



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 43 of 2021

Management & Registration Services (Private) Limited

...Appellant

Versus

Executive Director/HOD, Adjudication -I (SECP)

...Respondent

Date of hearing:

May 30, 2024

Present:

For the Appellant:

1. Mr. Muhammad Moin Khan (Through Zoom)

For the Respondent:

1. Mr. Mahboob Ahmad, Additional Director, Adjudication-I, SECP
2. Mr. Muhammad Akram, Assistant Director, Adjudication-I, SECP

## ORDER

1. This Order shall dispose of Appeal No. 43 of 2021 filed by Management & Registration Services (Private) Limited (the "Appellant") through Mr. Syed Waqar Hussain (the "Authorized Representative") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the Order dated February 8, 2021 (the "Impugned Order") passed by the



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Executive Director/Head of Department Adjudication-I (the “Respondent”) for the contravention of Section 64 of the Securities Act (the “Act”), Regulation 3 and Regulation 4(c) of the Share Registrar and Balloters, Regulations 2017 (the “Regulations”) and penalty was imposed upon the Appellant under Section 150(2) and 159(3) of the Act.

2. The brief facts of the case are that the Appellant was initially registered as a balloter and transfer agent under the Balloters and Transfer Agent Rules, 2015 (the “Rules”). The Regulations were promulgated on January 11, 2017. Regulation 3 of the Regulations requires that a person registered as a share registrar and balloters’ agent (an “SRB”) under the Rules, prior to coming into force of the Regulations, shall be deemed to be licensed as an SRB under the Act and the Regulations till the time its existing certificate of registration remains valid. The certificate of registration of the Appellant expired on November 25, 2018, however, the Appellant failed to apply to the Commission for renewal of the certificate and submitted the application after a lapse of 7 months. Furthermore, the Appellant was required to enhance its paid-up capital to three million rupees by June 30, 2018 as per the requirement of Regulation 4 of the Regulations. However, the Appellant had failed to increase its paid-up capital in accordance with the regulation and, therefore, also failed to comply with Regulation 4 of the Regulations attracting provisions of Section 159 of the Act. In light of the violations as mentioned, the Show-Cause Notice dated February 25, 2020 (the “SCN”), was issued upon the Appellant. The Appellant responded on March 03, 2020, and had requested to waive its hearing opportunity on the basis of its written reply. After examining the submissions and considering the facts stated in the written reply, the Respondent, in exercise of powers conferred under Section 159 of the Act, imposed a penalty of Rs. 500,000/- on the Appellant for the aforementioned contraventions of the Regulations.
3. The Appellant has preferred this Appeal *inter alia* on the grounds that the Appellant surrendered its original license and intimation was also made by the Appellant to the Central Depository Company (the “CDC”) before the date of issuance of the Impugned Order. The Appellant stated that in reply to the email of Securities and Exchange Commission of Pakistan (SECP) dated July 01, 2019, to which the Appellant replied vide email dated July 12, 2019, it had requested for sufficient amount of time to transfer all three clients to other share registrars as nominated by the Appellants’ clients and accordingly the Appellant would voluntarily wind-up the company. The Appellant further argued that it had already commenced the procedure after the letter of SECP dated August 21, 2019 to transfer its clients to another entity which is well before the issuance of the SCN and such a fact portrays the Appellants’



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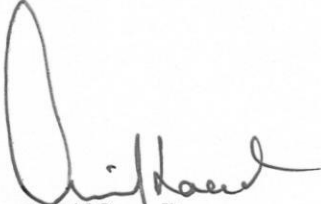
sincere intentions towards surrendering its license and transferring its clients. They added, that due to the extensive amount and sensitive nature of that physical data it took a significant amount of time to transfer the data through airmail to another city. The Appellant further stated that it had acted promptly and timely on the directions of the SECP regarding transfer of its clients and surrender of its license. In light of these circumstances, the Appellant prayed that the Bench may kindly adopt a lenient view and penalty imposed upon the Appellant may kindly be waived off while duly considering the aforementioned contextual factors.

4. The Respondent countered the grounds of the Appeal and argued that the penalty has been rightly imposed upon the Appellant and the Impugned Order has been passed in accordance with the provisions of the law following a comprehensive examination of all the pertinent facts and considering the representations presented by the Appellant. The Respondent stated that the license of the Appellant had expired in November, 2018 and accordingly the Appellant was asked about the delay in application of grant of license and to provide the status of compliance with the requirements of the minimum paid-up share capital. The Respondent also stated that, in the year 2017 the requirement for minimum paid-up share capital was increased but the Appellant never adhered to the relevant provisions of the Regulations. The Respondent further stated that the Appellant surrendered its license after the issuance of the SCN, therefore, the SCN has been rightly served and penalty imposed accordingly.
  
5. The Bench has heard the arguments of both the parties and perused the record. The Bench is of the opinion that the Appellant had an obligation to adhere to the relevant requirements of the Regulations which should have been followed by the Appellant in true letter and spirit. The Bench is of the view that the Appellant had intimated SECP regarding the surrendering of the license and transfer of its three clients to other share registrars. The Bench has also noted that the Appellant has no history of any past non-compliance and even after intimation from SECP regarding the renewal of the license, the Appellant opted to surrender the license and wind-up the company, which the Appellant has pleaded before the Bench is a tedious process. The Bench is of the view that bonafide efforts of the Appellant with regard to surrendering of license and winding-up of the company are eminent from the facts of the Appeal, therefore any harsh measures by the Respondent would amount to an unfair treatment of the Appellant, and a penalty shall not be imposed in circumstances where a company is voluntarily opting to surrender its license and initiating the winding-up process.



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6. In view of the foregoing, the Bench considers it justified to take a lenient view. Accordingly, the Impugned order is set aside and the instant appeal is accepted.



(Akif Saeed)

Chairman/Commissioner



(Abdul Rehman Warraich)  
Commissioner

Announced on: 10 JUL 2024