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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I
Adjudication Division

ORDER	
Name of Company:	M/s. Humraah Financial Services Limited
Show Cause Notice No. & Date:	No. SECP/SCD/ADJ-I/HFSL/154/2024-171 dated March 27, 2024
Respondents:	(i) Humraah Financial Services Limited
Date(s) of Hearing(s):	(i) June 03, 2024; (ii) June 13, 2024; (iii) August 19, 2024; (iv) September 02, 2024; (v) March 13, 2025; and (vi) April 10, 2025
Case represented by:	(i) Khawaja Azhar Rasheed, Advocate Supreme Court; and (ii) Ms. Komal Malik Joyia, Advocate High Court (as Authorized Representatives)
Provision of law involved:	Section 131 (6) read with Section 131 (11) and Section 479 of the Companies Act, 2017
Date of Order	May 19, 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. SECP/SCD/ADJ-I/HFSL/154/2024-171 dated March 27, 2024 (“SCN”) against M/s. Humraah Financial Services Limited (the “Company/Respondent”), under Section 131(6) read with Section 131(11) and Section 479 of the Companies Act, 2017 (the “Act”).

2. The Company was incorporated on August 29, 2022 under the Act and licensed by the Commission to undertake Investment Financial Services restricted to Non-Banking Microfinance under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the “NBFC Rules”) on October 31, 2022. The principal line of business of the Company is to undertake investment finance services in the form of personal and consumer credit to individuals, and commercial financing facilities to individuals and corporate entities including for housing finance, leasing, discounting or any other permitted form of finance, including in the form of nano-credit and micro-finance facilities and loans, and to collect repayments thereof, but without opening accounts or accepting deposits.

3. Brief facts leading to this case are that an Enquiry of the Company was ordered under Section 282 I of the Companies Ordinance, 1984 (the “Ordinance”) vide enquiry order bearing number OD(NBFC)/SD/HFSL/2023/32 dated August 16, 2023 to check the status of compliance with the applicable regulatory framework along with review of operational activities, governance, internal control environment, AML CFT compliance. The said enquiry covered the period started from the date of incorporation of the Company till July 31, 2023 (review period). The Enquiry Team (Team) has submitted the Enquiry Report on March 06, 2024, which transpired several non-compliances by the Company with the regulatory requirements.

4. Section 131 of the Act deals with proceedings of statutory meeting by public company having share capital to be conducted within a period of one hundred and eighty (180) days from the date of commencement of business or within nine (9) months from the date of its incorporation whichever is earlier. The sub-section (6) of Section 131 of the Act requires the Directors of a company to submit copy of the statutory report, along-with report of the auditors with Registrar/Commission. As the Company was incorporated on August 29, 2022 and licensed to carry out lending business was granted on October 31, 2022, accordingly, it had to convene the statutory meeting on or before April 29, 2023 i.e. 180 days from commencement, and submit the aforesaid reports with the Registrar/Commission. However, the Company failed to submit any such report to the Registrar/Commission, which attract the penal provision of sub-section (11) of Section 131 thereof. The said provision of laws is reproduced as under:

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Section 131 of the Act -Statutory meeting of company. –

(1) Every public company having a share capital shall, within a period of one hundred and eighty days from the date at which the company is entitled to commence business or within nine months from the date of its incorporation whichever is earlier, hold a general meeting of the members of the company, to be called the "statutory meeting":

Provided that in case first annual general meeting of a company is decided to be held earlier, no statutory meeting shall be required.

.....

(6) The directors shall cause a copy of the statutory report, along with report of the auditors as aforesaid, to be delivered to the registrar for registration forthwith after sending the report to the members of the company.

.....

(11) Any contravention or default in complying with requirement of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and

(b) in case of any other company, to a penalty of level 1 on the standard scale."

5. While taking cognizance of the alleged violations, proceedings under Section 131(6) read with Section 131(11) of the Act were initiated against the Company through SCN requiring it to show cause in writing within fourteen (14) days, as to why a penal action, as provided, should not be initiated against it. In response to SCN, the Company vide its letter dated May 14, 2024 requested an extension in time for submission of written response to the SCN, which was acceded to and the Company was allowed to submit its stance in writing till June 03, 2024. However, no response was submitted despite the duly granted extension.

6. In order to provide an opportunity for personal representation, hearing in the matter was initially fixed for June 03, 2024. However, no one appeared on behalf of the Respondent. Subsequently the hearing was re-fixed for June 13, 2024; wherein Ms. Komal Malik Joyia (Advocate) appeared on behalf of the Company and submitted authorizing instrument in favor of Khawaja Azhar Rasheed, Advocate Supreme Court, Ms. Komal Malik Joyia, Advocate High Court; and Mr. Noman Yousaf, Advocate High Court as its Authorized Representatives (**the Authorized Representatives**) and also filed an application for adjournment of hearing for two (2) weeks. Thereafter, in order to provide a fair opportunity of being heard, hearing into the matter was again fixed for August 19, 2024; wherein, the Authorized Representative again submitted a request for adjourned. Subsequently hearing was again re-fixed for September 2, 2024 where none of the Respondents or the Authorized Representatives preferred to appear nor an adjournment was sought.

7. In order to meet the end of justice and to conclude the proceedings in an efficacious manner, another hearing opportunity was provided to the Company/Respondent and the hearing into the matter was fixed for March 13, 2025, which was again adjourned upon request of the Authorized Representatives. Subsequently, in the interest of fairness and to provide a final opportunity of representation, hearing in the matter was re-fixed for April 10, 2025, with clear advice that in case of non-appearance, the matter would be decided *ex-parte* based on the record available with the Commission and on its merits. The said hearing was attended by the Authorized Representatives on behalf of Company, where they submitted the written response to the SCN and reiterated the same as verbal submission. The written submissions made by the Company, inter alia, included the following:

(i) *Section 509 of the Act, explicitly provides that the part VIII A of the repealed Ordinance along with related or connected provisions shall applicable mutatis mutandis to NBFC in a manner as if repealed Ordinance has not been repealed. Thus, Act is not applicable to the NBFCs;*

(ii) *NBFC will be regulated by the Ordinance, NBFC Rules and NBFC Regulation and not by Act. NBFC Laws being special in nature, will prevail on general law of the Act. Level of Penalty is different in Ordinance and the Act.*

8. I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondent and its Authorized Representatives. It is important to discuss the following legal and factual elements:

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- (i) The Respondent's assertion that the Act does not apply to NBFCs by virtue of Section 509 is not plausible. It is important to observe that Section 509 preserves specific provisions of the repealed Ordinance, particularly Part VIIIA specifically dealing with the NBFCs, allowing such statutory provisions to continue to be in effect; and does not, in any manner whatsoever, imply that the remainder of the Act is also inapplicable to a company incorporated as NBFCs. For clearer understanding, this savings clause ensures continuity of 'NBFC Specific' framework relating to licensing, establishment and Regulation, but does not exempt/exclude NBFCs from corporate/governance requirements like holding statutory meetings or submitting statutory/periodic reports, which essentially apply to all public companies falling within the auspices of the Act. It is pertinent to observe that surprisingly the Respondent itself is incorporated under the very Act which it is attacking for applicability thereof. As a public limited company incorporated under the Act, the Respondent remains fully subject to the provisions of the Act unless a specific and deliberate exemption is expressly provided, which is not the case for Section 131 or for that matter any other corporate compliance obligation. Moreover, the spirit of Part VIIIA as the savings of the repealed Ordinance and applicability of the provisions of the Act is clearly preserved by the expression "*Mutatis Mutandis*" in Section 509 of the Act by the legislature; whereas it is important to note that no competing or supplementary provisions for Section 282A to 282N have been provided in the Act unlike the provisions of Section 131 which has practically replaced Section 157 of the repealed Ordinance with evolved requirements for holding of statutory meeting. It is pertinent to note that the Black's Law Dictionary defines the expression "*Mutatis Mutandis*" as "*All necessary changes having been made; with the necessary changes*". Moreover, guidance is also fetched from the Honorable Peshawar High Court which in its Judgement dated December 15, 2017 [2019 P Cr. L J 225] defined the term "*mutatis mutandis*" as "*The above words 'mutatis mutandis' is a Latin Phrase, which has been defined in the Blacks' Law Dictionary (Revised 7th Edition 1999 at P. 1039) as follows. 'mutatis mutandis' as 'with the necessary changes in points of detail, meaning that matters or things are generally the same, but to alter when necessary, as to names, offices, and the like, Houseman v. Waterhouse.*". Further, guidance may also be sought from the Honorable Lahore High Court Order dated June 23, 2014 [2014 P T D 1874] in the matter of M/s MCB Bank Limited Versus Commissioner Inland Revenue, where the Honorable Court held that "*Rule 9 of the 7th Schedule provides that provisions of the Ordinance not mentioned in the 7th Schedule shall apply mutatis mutandis to the banking company. Mutatis mutandis literally means "necessary changes having been made" and the phrase "apply mutatis mutandis," means, that the applicability of any other provision of the Ordinance to the 7th Schedule will also include and bring with it all the necessary changes required to make the said provision of the Ordinance functional under the law. Rule 4 of Part-II of 6th Schedule, structured on cash-basis accounting, once applicable to the banking company under the 7th Schedule, will change the existing accrual-basis accounting in respect of the surplus arising in a Pension Fund, to cash-basis accounting. This change is mandated by the Ordinance and Rule 9 of the 7th Schedule.*" Therefore, it is observed that provisions of the Act which deal with corporate compliance/governance by an NBFC in its inherent status of a corporate entity are fully applicable and demand compliance without fail.
- (ii) Section 131 of the Act, 2017 is an unambiguous requirement applicable to all public companies having share capital. The Company, in the instant matter, was incorporated on August 29, 2022 and commenced its business after obtaining its license on October 31, 2022. Therefore, as per sub-section (1) of Section 131, the Company was required to hold a statutory meeting of its members within 180 days from the date of it commencing the business — i.e., by April 29, 2023. It was further required under sub-section (6) of Section 131 thereof to submit the statutory report and auditor's report to the Commission. The admitted failure to do so constitutes a clear contravention of the statutory requirement.
- (iii) The Respondent's argument that "special law overrides general law" is entirely misapplied in this context. The NBFC regulatory framework is not intended to override or displace general corporate governance provisions of the Act. Rather, both sets of laws coexist harmoniously and supplement and complement each other. The Act, being the governing law/statute for all companies (i.e., corporate entities) incorporated in Pakistan, continues to regulate their corporate structure, meetings, filings,

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19-05-2025

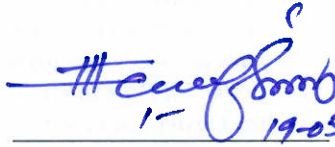
disclosures, etc., unless an explicit exemption or departure is envisaged or provided by the law, which is not the case in the instant matter.

- (iv) The argument regarding differing penalty levels under the Ordinance and the Act is irrelevant in this context. The SCN has been issued under Section 131(11) of the Act, which governs the Company's statutory obligations as a public company. The applicable penalties are those under the Act, as the failure to hold the statutory meeting and file the reports is a violation of the Act, not of the NBFC Rules.
- (v) Moreover, it is also pertinent to observe that the adjudication proceedings concluded by the competent adjudicating authority vide Order dated April 30, 2025 held the Company to be non-compliant with the requirement of rule 7(1)(da) of the NBFC Rules, in terms of which the Company failed to submit the audited financial statements to the Commission. Accordingly, the Company was directed to submit the audited financial statements within three (3) months of the Order per se.

9. In view of the foregoing facts, circumstances, and the submissions made by the Respondent and its Authorized Representatives, it is evident that the Respondent admittedly failed to hold the statutory meeting within the given timeline and to submit the copy of the statutory report, along-with report of the auditors with Registrar/Commission, which attract the penal action in terms of sub-section (11) of Section 131 of the Act. I, therefore, in exercise of the powers conferred upon me under sub-section (11) of Section 131 of the Act, vide S.R.O. 1545(I)/2019 dated December 06, 2019, hereby, imposed a penalty of **Rs. 20,000/- (Rupees Twenty Thousand only)** on the Company on account of established default.

10. Furthermore, in exercise of powers conferred upon me under Section 475 of the Act read with S.R.O 1545(I)/2019 dated December 6, 2019, the Company and its Directors are hereby directed to submit the copy of the statutory report, along-with report of the auditors with Registrar/Commission as per requirement of Section 131(6) of the Act, latest by July 31, 2025 without fail.

11. The Company is hereby directed to deposit the aforesaid fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and furnish receipted voucher issued in the name of the Commission for information and record. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the fines as arrears of land revenue pursuant to provisions of Section 42 of the Securities and Exchange Commission of Pakistan Act, 1997.


1- 19-05-2025
(Sohail Qadri)
Director/ Head of Department
Adjudication-1

Announced:
May 19, 2025
Islamabad.