



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

### Appeal No. 13 of 2022

F.D. Registrar Services (Pvt). Limited

...Appellant

versus

Director/HOD (Adjudication), SECP

...Respondent

Date of hearing:

April 22, 2026

### Present:

For the Appellant:

Ms. Nadia Mehak, Counsel

For the Respondent:

1. Mr. Sohail Qadri, HOD/Director, Adjudication-I, SECP
2. Mr. Rizwan-ul-Haq, Joint Director, Adjudication Department-I, SECP.

### ORDER

1. This Order shall dispose of Appeal No. 13 of 2022 filed by F.D. Registrar Services (Pvt.) Limited (the "Appellant") against the Order dated December 7, 2021 (the "Impugned Order") passed by the Director/HOD, Adjudication Department-I, SECP (the "Respondent") under Section 150 of the Securities Act, 2015 (the Act).
2. The brief facts of the case are that the Appellant is a company duly licensed by the Securities and Exchange Commission of Pakistan (the "Commission") to act as a Share Registrar under the Share



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Registrars and Balloters Regulations, 2017 (the “Regulations”). On June 12, 2020, the Board of Directors of Hum Network Limited (the “Company”) resolved to appoint the Appellant as its Share Registrar with effect from July 16, 2020, and in pursuance thereof, an agreement was executed between the Appellant and the Company. The said appointment was publicly notified through submission to the Pakistan Stock Exchange and newspaper advertisements, and the independence of the Appellant was also confirmed by the statutory auditors of the Company, namely; M/s. EY Ford Rhodes. Accordingly, the previous Share Registrar (CDC Share Registrar Services Limited) transferred the record of shareholders to the Appellant on July 14, 2020. Subsequently, a minority shareholder of the Company requisitioned an Extraordinary General Meeting (EOGM), which was convened on August 22, 2020, wherein one of the agenda items pertained to the revocation of the Appellant’s appointment as Share Registrar. The Commission also received a complaint from a minority shareholder of the Company, regarding the appointment of the Appellant. Allegedly, the minutes of the EOGM transpired that the Appellant was involved in conducting the poll, distributing the ballot papers among the members of the Company and compiling the results of the voting.

3. In view of the above, a show-cause notice dated October 23, 2020 (the “SCN”), was issued to the Appellant on the basis that its presence and participation in the EOGM amounted to a *prima facie* conflict of interest, particularly when the matter of its own appointment was under consideration. The Appellant submitted the reply to the SCN on November 18, 2020, whereas the last hearing in the matter was held on July 13, 2021. The Respondent concluded the SCN proceedings and passed the Impugned Order that the Appellant had failed to avoid a conflict of interest in contravention of Regulation 13 of the Regulations, and had not upheld the standards of integrity and fairness envisaged under Section 74 of the Act. Accordingly, the license of the Appellant to act as Share Registrar was cancelled.
4. The Appellant filed this Appeal *inter alia* on the grounds that the Impugned Order is contrary to the principles of equity and estoppel, as the minority shareholder who objected to the Appellant’s appointment as Share Registrar attended the EOGM without raising any objection to the Appellant’s presence or participation during the meeting. The Appellant submits that the issuance of the SCN is also barred by the principle of estoppel and contrary to Article 114 of the Qanun-e-Shahadat Order, 1984, as the Commission itself directed the Appellant to continue performing its duties as Share Registrar of the Company vide the letter dated July 30, 2020. Accordingly, by attending the EOGM, the Appellant merely complied with the regulator’s instructions and fulfilled its contractual obligations toward the



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Company. Furthermore, the Appellant's contention is that it only performed verification of shareholders' credentials and assisted the Company Secretary in confirming the eligibility of members attending through proxies. The poll itself, according to the Appellant, was conducted by the Company Secretary under the supervision of a scrutineer appointed by the shareholders.

5. The Appellant argued that the Impugned Order is contrary to the Companies Act, 2017 (the "Companies Act") as, under Sections 183(1) and 183(3), the appointment of a Share Registrar falls exclusively within the authority of the Board of Directors and does not require approval of the general meeting; therefore, the minority shareholder's complaint and Agenda 3 of the EOGM were without legal basis. It was also contended by the Appellant that Agenda 3 also violated Section 179(4) of the Companies Act, which prohibits revocation of a written resolution once directors' consent has been signified. Consequently, the Respondent's findings premised upon the reconsideration of the Appellant's appointment in the EOGM are alleged to be illegal and *void ab initio*.
6. The Appellant disputed the finding of the violation of Regulation 13 of the Regulations, asserting that it took all reasonable measures to avoid any conflict of interest. The Appellant submitted that its role was transparent; the desk was placed outside the conference room; and its activities remained under shareholder observation. The Appellant further argued that Regulation 13 is intended to prevent arrangements impairing impartiality toward clients, whereas the Company itself was the Appellant's client and the Appellant had merely acted pursuant to the Commission's directions. They contended that neither the Board nor the majority shareholders objected to its role, and even the minority shareholder did not object during the meeting. The Appellant further submits that it remained fully compliant with Section 74 of the Act, and that the Respondent failed to identify any specific act or omission constituting a violation of the said provision. The Appellant argued that the Impugned Order was passed without proper consideration of the legal position, material facts, and surrounding circumstances. It is contended that the Appellant neither conducted the poll, distributed ballot papers, counted votes, nor compiled results, as such functions were outside the scope of its agreement with the Company, and its role at the EOGM was confined to verification of shareholders, proxies, and ballot-related eligibility. The Appellant further submits that the Act clearly distinguishes between a "Share Registrar" and a "Balloter" as separate regulated activities under Section 63, whereas the Appellant was appointed only as a Share Registrar. The Appellant also maintained that the poll was conducted by the



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Chairman of the Company in accordance with Sections 143 and 144 of the Companies Act, under the supervision of scrutineers appointed during the meeting.

7. The Respondent rebutted the grounds of Appeal and arguments put forth by the Appellant's representative. The Respondent submits that the Impugned Order is a reasoned and speaking order, passed after due consideration of the Appellant's submissions, the facts and circumstances of the case, the material available on record, the merits of the matter, and the applicable provisions of law.
8. The Respondent contended that the minutes of the EOGM held on August 2, 2020, establish that during the meeting the Appellant distributed ballot papers, counted votes, compiled results for the agenda item relating to the Appellant's appointment as the Share Registrar, thereby creating a conflict of interest. It is argued that the Appellant, being a licensed and regulated entity, failed to take appropriate and reasonable steps to avoid such a conflict of interest, in violation of Regulation 13 of the Regulations.
9. The Respondent submits that the Appellant's participation in the EOGM, where the Board's earlier decision regarding its appointment as Share Registrar was under consideration, constituted a contravention of Regulation 13 of the Regulations and Section 74 of the Act, thereby attracting the penal consequences provided under Sections 150(1) and 150(2) of the Act. The Respondent further submits that the Impugned Order was passed after considering all relevant facts, submissions, and applicable law. In this regard, it was stated that: (i) through its letter dated October 12, 2020, the Appellant admitted that during the EOGM it verified the eligibility of members and proxies, verified the number of shares used for voting, and compared ballot papers with attendance records to confirm voting eligibility and shareholding; therefore, the Appellant's assertion that it did not perform any role connected with the poll process is untenable; and (ii) the Appellant was fully aware of the sensitive nature of the matter and, as a regulated person required to maintain integrity and fairness, ought to have abstained from participating in the EOGM. Since revocation of the Board's decision regarding the Appellant's appointment was itself under consideration in the EOGM, the Appellant's status as Share Registrar had not yet attained shareholder confirmation.
10. The Appellate Bench (the "Bench") has heard the parties and perused the record with the able assistance of the parties' representatives. The Bench is of the considered view that the principles of equity and estoppel are applicable to the extent that the minority shareholder, despite being present during the 9th



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EOGM, neither objected to the presence or participation of the Appellant as Share Registrar, and no such objection is reflected in the minutes of the said meeting. The subsequent filing of a complaint challenging the Appellant's presence and participation in the 9th EOGM is hit by the principle of estoppel by conduct/acquiescence. The Bench has further observed that neither the Company nor its majority shareholders have raised any grievance with regard to the appointment or presence of the Appellant during the EOGM. In such circumstances, and in the absence of any lawful justification, the rights and decisions of the majority shareholders cannot be permitted to be overridden at the instance of a minority shareholder alone. However, the Bench is not persuaded to accept the Appellant's contention that the issuance of the SCN by the Respondent was barred by estoppel merely because the Commission, through its letter dated July 30, 2020, had directed the Appellant to perform its duties in accordance with law. In the opinion of the Bench, the said communication neither conferred immunity upon the Appellant nor precluded the Commission from taking cognizance of any alleged statutory or regulatory violations subsequently brought to its notice. The SCN proceedings were initiated by the Respondent in respect of alleged violations attributed to the Appellant and, therefore, cannot be held to be barred by estoppel.

11. The Bench concurs with the Appellant's contention that, in terms of Sections 183(1) and 183(3) of the Companies Act, the appointment of a Share Registrar falls within the exclusive domain and authority of the Board of Directors and does not require approval or confirmation by the shareholders in a general meeting. However, the Bench is not convinced by the assertion made by the Appellant that the placement of an agenda item in the EOGM regarding revocation of the Appellant's appointment was without lawful basis. The Bench is of the view that shareholders possess an inherent as well as statutory right to question, review, and deliberate upon the acts and decisions of the Board of Directors, and where the majority shareholders are dissatisfied with any act of the Board, they may seek revocation or reconsideration thereof through the forum of a general meeting. Consequently, the Appellant's reliance upon Section 179(4) of the Companies Act is misconceived and not relevant to the controversy in issue. At the same time, the Bench is of the considered view that the Respondent's contention that the mere inclusion of an agenda item concerning revocation of the Appellant's appointment obligated the Appellant to refrain from discharging its functions as Share Registrar during the EOGM is misconceived and devoid of any cogent justification. However, the Bench is of the view that in the instant case the Appellant performed its functions beyond its mandate as a Share Registrar and the same is reflected in the EOGM minutes wherein it is specifically mentioned that "*The Share Registrar counted the votes*



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and compiled the results in presence of the representative of the members demanding poll". In view thereof, the Bench believes that the Appellant should have avoided to perform such acts which had a direct bearing on his appointment. As per minutes of EOGM, the representative of the members demanding poll was also present with the Appellant, therefore, this fact mitigates the gravity of the violation committed by the Appellant.

12. The Bench is of the considered opinion that the Respondent has successfully established that acts and functions performed by the Appellant were conflicting, hence, the Appellant violated Regulation 13 of the Regulations or Section 74 of the Act. The Bench is of the view that the Appellant's contention that vide a letter dated October 12, 2020, it conveyed to the Company that the minutes of the EOGM did not accurately reflect the factual position, as the Appellant had neither conducted the poll, distributed ballot papers, counted votes, nor compiled the results is not plausible. The Bench has noted that it has been mentioned by the Appellant in letter dated October 12, 2020 that "*....we are in receipt of a letter from SECP stating that the minutes of 9<sup>th</sup> EOGM of Hum Network Limited reveals that FDRS was involved in the conducting the poll and distributing the ballot papers among the shareholders along with FDRS counted the votes and compiled the result of the voting*". The Bench is of the view that the Appellant was well aware of the fact that the Commission is deliberating on the issue of violations committed by the Appellant, therefore, the Appellant's letter appears to be an afterthought to make out a case in its favor. The Appellant consistently maintained that its role was confined to recording attendance and verifying the eligibility of shareholders and proxies attending the meeting, however, in view of the above analysis, the Appellant's stance is not admissible. The Bench is of the considered view that Regulation 13 contemplates disclosure of a conflict to the customer where such conflict exists and the minutes of the EOGM clearly establish such conflict. Furthermore, the Bench finds substance in the Appellant's contention that there is a statutory distinction between a "Share Registrar" and a "Balloter," inasmuch as the acts attributed to the Appellant in the minutes of EOGM pertain to the functions of a Balloter, whereas the Appellant was engaged solely as a Share Registrar. However, the Appellant failed to adhere with above mentioned distinction and overstepped its mandate, which resulted in a conflict under Regulation 13 of the Regulations and against the requirements of Standards of Conduct under Section 74 of the Act. In view of the foregoing discussion, the Bench has no hesitation in concluding that the Appellant has violated Regulation 13 of the Regulations as well as the Standards of Conduct prescribed under Section 74 of the Act. However, while maintaining the findings with respect to the violation established on record, the Bench is of the considered opinion that the penalty imposed by the



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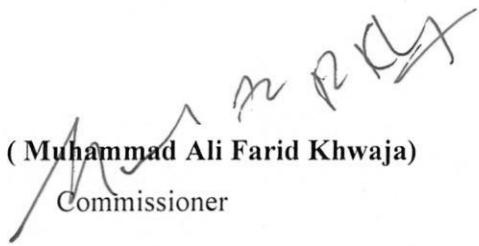
Respondent is not commensurate with the nature and gravity of the violation. The power to impose sanctions, though regulatory in nature, must be exercised in accordance with the settled principles of proportionality, fairness, and reasonableness. A regulatory penalty should correspond to the seriousness of the misconduct proved, the extent of its consequences, and the surrounding facts and circumstances of the case.

13. In the present matter, the Bench has taken into consideration the mitigating circumstances appearing on the record. It has been observed that the appointment of the Appellant as share registrar was never challenged by the majority shareholders of the company at any stage. Furthermore, even the minority shareholders, who had requisitioned the Extraordinary General Meeting (“EOGM”) seeking removal of the Appellant, did not raise any objection regarding the Appellant’s presence or participation during the conduct of the EOGM. The record further does not reveal that any shareholder suffered financial loss, prejudice, or denial of rights on account of the conduct attributed to the Appellant. Nor has any material been brought on record demonstrating mala fide intent, dishonest conduct, or unlawful gain on the part of the Appellant.
14. The Bench is therefore of the view that although the Appellant may have acted in a manner not fully aligned with the applicable regulatory requirements, the violation established on record does not justify the extreme consequence of cancellation of license, which is the harshest regulatory sanction having severe civil and commercial consequences upon the business operations and professional standing of the Appellant. Such a penalty, in the facts and circumstances of the present case, appears excessive and disproportionate to the actual nature of the contravention.
15. Accordingly, in exercise of appellate jurisdiction and keeping in view the principles of proportionality and fair administration of regulatory sanctions, the Bench deems it appropriate to modify the impugned order to the extent of the penalty. Consequently, the penalty of “cancellation of license” imposed upon the Appellant is hereby converted into a monetary penalty of Rs. 300,000/- (Three Hundred Thousand) which, in the opinion of the Bench, would adequately meet the ends of justice and serve the regulatory purpose of ensuring compliance with the applicable legal framework.



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16. In view of the foregoing, the instant Appeal is disposed of; accordingly, the Impugned Order is modified to the extent of cancellation of license without any order as to cost.
17. Any person or party aggrieved by this Order may, within sixty (60) days from the date hereof, prefer an appeal under Section 34 of the Securities and Exchange Commission of Pakistan Act, 1997 before the competent forum, strictly in accordance with law.

  
( Muhammad Ali Farid Khwaja )  
Commissioner

  
( Zeeshan Rehman Khattak )  
Commissioner

Announced on: **13 MAY 2026**