



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

ORDER	
Name of Company:	M/s. Apna Microfinance Bank Limited
Show Cause Notice No. & Date:	CSD/ARN/182/2015-490 dated October 10, 2024
Respondents:	(i) Mr. Muhammad Akram Shahid, Director/ Chairman (ii) Mr. Abdul Aziz Khan, Director (iii) Ms. Tahira Raza, Director (iv) Mr. Imad Mohammad Tahir, Director (v) Mr. Muhammad Azghar, Director (vi) Mr. Muhammad Saleem Sheikh, Director (vii) Syed Rahat Ali Shah, Director (viii) Mr. Shahid Hassan, Director (ix) Mr. Wajahat Malik, Director (x) M/s. Apna Microfinance Bank Limited
Date(s) of Hearing(s):	(i) March 13, 2025
Case represented by:	(i) Mr. Saleem Shaikh – Director; and (ii) Mr. Noshad Ahmed – Company Secretary  (as Authorized Representatives)
Provision of law involved:	Section 176 of the Companies Act, 2017
Order Date:	April 11, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) through Show Cause Notice No. CSD/ARN/182/2015-490 dated October 10, 2024 (the “SCN”) issued to M/s. Apna Microfinance Bank Limited (the “Company”) and its Board of Directors (the “BOD”), (hereinafter collectively referred to as (the “Respondents”), under Section 176 of the Companies Act, 2017 (the “Act”).

2. Sub-section 3 of Section 176 of the Act provides that the board of a public company shall meet at least once in each quarter of a year. In case of failure to comply with the aforementioned provisions, the Chairman and Directors shall be liable to a penal action as provided in sub-section 4 of Section 176 of the Act.

3. Brief facts of the case are that as per review of the Directors Report 2023 and the Review Report of the auditors annexed with the audited financial statements for the year ended December 31, 2023 of the Company, only one (01) meeting of the Board of Directors was held during the year, contrary to the requirements of Section 176 (3) of the Act. The Securities and Exchange Commission of Pakistan (the “Commission”) vide letter dated July 26, 2024 required the

*[Handwritten signature]*  
11-04-2025

Company to clarify in respect of the aforementioned non-compliance to which the Company vide letter dated August 8, 2024 responded, *inter alia*, as follows as follows:

*"...due to unforeseen circumstances, the bank was unable to present for approval the quarterly financial statements of the bank for the year 2023 within the stipulated time frame.*

*Moreover, the CFO of the Company resigned on February 1, 2024. Subsequently, Mr. Mansoor Ahmed assumed the position of CFO on March 27, 2024. Due to this transition period, the Company encountered delays in initiating the statutory audit process over the past two months.*

*Due to above reasons the board meetings also delayed. Thereafter, the outstanding meetings of the board and Audit Committee of the year 2023 were held on May 29, 2024 and approved the financial statements for the first, second and third quarters 2023."*

4. Taking cognizance of the matter, the SCN was issued to the Respondents to show the cause in writing as to why a penal action may not be taken against them for non-compliance of the requirements of Section 176(3) of the Act.

5. In response to the SCN, the Company vide letter dated October 18, 2024 submitted its written response stating, *inter alia*, as below:

*"...during the year 2023, Loaning/Advances activities of APNA Microfinance bank was temporarily stopped on call of the regulator due to occurrence of progressive heavy non-performing loans (NPLs) of the bank which was urging to the requirements of fresh equity funds in the bank to meet up the minimum capital requirements as per SBP regulations.*

*SBP imposed condition of fresh capital before stat with the business. Rs.1000 million was placed with the bank as share deposit money (verifiable from the audited financial statements for the year 2023). The bank regained its loaning/advances activities from the month of January, 2024 onward. These were the main reasons that Board of Directors and its sub committees remained awaited till the arrangements of equity funds and fresh financial results through audited financial statements of year 2023.*

*It is acknowledged that the bank could not conduct the required number of meetings in compliance with the provisions of law and regulations mentioned in the subject, however, this was happened due to abnormal and uncertain/unforeseen circumstances. The Board of Directors and the management is fully aware with the spirit of law/rules and regulations of the SECP and always determined to ensure compliances. The spirit of the Board of Directors and bank management can be evidenced from the ongoing year's number of meetings. Soon after audit of financial statement of 2023 completed, 8 meetings of BOD and 6 meetings of audit committee have been conducted so far in the year 2024."*

*#Completed  
17/04/2025  
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6. Subsequently, in order to provide opportunity of personal representation and to meet the ends of justice, hearing in the matter was fixed for March 13, 2025, where; Mr. Muhammad Saleem Shaikh, Director and Mr. Noshad Ahmed, Company Secretary appeared on behalf of the Respondents as the Authorized Representatives (the "Authorized Representatives") and reiterated the written submission made earlier vide letter dated October 18, 2024 and admitting the oversight with a request for a leniency in the matter.

7. I have reviewed the facts of the case and also considered the written and verbal submissions made by the Respondents through the Authorized Representatives. At this juncture, it is important to discuss the following legal and factual elements:

- (i) In terms of Section 176(3) of the Act, the BOD of the Company was required to meet at least once in each quarter of a year. The statutory requirement is absolute, with no discretion or exemption provided under the applicable legal framework.
- (ii) The Ramaiya Guide to the Indian Companies Act, 2013 while commenting on Section 173 to the said Act (*pari materia to Section 176 of the Companies Act, 2017*) points out that "*where a meeting has been properly convened, the directors may transact at the meeting all business within their powers...*" The statute requires the holding of quarterly board meetings in order to enable the board to effectively undertake its role in remaining watchful and having vigilant oversight on all the affairs and operations of the company. Hence, by meeting regularly, the board would be able to identify any critical matter and/or irregularity in the operations, and would be in a better position to address the same promptly.
- (iii) The Ramaiya Guide to the Indian Companies Act, 2013 further sheds light on the significance of regularly holding meetings of the board of directors by stating that "*...the object of s. 285 of the 1956 Act was to ensure that the Board meetings are held at reasonably frequent intervals, so that the directors may be in touch with the management of company's affairs as often as they should be...if no Board meetings are held and thereby through mismanagement or otherwise loss is sustained by the company, the whole Board will be liable.*"
- (iv) The quarterly meetings of the BOD serve as a vital mechanism for ensuring financial oversight, strategic governance and regulatory compliance. These meetings are essential for monitoring the Company's performance, addressing potential risks, and protecting the interests of shareholders; thereby enabling the BOD to play its vital role in the management of the business of the Company. However, the Respondents, by failing to hold the quarterly meetings of the BOD during the year ended December 31, 2023, have contravened the requirements of Section 176(3) of the Act.
- (v) Moreover, it is important to observe that the subject violation has also been duly highlighted by the external auditors in their review report and the Respondents have admitted the same during the hearing proceedings.

#Accountant  
11-04-2025

8. In view of the aforesaid, I am of the considered view that the contravention of Section 176(3) of the Act has been established beyond doubt which attracts a penal action in terms of Section 176(4)(a) and Section 479 of the Act. I, therefore, in exercise of the powers conferred under sub-section (4) of Section 176 and Section 479 of the Act read with S.R.O. 1545(I)/2019 dated December 06, 2019, hereby impose an aggregate penalty of **Rs.150,000 (Pak Rupees One Hundred and Fifty Thousand Only)** in the following manner on the Respondents on account of the aforesaid contravention:

S.No.	Name of Respondents	Penalty Amount (Rs)
1.	Mr. Muhammad Akram Shahid, Director/Chairman	30,000
2.	Mr. Abdul Aziz Khan, Director	15,000
3.	Ms. Tahira Raza, Director	15,000
4.	Mr. Imad Mohammad Tahir, Director	15,000
5.	Mr. Muhammad Azghar, Director	15,000
6.	Mr. Muhammad Saleem Sheikh, Director	15,000
7.	Syed Rahat Ali Shah, Director	15,000
8.	Mr. Shahid Hassan, Director	15,000
9.	Mr. Wajahat Malik, Director	15,000
	<b>Total Amount</b>	<b>150,000</b>

9. Furthermore, the Respondent are hereby **advised** to take necessary steps to ensure meticulous compliance with the relevant regulatory requirements in the future as any such failure to adhere may attract necessary regulatory action under the applicable provisions of the law.

10. The Respondents are, hereby, **directed** to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days of the date of this Order and furnish receipted bank challan, to the Commission forthwith. In case of failure to deposit the said penalty, the proceedings under Section 485 of the Act will be initiated for recovery of penalty/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.

  
11-04-2025

(Sohail Qadri)

Director/ Head of Department  
Adjudication Department-I

**Announced:**

Dated: April 11, 2025

Islamabad.

Order in the matter of M/s. Apna Microfinance Bank Limited dated April 11, 2025