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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**Adjudication Department-I****Adjudication Division**

ORDER	
Name of Company:	M/s. Al-Mawakhat Microfinance Company Limited
Number and Date of Show Cause Notice (SCN):	SCD/Adj-I/MAWAKHAT/173/2025-569 dated May 16, 2025
Name(s) of Noticee(s):	(i) M/s. Al-Mawakhat Microfinance Company Limited; (ii) Mr. Hussain Mohi-Ud-Din Qadri, Director/CEO; (iii) Mr. Abdur Rehman, Director; (iv) Mr. Muhammad Masood Ahmed Usmani, Director; (v) Syed Tanweer Abbas Tabish, Director; and (vi) Mr. Hassan Mohi-Ud-Din Qadri, Director.
Date of Hearing:	May 30, 2025
Case represented by:	(i) Mr. Abdul Rehman Qureshi, Independent Director/Advocate; (ii) Mr. Ehsan Mahmood FCA, ACMA Chartered Accountant; and (iii) Mr. Amjid Ali, Company Secretary. (as the Authorized Representatives.)
Provisions of law involved:	Section 282J (1) of the Companies Ordinance, 1984 for Contravention of Rule 7(2)(aa) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 read with Regulation 10 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008
Date of the Order:	June 04, 2025

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. SCD/Adj-I/MAWAKHAT/173/2025-569 dated May 16, 2025 ("SCN") by the Securities and Exchange Commission of Pakistan (the "Commission") against M/s. Al-Mawakhat Microfinance Company Limited (the "Company") and its Board of Directors (BOD) including the Chief Executive Officer (CEO), hereinafter collectively referred to as the "Noticee(s)", issued under Section 282J (1) of the Companies Ordinance, 1984 (the "Ordinance") for Contravention with the requirements of Rule 7(2)(aa) of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the "NBFC Rules") read with Regulation 10 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations").

2. The provision of clause (aa) of sub-rule (1) of Rule 7 of the NBFC Rules requires that a Non-Banking Finance Company ("NBFC") shall not appoint or change its CEO or any of its directors subject to fulfillment of the fit and proper criteria and prior approval of the Commission.

3. Furthermore, the provisions of clause (a) of Regulation 10 of the NBFC Regulations requires that in case of election of directors in the Annual or Extraordinary General Meeting, the NBFC, 10 days before the date of the meeting in which election of directors is to be held, shall submit an application for the individuals seeking to contest the elections whether they are retiring directors or otherwise. Moreover, Regulation 10(aa) of the NBFC Regulations requires that within thirty days from the date of election of directors in a general meeting, or the office of the CEO falling vacant, as the case may be, the NBFC shall submit an application complete in all respects, for obtaining approval for appointment or reappointment of CEO.

4. Brief facts of the matter are that the Company was incorporated on July 27, 2021 as a public unlisted company under the Companies Act, 2017 (the "Act") and was licensed on April 20, 2022 by the Commission to undertake investment finance services (restricted to microfinance) under the NBFC

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Rules.

5. The review of the record available with the Commission shows that the election of the directors of the Company was held on October 28, 2022. In terms of the aforesaid provisions of the NBFC Rules and NBFC Regulations, the Company was required to obtain approval from the Commission for the prior and post-election/appointment of the directors and CEO in the aforesaid elections. However, the Company did not apply to the Commission for the due approvals of the following elected directors and the appointed CEO:

Sr #	Name(s) of Elected Director(s)	Date of Election
1.	Mr. Hussain Mohi-Ud-Din Qadri (CEO)	October 28, 2022
2.	Mr. Hassan Mohi-Ud-din Qadri	
3.	Mr. Abdur Rehman	
4.	Mr. Muhammad Masood Ahmed Usmani	
5.	Syed Tanveer Abbas Tabish	

6. In order to probe the matter, the Commission vide email dated April 09, 2025 sought justification/explanation from the Company for not obtaining the necessary approvals for the aforementioned appointed directors and CEO. In response, the Company vide email dated April 10, 2025, *inter alia*, submitted that:

"In accordance with Regulation 10 of the NBFC Regulations, proper approval had been obtained in the case of appointment of the directors [Referring to the approval of the Commission in terms of Fit and Proper of the Director]. Please note that board members have not changed, and the requisite permission was obtained from the Commission and duly accepted by the Registrar of Companies (ROC). The last election of directors was held on October 28, 2022, and we respectfully submit that the necessary statutory returns (Form 29 and Form A) reflecting the composition of the board were duly filed with ROC, and certified true copies were issued by the Registrar, accordingly. It has been duly noted that the same will be informed to the Commission for any appointment or re-appointment."

7. The aforesaid response of the Company was not found cogent, as the Company was required to obtain the approval of the Commission at every appointment/re-appointment/re-election of the BOD and CEO as per the requirements in terms of Rules 7(2)(aa) of the NBFC Rules and Regulation 10 of the NBFC Regulations. Furthermore, Companies Registration Office ("CRO") Lahore vide email dated April 18, 2025 stated that Form A and Form 29 submitted by the Company were incomplete and thus, not accepted by the CRO.

8. The aforesaid contraventions indicate that the Company, *prima facie*, contravened with the requirements of Rule 7(2)(aa) of the NBFC Rules read with Regulations 10(a) and 10 (aa) of the NBFC Regulations, which attract penal actions in terms of sub-section (1) of Section 282J of the Ordinance.

9. Taking cognizance of the aforementioned non-compliances, SCN was served upon the Noticee(s), requiring them to show the cause as to why a penal action as provided under sub-section (1) of Section 282J of the Ordinance may not be taken against them for the aforementioned contraventions of the law. In response to SCN, the Company vide letter dated May 21, 2025, *inter alia*, made the following written submissions:

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"The Company, since inception and subsequent grant of license, has remained committed to comply with the NBFC Rules and Regulations, as well as all applicable laws and directives issued by the Commission.

The Company is operating under a regulated framework and is providing financial assistance to underserved and financially vulnerable segments of society. It is also pertinent to highlight that all directors of the Company are independent professional and are providing their services in furtherance of Company's charitable mission.

The Company wishes to place on record its sincere intention to comply with all legal requirements and regulations. The Company has taken significant and demonstrable steps to ensure compliance including:

- ***Timely Filing of Statutory Returns:***

The election of directors held on October 28, 2022 at the Company's First Annual General Meeting (AGM) was conducted in compliance with Section 159 of the Act and Clause 63 of the Company's Articles of Association. The requisite Forms A and 29 were filed with the CRO within the prescribed timeframe, duly notifying the Commission. Kindly note that the re-election did not involve any change in the composition of the BOD which has been duly approved by the Commission.

- ***Verification of Compliance by CRO:***

The CRO, after recording the documents issued certified true copies of statutory filings for the years 2022, 2023, and 2024, thereby confirming the timely and accurate filing of returns. It is noteworthy that no objection, deficiency, or indication of any legal violation was raised by the CRO at the time of issuance of these certified copies. This was reasonably construed by the Company as confirmation of compliance.

- ***License Renewal by the Commission:***

Contrary to the assertion in the SCN, the Company has already received its renewed license from the Commission, valid beyond April 20, 2025. This renewal serves as a testament to the Company's satisfactory regulatory standing and good faith compliance with the Commission's standards.

The Company had already communicated its position via email dated April 10, 2025 to the Commission, explaining the rationale behind the re-election of directors. It was clarified that the re-election was necessitated due to the Company's first AGM, as required by law stated above. There has been no change in directorship or any material deviation that would require fresh approval. Moreover, the permission for the appointment of the Board was duly obtained from the Commission at the time of license issuance.

The Company continues to file all necessary statutory returns and compliance documents with due diligence and within prescribed deadlines and submitted that:

- *There has been no willful or deliberate contravention of the law;*
- *The Company has made timely and accurate statutory filings as confirmed by CRO-certified documents;*
- *The re-election of directors was conducted strictly in accordance with law and was a procedural compliance following the first AGM;*
- *The Company has obtained a renewed license from the Commission, reflecting continued regulatory compliance and good faith operations; and*
- *The Company has demonstrated a consistent track record of transparency, regulatory engagement, and commitment to its charitable mission."*

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10. In order to provide an opportunity for personal representation and to meet the ends of justice, a hearing in the matter was fixed for May 30, 2025, which was attended by Mr. Abdul Rehman Qureshi, Independent Director/Advocate; Mr. Ehsan Mahmood FCA, ACMA Chartered Accountant; and Mr. Amjid Ali, Company Secretary, as the Authorized Representatives of the Noticee(s) (the **"Authorized Representatives"**). During the course of the hearing, the Authorized Representatives reiterated the written submission made earlier via letter dated May 21, 2025, and made submissions, *inter alia*, stating that there had been no change in directorship since the initial fit and proper assessment, as the same directors/CEO were reappointed. Based on this, the Company understood that prior approval was not required in the absence of any change in directorship. Moreover, from the Company's understanding, there was never any intention to contravene the requirements of the law. It was under the impression that by filing the statutory returns with the ROC, the Company had complied with the applicable legal requirements. Furthermore, the Authorized Representatives assured to comply with all legal requirements in future and requested for a leniency in the matter.

11. I have reviewed the facts of the case and also considered the written and verbal submissions made by the Noticee(s) through their Authorized Representatives. I have also perused the provisions of Rule 7(2)(aa) of the NBFC Rules, Regulation 10(a) and Regulation 10(aa) of the NBFC Regulations, which provide a clear and unambiguous requirements on what and at what time the necessary approvals are required by law. It is pertinent to note that Rule 7(2)(aa) of the NBFC Rules requires that an NBFC shall not appoint or change its CEO or any of its directors without the fulfillment of the fit and proper criteria and prior approval of the Commission. The purpose of this provision is to maintain the integrity, sound governance and operational stability of entities operating within the regulated financial sector. It is a mandatory requirement and is applicable irrespective of whether the appointment or reappointment involves new individuals or existing incumbents.

12. Furthermore, Regulation 10 of the NBFC Regulations makes it unequivocally clear that an NBFC is obligated to obtain both prior approval for individuals who are contesting the election and post-election approval from the Commission for appointment of the CEO, regardless of whether the individuals have previously served in such roles. The test is not whether there is a 'change' in directorship, but whether a 'fresh election' and/or 'appointment' has occurred, in which case the fit and proper criteria and Commission's necessary approvals are mandatory.

13. The Authorized Representatives asserted that no new individuals had been elected or appointed to the BOD and that its composition remained unchanged; further, they submitted that initial approvals had been granted by the Commission at the time of license issuance and that the subsequent re-election at the first AGM did not necessitate further approvals. It is pertinent to highlight that the concept of 'fit and proper' is not a one-time exercise; rather, fit and proper must be reaffirmed every time a director or CEO is appointed or re-appointed, even if the individual has previously held the same position. While some comfort can be drawn from the fact that all directors, being reappointed along with the CEO, had the fit and proper approval at the time of grant of license, which was six months ago, i.e., on April 20, 2022, the Company was nevertheless required to comply with the necessary requirements of law, including obtaining the requisite approvals from the Commission at the time of re-election or re-appointment of the directors and CEO.

14. Furthermore, the Authorized Representatives also contended that the Company had filed statutory returns (Form A and Form 29) with the CRO, and that certified true copies were issued for the years 2022 onwards. However, it is important to reiterate the settled principle that, *"filing with or acceptance by the CRO does not constitute or substitute the regulatory approval required under the NBFC Rules or Regulations."* The CRO's acceptance of statutory returns does not extend to validating compliance with licensing or regulatory obligations. In the instant case, the Company failed to obtain the required prior and post-election approvals from the Commission for the elected directors and the appointed CEO on October 28, 2022.

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15. In view of the foregoing, as the Authorized Representatives has extended an unequivocal assurance to ensure strict compliance with all applicable legal and regulatory requirements in future, I, therefore, hereby conclude the proceedings without any adverse action. The Noticee(s) are also advised to ensure meticulous compliance with the applicable legal and regulatory framework in future.


1-06-2025

(Sohail Qadri)

Director / Head of Department
Adjudication Department-I

Announced:
June 04, 2025
Islamabad