Commission; and any such licence may be issued subject to such conditions, [and payment of such fees] as the Commission may deem fit to impose.*

25. In terms of section 26(2) of the Act, a company shall not engage in a business which is (a) prohibited by any law for the time being in force in Pakistan; or (b) restricted by any law, rules or regulations, unless necessary license, registration, permission or approval has been obtained or compliance with any other condition has been made. Accordingly, any company engaged in lending business without obtaining permission and license from the Commission commits violation of section 26(2) of the Act. Section 26(2) of the Act is reproduced below for ease of reference:

26. Business and objects of a company.—

(2) *A company shall not engage in a business which is—*

(a) *prohibited by any law for the time being in force in Pakistan; or*

(b) *restricted by any law, rules or regulations, unless necessary licence, registration, permission or approval has been obtained or compliance with any other condition has been made:*

Analysis of the issue:

26. During social media surveillance, it was observed that the Company is offering micro-loans to general public through smartphone application "WeCash" available on Google Play Store, *prima facie*, without obtaining requisite lending license from the State Bank of Pakistan ("SBP") or the Commission. It was further noticed that the Company had posted recruitment advertisement on LinkedIn looking for recovery officers. Information given in the advertisement and on the



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official Facebook page of 'WeCash' app apparently indicated that the Company and the app have some connection with each other.

27. The Commission also received a complaint dated August 26, 2022, wherein the complainant alleged that 'FlexiMoney' app was owned by Chinese national and the said app was being operated through the Company and WFT in collaboration with AZM Foundation. Another complaint dated September 8, 2022 by Mr. Sheikh Muhammad Ammar (Director / shareholder of the Company) was received by the Commission stating that the Company was initially incorporated to undertake call center business, while his credentials were used without his consent. He further alleged malpractices, suspicious and illegal activities through bank account of the Company being maintained with Bank Alfalah, ISE tower branch.

28. Considering the foregoing, the Commission vide Order dated December 7, 2022, investigated the affairs of the Company under section 257 of the Act.

29. The investigation team in the Investigation Report dated June 16, 2023, reported that the Respondents were providing micro loan facilities to general public without obtaining the requisite licence from the Commission, in violation of section 26(2) of the Act, 2017 read with Part VIII A of the Ordinance and MoA of the Company. The Company also facilitated its associated company i.e. Wisdom Forward Technology (Pvt.) Limited in carrying out illegal lending activities. The significant findings of the Investigation Team are as under:

- (i) Vide letter dated December 29, 2022, the investigation team sought certain information from the Company but the Company failed to provide any information in relation to the said letter.
- (ii) Fiza Shabbir, Chief Executive and Director of the Company appeared before the investigation team on December 28, 2022 and March 16, 2023 for recording of statement. She *inter alia* stated before the investigation that: -

Mr. Ali Shahzad had incorporated the Company. She holds 10% shareholding in the Company. Mr. Ali Shahzad told her that the Company was being registered as a technology company. Company's bank was also used for loan recoveries extended through the app FlexiMoney as the account of Wisdom Forward Technology (Pvt.) Limited was closed down in June, 2022.

- (iii) Mr. Ali Shahzad, Director and shareholder of the Company appeared before the investigation team on January 10, 2023, April 13, 2023 and on May 15, 2023 for recording of statement. He stated before the investigation team that;

He was offered job of Corporate Manager in WFT by Ms. Fiza, his former junior. He facilitated a meeting between Ms. Fiza and AZM Foundation, which resulted in a collaboration agreement for extending loans. With regard to modus operandi of WFT, he stated that WFT had signed an agreement with AZM Foundation for technical support, while AZM Foundation extended the microfinance loans.

- (iv) Mr. Sheikh Muhammad Ammar, Director and shareholder of the Company appeared before the investigation team on January 02, 2023 for recording of statement. He stated before the investigation that;



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He joined ZK Communication in the year 2017. During his time at ZK Communication, he met Ali Shehzad, who proposed the idea of starting a company together. They explored using space at Flare, a ticketing business, for their venture. After hiring individuals through Indeed, they closed down the business in January 2021 due to lack of profitability. Ali Shehzad approached him again with the opportunity to open operations for a Chinese telecom company in Pakistan. He agreed to be the Non-Executive Director and received a monthly salary of Rs. 15,000.

- (v) As per information obtained from banks, the following bank accounts were opened and maintained by the Respondents:

| Bank Name | Account Number | Account Title | Aggregate Credit Turnover since opening of account (Rs.) |
|------------------------------------|----------------|--------------------------------------|--|
| Bank Alfalah Limited | 1007668178 | Sunrise Automation (Private) Limited | 155,674,813 |
| Bank Alfalah Limited | 1006970211 | Fiza Shabbir | 44,332,127 |
| Habib Bank Limited | 24797000023003 | Fiza Shabbir | 48,511,455.63 |
| Mobilink Microfinance Bank Limited | 923359059738 | Fiza Shabbir | 990,330 |
| Telenor Microfinance Bank Limited | 03359059738 | Fiza Shabbir | 1,359,529 |
| Silk Bank | 2007318564 | Ali Shahzad | 2,298,283 |
| Bank Alfalah Limited | 1006970182 | Ali Shahzad | 17,960,896 |
| Silk Bank Limited | 2009524765 | Sheikh Muhammad Ammar | 3,669,776 |

- (vi) Analysis of the Company's bank account no. 1007668178, maintained with Bank Alfalah Limited revealed multiple small value IBFT debit transactions and small value credit transactions from various individuals. Some of the credit transactions are pasted hereunder for instances



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| Row Labels | Sum of credit |
|-------------------------------|---------------|
| SYED MUHAMMAD SHAH | 75,868 |
| ADEEL AZAD | 74,687 |
| HAIDER FINANCIAL SERVICES | 65,562 |
| IMRAN AHMAD | 55,932 |
| FAHAD UR REHMAN | 48,335 |
| HAYAT ELECTRIC STORE | 44,151 |
| CHURRAM RAZA | 43,066 |
| HADI IQTADAR | 43,053 |
| MUHAMMAD NOUMAN | 41,536 |
| SHAHZADA MOHSIN KAMRAN | 41,203 |
| SYED MUHAMMAD TAIMOOR HUSSAIN | 38,881 |
| MUHAMMAD RIZWAN | 34,112 |
| SHAHZADA BADAR MUNEEB | 33,609 |
| ABDULLAH | 33,011 |
| ZULFIQAR ALI | 32,316 |
| SYED ASIF HUSSAIN ZAIDI | 31,930 |
| ANJUM NASEER | 31,645 |
| AHSAN BUTT | 31,459 |
| ABDUL REHMAN | 27,306 |
| GULFAM YOUSAF | 27,304 |
| WASEEM MUSTAFA | 23,111 |
| MUHAMMAD WASEEM | 20,157 |
| SHOAIB AHSAN | 19,980 |
| ZAFAR IQBAL | 18,925 |
| WAQAS NADEEM | 18,903 |
| ISMAIL AMIR | 17,705 |

(vii) As per the statement of Company's CEO, the Company was not in operations since incorporation. In such case, it *prima facie* appears that the said IBFT credit/debit transactions were not related to Company's legitimate business operations. Rather, this indicates that the Company was involved in lending money to the general public on the similar pattern of its associated company i.e. WFT.

(viii) A summary of debit and credit transactions in the Company's bank account is given hereunder: -

| Year/Qtr. | Sum of debit (Rs.) | Sum of credit (Rs.) |
|-------------|-----------------------|------------------------|
| 2022 | 156,791,981 | 155,674,813 |
| Qtr1 | | 1,000 |
| Feb | | 1,000 |
| Qtr2 | 17,650,345 | 18,423,193 |
| Jun | 17,650,345 | 18,423,193 |
| Qtr3 | 138,454,107 | 137,071,495 |
| Jul | 56,205,442 | 56,739,339 |
| Aug | 51,520,152 | 50,319,758 |
| Sep | 30,728,513 | 30,012,398 |
| Qtr4 | 687,530 | 179,125 |
| Oct | 460,381 | 179,125 |
| Nov | 227,149 | |



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| | | |
|--------------------|--------------------|--------------------|
| 2023 | 536 | |
| Grand Total | 156,792,518 | 155,674,813 |

- (ix) AZM Foundation ended its collaboration with WFT and alleged in its legal notices that the bank account of WFT was also used for disbursement and recoveries of loans. The above-mentioned IBFT transactions started to appear in the Company's bank account since June, 2022 when the bank account of WFT was closed down by the relevant bank on account of suspicious transactions.
- (x) The investigation team also analyzed the Company's bank account statement to check the source of funding for financing. The investigation team noted that the Company in its account no. 1007668178, maintained with Bank Alfalah Limited has received the following cash deposit from a Chinese national individual named Mr. Cheng, who has a primary/key role in the operations of WFT as admitted by Ms. Fiza Shabbir and Mr. Ali Shahzad:-

| Date | Transaction Description | Amount Credited Rs. | Walk in Customer Name | Passport No. |
|-----------|-------------------------|---------------------|-----------------------|--------------|
| 8-Sep-22 | Online Cash Deposit | 664,000 | SHI GANGCHENG | EG3628496 |
| 22-Aug-22 | Online Cash Deposit | 730,000 | GANGCHENG | EG3628496 |
| 22-Aug-22 | Online Cash Deposit | 730,000 | GANGCHENG | EG3628496 |
| 24-Aug-22 | Online Cash Deposit | 586,000 | CHENG | EG3628496 |
| | | 2,710,000 | | |

- (xi) The investigation team further noticed that the Company also received the following amount from Losung Technologies (Pvt.) Limited:

| Date | Transaction Description | Amount Credited Rs. | Walk in Customer Name |
|-----------|-------------------------|---------------------|--|
| 4-Jul-22 | ATM Funds Transfer | 2,000,000 | Losung Technologies (Private) Limited. |
| 4-Jul-22 | | 2,000,000 | |
| 5-Jul-22 | | 2,000,000 | |
| 6-Jul-22 | | 2,000,000 | |
| 7-Jul-22 | | 1,000,000 | |
| 13-Jul-22 | | 800,000 | |
| 13-Jul-22 | | 1,000,000 | |
| 13-Jul-22 | | 1,000,000 | |
| 13-Jul-22 | | 1,000,000 | |
| 13-Jul-22 | | 1,000,000 | |
| 13-Jul-22 | | 1,500,000 | |
| 14-Jul-22 | | 1,000,000 | |
| 15-Jul-22 | | 1,000,000 | |
| 16-Jul-22 | | 1,000,000 | |
| 18-Jul-22 | | 1,000,000 | |



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| | | | |
|----------|--------------|-------------------|--|
| 3-Aug-22 | | 700,000 | |
| 3-Aug-22 | | 10 | |
| 3-Aug-22 | | 800,000 | |
| | Total | 20,800,010 | |

- (xii) The investigation team observed that the Company was incorporated to provide support to WFT for transferring/layering of funds received for disbursement as loan to general public and recoveries of loans.

30. Considering the above findings of the Investigation Team, it has been observed that the Company was engaged in lending business and facilitated Wisdom Forward Technology (Pvt.) Limited in its lending activity which is a licensed activity in terms of section 282A of Companies Ordinance, 1984 read with Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. The Company was operating without the requisite license required for undertaking lending business. The Respondents were providing micro loan facilities to general public without obtaining the requisite licence from the Commission, *prima facie* in violation of section 26(2) of the Act, 2017 read with Part VIII A of the Ordinance and MoA of the Company.

31. The above-mentioned alleged violations warrant the following actions against the Respondents:

- (i) **Action against the Company under sections 502 of the Act for violation of section 26(2) of the Act, which provides as under:**

502. Penalty where no specific penalty is provided.- If a company or any other person contravenes or fails to comply with any provision of this Act or any condition, limitation or restriction subject to which any approval, sanction, consent, confirmation, recognition, direction or exemption in relation to any matter has been accorded, given or granted, for which no punishment is provided elsewhere in this Act, the company and every officer of the company who is in default or such other person shall be liable to a penalty of level 3 on the standard scale.

- (ii) **Action against the Chief Executive and Directors of the Company under section 172 and 500 of the Act for violation of section 26(2) of the Act.**

172. Disqualification orders.- (1) In any of the circumstances stated hereunder, the Commission may pass a disqualification order against a person to hold the office of a director of a company for a period up to five years beginning from the date of order-

(k) the company of which he is a director refuses to act according to the requirements of the memorandum or articles or the provisions of this Act or fail to carry out the directions of the Commission given in the exercise of powers under this Act; or

500. Penalty for carrying on ultra vires business.—If any business or part of business carried on or any transaction made, by a company is ultra vires of the company shall be an offence and every person who acted as a director or officer of the company and is responsible for carrying on such business shall be liable to a penalty of level 3 on the standard scale, and shall also be personally liable for the liabilities and obligations arising out of such business or transaction.



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Decision: -

32. In view of the foregoing facts of the case and material available on record, it is noted that complaints from public were received against the Respondents, findings of Investigation Report held that the Respondents were involved in providing micro loan facilities to general public without obtaining the requisite license from the Commission or SBP. Thus, the Respondents were carrying out the business of micro-financing through digital apps in violation of section 26(2) of the Act, 2017 read with Part VIII A of the Ordinance and MoA of the Company.

33. Further, it is quite evident from the non-responsive and evasive conduct of Ms. Fiza Shabbir, the Respondent CEO/Director who deliberately acted to avoid the legal proceedings by not only failing to respond to the SCN, reminders/hearing notices but also by opting to evade the opportunities of various hearings scheduled for November 30, 2023, February 12, 2024, April 26, 2024 and May 3, 2024 respectively.

34. As regards, furnishing of written reply to the SCN by Mr. Ali Shahzad, Director of the Company and his appearance in a hearing held on February 12, 2024, and the submissions he placed to explain his position in his defense before the authority, his submissions were examined and found unconvincing, implausible and untenable. In reply to the arguments placed by Mr. Ali Shahzad, the Respondent Director, in his defense, it is important to point out here that it is a matter of common practice that directors on the board of a company usually communicate their dissent or difference of opinion on the manners of conducting the affairs of a company during the board meetings or raise their concerns through relevant forum. Mr. Shahzad has failed to submit any concrete documentary evidence in support of his stance whereby he could bring on record his concerns or objections raised by him during the board meeting or before any relevant forum that the affairs of the Company were being conducted in an unlawful or fraudulent manner, or in a manner not provided for in its memorandum. He also failed to provide bank details as he assured in his written submission and during the hearing.

35. Thus, the Chief Executive and Directors of the Company have failed to run the Company and manage its affairs in accordance with accepted and stated provisions of law.

36. In view of the foregoing state of affairs, it is, therefore, established that the Respondents were carrying on unlawful/prohibited business of micro finance without having license. Further, the Company was incorporated being a technology company and as per the MoA, the Company was not allowed to carry out the business of micro lending. Thus, engagement of the Respondents into lending business has been *ultra vires* to MOA of the Company, which makes them liable for violation of Section 26 of the Act that attracts the penal provisions of sections 502 and 500 of the Act against the Company and its directors. Consequently, Section 172 of the Act regarding disqualification of directors of the Company is invoked.

37. I, therefore, in exercise of the powers, conferred upon me vide S.R.O.1546 (I)/2019 dated December 6, 2019 under sections 502 and 500 of the Act, hereby impose the following penalties on the Company and its directors for carrying on unlawful/prohibited business of micro finance to the public in violation of sections 26(2) of the Act read with Part VIII of the Ordinance and MoA of the Company:



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| Penalty | | | |
|--|--------------|-----------------------|--|
| Imposed on | Amount (Rs.) | Imposed under section | Description |
| M/s Sunrise Automation (Private) Limited | 100 million | 502 of the Act | For carrying on unlawful / prohibited business of micro-lending being <i>ultra vires</i> business in violation of the aforesaid provisions of law. |
| Ms. Fiza Shabbir, CEO/Director (CNIC # 61101-5217183-6) M/s Sunrise Automation (Private) Limited | 100 million | 500 of the Act | For carrying on unlawful / prohibited business of micro-lending being <i>ultra vires</i> business in violation of the aforesaid provisions of law. |
| Mr. Ali Shahzad, Director, (CNIC # 37405-3881954-1) M/s Sunrise Automation (Private) Limited | 100 million | 500 of the Act | For carrying on restricted business of micro-lending being <i>ultra vires</i> business in violation of the aforesaid provisions of law. |

38. Further I, in exercise of the powers under section 172 of the Act, delegated to the undersigned vide S.R.O. 129 (I)/2020 dated February 24, 2020, hereby disqualify **Ms. Fiza Shabbir**, CNIC # 61101-5217183-6 and **Mr. Ali Shahzad**, CNIC # 37405-3881954-1, from becoming director/chief executive of any company for a period of 5 years from the date of this Order under section 172(1)(k) of the Act, in violation of 26(2) of the Act.

39. **M/s Sunrise Automation (Pvt.) Limited, Ms. Fiza Shabbir CNIC # 61101-5217183-6 and Mr. Ali Shahzad, CNIC # 37405-3881954-1**, are directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited or United Bank Limited within 30 days of the receipt of this Order and furnish Original Deposit Challan to this office.

40. This order is being issued without prejudice to any other proceedings or action that the Commission, National Accountability Bureau, Federal Investigation Agency or any other authority, bureau, agency or institution may initiate, in accordance with relevant provisions of law, against the Respondents or any other officer in respect of unlawful/unauthorized business activities undertaken by them or otherwise.

(Hammad Javed)

**Additional Director / Head of Department
Adjudication Department-II**

Announced: July 2, 2024