



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s. Punjab Rural Support Programme
Show Cause Notice No. & Date:	SECP/SCD/Adj-I/33/2021-485 dated April 17, 2025
Name(s) of Respondent(s):	(i) M/s. Punjab Rural Support Programme; (ii) Mr. Abid Saeed, Chief Executive Officer; (iii) Justice (R) Khalil ur Rehman Ramday, Director; (iv) Mr. Sohail Ahmad, Director (v) Ms. Nauheed Kausar, Director; (vi) Justice (R) Sh. Karamat Nazir Bhandari, Director; (vii) Mr. Farooq Nazir Haroon, Director (viii) Mr. Zahid Aslam, Director; (ix) Mr. Wiqar Avas, Director; (x) Dr. Seemi Waheed, Director; and (xi) Ms. Huma Maqsood, Director
Date(s) of Hearing(s):	(i) May 12, 2025
Case represented by:	(i) Mr. Muhammad Azam Zia, Legal Advisor (As the Authourized Representative) (ii) Mr. Muhammad Rafiq, Company Secretary
Provision of law involved:	Section 282 J (1) of the Companies Ordinance, 1984 for Contravention of Regulation 34 Read with Schedule XIIA of the Non-Banking Finance Companies and Notified Entities Regulations, 2008
Date of Order:	June 27, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through the Show Cause Notice No. SCD/Adj-I/33/2021-485 dated April 17, 2025 (the "SCN") against M/s. Punjab Rural Support Programme (the "Company") and its Board of Directors ("BOD"), including the Chief Executive Officer (CEO), hereinafter collectively referred to as (the "Respondents"), for contravention of the requirements of regulation 34 and Schedule XIIA of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") read with Section 282J (1) of the Companies Ordinance, 1984 (the "Ordinance").

2. Regulation 34 of the NBFC Regulations provide that all lending Non-Banking Finance Companies (NBFCs) including Non-Bank Micro Finance Companies (NBMFCs) shall comply with the requirements of the Code of Corporate Governance (the "Code") as specified in Schedule XIIA of the NBFC Regulations.

3. Schedule XIIA of the NBFC Regulations contains certain mandatory requirements for lending NBFCs in respect of risk management and internal controls, composition of board and its committees and timelines for their statutory meetings. Clause 6 of the Schedule XIIA of the NBFC Regulations requires that all directors should receive orientation on the operations of the lending NBFCs including NBMFC and training on their fiduciary roles, responsibilities and liabilities as board members. Clause 10 of thereof requires that all lending NBFCs including NBMFC shall establish Audit Committee, comprising at least three non-executive directors. The chairperson of the committee shall be an independent director, who shall not be the chairperson of the board. Preferably, at least two members having relevant financial/banking expertise and experience must be part of the audit committee. Additionally, clause 12 of the Schedule XIIA of NBFC Regulations requires that there shall also be a Risk Management Committee of the board constituted to supervise overall risk management functions of the institution.

4. Brief facts of the case are that the Company was incorporated on November 26, 1997, as a not-profit organization under the Ordinance, now the Companies Act, 2017 (the "Act") and licensed by the Commission to carry out Investment Finance Services under the Non-Banking Finance Companies (Establishment and

Regulation) Rules, 2003 (**the NBFC Rules**) on June 06, 2018, which was renewed on June 6, 2022 for a period of three years. In terms of aforesaid provisions of the regulation 34 read with the relevant provisions of the Schedule XIA of the NBFC Regulations, the Company was required to provide its directors an orientation on operational and fiduciary duties, establish an Audit Committee with qualified non-executive and independent directors, and form a Risk Management Committee to oversee and manage the institution's overall risk exposure.

5. A review of the Company's compliance status with the requirements of the Code for the period July 1, 2023 to December 31, 2023 revealed that the Chairman of the Audit Committee was not an independent director and that no risk management committee of the Board of Directors was formed, contrary to the requirements of clauses 10 and 12 of the Schedule XIA of the NBFC Regulations. Accordingly, the Company, vide email dated June 3, 2024, was advised to ensure compliance with the requirements of the Code and submit a compliance report in respect of re-composition of the board and its committees as per the requirements of the Code, latest by July 31, 2024.

6. Subsequently, during the recent/latest off-site review of the Company, similar observations in respect of compliance with the requirement of the Code were again noted and the same are detailed as under:

- (i) The current Chairman of the Audit Committee is a non-independent Director in violation of clause 10 of the Schedule;
- (ii) The Company has not formed Risk Management Committee, contrary to the requirement of clause 12 of the Schedule; and
- (iii) The Company has not conducted training or orientation for directors in respect of operations of the lending NBFC and fiduciary roles, responsibilities and liabilities as board members in contravention of clause 6 of the Schedule.

7. The Commission, vide email dated February 17, 2025, took up the said non-compliances with the Company. In response, the Company, vide its email dated February 20, 2025, acknowledged the continuation of these violations and assured to hold an orientation session during the current financial year, replacement of the Chairman Audit Committee with an Independent Director, and formation of Risk Management Committee by the board in its next meeting. The Company also failed to submit the required compliance report while also failing to rectify the non-compliances, despite prior advice by the Commission vide email dated June 3, 2024.

8. The aforesaid contraventions indicated that the Respondents, *prima facie*, failed to comply with the requirements of regulation 34 of the NBFC Regulations read with the clauses 6, 10 and 12 of the Schedule in a continuing manner, which attracts penal actions under Section 282J (1) of the Ordinance. The relevant provisions of law as applicable are reproduced hereunder:

Regulation 34 of the NBFC Regulations:

"Code of Corporate Governance

All lending NBFCs including Non-Bank Micro Finance Company shall comply with the requirements of the Code of Corporate Governance, as specified in Schedule XIA."

Clause 6 of the Schedule XIA of the NBFC Regulations:

"All Directors should receive orientation on the operations of the NBMFC and training on their fiduciary roles, responsibilities and liabilities as board members."

Clause 10 of Schedule XIA of the NBFC Regulations:

"NBMFCs shall establish Audit Committee, comprising at least three non-executive directors. The chairperson of the committee shall be an independent director, who shall not be the chairperson of the board. Preferably at least two members having relevant financial/banking expertise and experience must be part of the audit committee. The audit committee of the NBMFC shall meet at least once every quarter of the financial year. A meeting of the audit committee shall also be held, if requested by the external auditors, head of internal audit or by chairman of the audit committee. The board of every company shall determine the terms of reference of the audit committee."

Order in the matter of M/s. Punjab Rural Support Programme and its Board of Directors dated
June 27, 2025

Handwritten signature and date:
27-06-2025

Clause 12 of Schedule XIIA of the NBFC Regulations:

"There shall also be Risk Management Committee of the board constituted to supervise overall risk management functions of the institution. It will decide the policy and strategy for integrated risk management containing various risk exposures of the institutions. The Committee would review policies and guidelines for identification, measurement, monitoring and control for all major risk categories. The Board shall determine terms of reference of the Risk Management Committee."

Section 282J (1) of the Ordinance:

"Penalty for failure, refusal to comply with, or contravention of any provision of this Part.-

(1) Notwithstanding anything contained in any other provision of this Ordinance, if a NBFC or the notified entity or its officers (including auditors) fails or refuses to comply with, or contravenes any provision contained in this Part or of any of the provisions of the rules or regulations made under section 282 B or regulation, circular or directive or any direction or order passed by the Commission under the provisions contained in this Part or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, in addition to any other liability under this Ordinance, be also punishable with fine the amount of which shall not exceed fifty million rupees:

Provided that if the failure, refusal, default, contravention is committed by NBFC or the notified entity, every director, manager, or other officer or person responsible for the conduct of its affairs shall, unless he proves that the failure or contravention or default took place or committed without his knowledge, or that he exercised all diligence to prevent its commission, be deemed to be guilty of the offence."

9. Accordingly, SCN was served upon the Respondents on April 17, 2025 to show the cause in writing as to why a penal action may not be taken against them for non-compliance with the provisions of the law. In reply to SCN, the Company, vide letter dated April 22, 2025, submitted the following:

(i) *As was submitted vide email dated February 22, 2025, the chairman audit committee will be replaced by independent director by the Board in its next meeting. In this regard, since no board meeting has been held since February 20, 2025 till date, and the next meeting is scheduled to be held on May 3, 2025, the aforesaid replacement will be done positively in the aforesaid board meeting. The agenda of the next Board meeting includes this item as under:*

"Item No. 5: to consider SECP's observation and to approve to change the Chairperson of the Audit Committee from non-independent Director to Independent Director."

(ii) *The Company has already made compliance and formed the required Risk Management Committee vide resolution dated March 21, 2025.*

(iii) *The Company is in the process of conducting an orientation of its directors in respect of the operations of lending NBFC and has engaged a consulting firm for this purpose. The process shall be completed by June 15, 2025.*

10. In order to provide the Respondents an opportunity of personal representation, hearing was scheduled for May 12, 2025, which was attended by Mr. Muhammad Azam Zia, Legal Advisor, as the Authorized Representative of the Respondents, and Mr. Muhammad Rafiq, Company Secretary for assisting the Authorized Representative, **(the Authorized Representative)**. The Authorized Representative reiterated the stance taken in the furnished earlier written reply and further submitted that corrective measures have been undertaken to address the identified corporate governance lapses. It was informed that the Chairman of the Audit Committee, who was previously a non-independent director, has been replaced by an independent director in the Board meeting held on May 3, 2025, in compliance with the applicable regulations. Further, the Representatives submitted that the Risk Management Committee of the Board has been constituted through a resolution dated March 21, 2025. Moreover, regarding the director orientation and training requirement, the Representatives stated that the Company has engaged a consulting firm to conduct the necessary orientation for its directors on the operations of the lending NBFC and their fiduciary responsibilities, and the process is


Handwritten signature and date: 27-06-2025

expected to be completed by the end of May 2025. In the end the Authorized Representative submitted that as the identified deficiencies have been rectified therefore a lenient view may be taken. Subsequent to the hearing, the Respondents confirmed completion of directors' training vide email to the Commission dated June 2, 2025.

11. I have gone through the relevant provisions of regulation 34 read with Schedule XII A of the NBFC Regulations and considered the facts of the case as well as written and verbal submissions made by the Respondents and their Authorized Representative. It is important to observe here that ensuring the constitution of properly structured Board committees and providing adequate training to directors are fundamental corporate governance requirements that promote sound oversight, prudent risk management, and accountability within an NBFC. An independent and well-composed Audit Committee is essential for safeguarding the integrity of financial reporting and internal controls, while a Risk Management Committee is critical to oversee the institution's exposure to various financial and operational risks. Additionally, training and orientation of directors on the operations of the NBFC and their fiduciary responsibilities are necessary to ensure informed decision-making and discharge of statutory duties. The Company, failed to comply with these key requirements in violation of clauses 6, 10, and 12 of Schedule XIIA of the NBFC Regulations. These lapses undermine the regulatory framework's objective of ensuring strong governance, risk oversight, and director accountability.

12. The Respondents submitted that the corrective measures have been undertaken to address the identified non-compliances of the code, therefore a lenient view may be taken. However, it is important to observe that compliance has been undertaken only after the issuance of SCN or for that matter after any regulatory action/review do not constitute timely compliance as envisage under the applicable regulatory framework. Licensed entities are expected to exercise extra caution in ensuring that all regulatory and corporate governance requirements are proactively met within the prescribed timelines. Reliance on post-facto corrective measures cannot substitute the obligation of timely and diligent compliance, which is a fundamental expectation from licensed institutions. Entities must implement robust internal controls, oversight mechanisms, and monitoring systems to prevent such lapses and ensure that compliance is achieved as a matter of routine governance, not as a reaction to regulatory intervention.

13. In view of the foregoing, it is established that the Respondents have failed to comply with the provision of clauses 6, 10, and 12 of Schedule XIIA of the NBFC Regulations. These lapses clearly reflect deficiencies in the Company's internal governance structure, particularly the improper constitution of the Audit Committee, absence of a Risk Management Committee, and lack of training and orientation for directors. While the Company has taken remedial actions post-issuance of SCN, such compliance does not remove the prior default. Nonetheless, considering that corrective measures have now been taken and the Respondents have demonstrated a willingness and have given assurance to improve compliance going forward, I, hereby, am inclined to take a lenient view and in exercise of the powers conferred upon me under sub-section (1) of Section 282 J of the Ordinance vide S.R.O. 1545(I)/2019 dated December 6, 2019 conclude the proceedings initiated through SCN by a **WARNING** to the Respondents and advise them to ensure meticulous compliance of applicable legal and regulatory framework in future.


Sohail Qadri 27-06-2025
Director/ HOD
Adjudication Department-I

Announced:

Dated: June 27, 2025

Islamabad