



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I Adjudication Division

Before

Mahboob Ahmad – Additional Director/Head of Listed Companies Wing

In the Matter of

Waves Corporation Limited

Number and Date of SCN: CSD/ARN/395/2016-402
dated August 09, 2024

Hearing Date: October 08, 2024

Present: Mr. Ahmed Bilal, Company Secretary and
Mr. Khurram Zahoor, Manager Corporate Affairs;
as the Authorized Representatives

ORDER

Under Section 237 read with Section 479 of the Companies Act, 2017

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “**Commission**”) through Show Cause Notice CSD/ARN/395/2016-402 dated August 09, 2024 (the **SCN**) issued under section 237 of the Companies Act, 2017 (the **Act**) read with section 479 thereof and Circular No. 11 dated August 11, 2023 (**Circular**) against the Board of Directors and Chief Financial Officer (CFO), hereinafter collectively referred to as the **Respondents**, of Waves Corporation Limited (the **Company**).

2. Brief facts of the case are that from the relevant record of the Commission, it transpires that the Company has failed to timely file/transmit with the Registrar/Commission, its Quarterly Financial Statements (**QFS**) for the following period:

Period Ended	Due on	Date of Filing/Transmission of QFS with the Registrar/Commission
31-Mar-24	30-Apr-24	26-Jul-24 (delay of 87 days)

3. In view of the above, it transpired that the directors, Chief Executive Officer (CEO) and CFO of the Company had, *prima facie*, contravened the provisions of section 237 of the Act read with Circular by late filing/transmitting the above-mentioned QFS through eServices/eZfile with the Registrar/Commission.

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4. Consequently, a SCN dated August 09, 2024 was issued to the Respondents to show cause in writing as to why penal action may not be taken against them for non-compliance with the provisions of section 237 of the Act read with Circular.

5. In response, the Company Secretary vide letter dated August 23, 2024 filed written response to the SCN, *inter alia*, stating the following:

- The Commission has installed a new system i.e. Leap-eZfile, that does not accept new forms until previous filings have been accepted. In the Company's case, the annual accounts for the year ended December 31, 2023, were pending.
- In the meantime, the Company tried to file the QFS for the period ended March 31, 2024, through the eZfile system, which generated a challan with a three-time additional fee.
- The Company took up the matter for correction and contacted the Commission for resolution of the eZfile system issue.
- It is pertinent to mention here that all companies, including this Company, were facing technical issues in filing accounts/returns on the newly implemented system.
- LEAP is still in the testing phase and is operating in a trial mode, resulting in technical glitches, including incorrect data for multiple companies in the market.
- Accordingly, the Company was able to upload the QFS in July 2024 after the issue was resolved.
- The Company timely transmitted the QFS at the Pakistan Stock Exchange (PSX) and the Company's website, making it available for the general public and regulators.
- The Company has always been prudent and vigilant in filing the required documents with regulators and will continue this effort as always.
- Therefore, it is requested to consider this reply, as the Company will make every effort to be even more vigilant in its filings/submissions.

6. To provide an opportunity for personal representation, hearing in the matter was fixed for October 08, 2024, where Mr. Ahmed Bilal, Company Secretary, and Mr. Khurram Zahoor, Manager Corporate Affairs, appeared as the Authorized Representatives on behalf of the Respondents (**the Representatives**) and reiterated the written response submitted vide letter August 23, 2024 and made the following further submissions:

- The QFS were uploaded on eZfile system, but the system generated challan with three-times additional fee;
- A complaint was lodged on the same issue;
- The issue was resolved in the month of July, thereafter resubmitted the QFS on July 26, 2024;



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- The QFS were submitted through Pakistan Unified Corporate Action Reporting (PUCAR) system of PSX with intimation that the same are also available on the Company's website; and
- The alleged default of late filing of QFS was not wilful, hence requested to take a lenient view.

7. Subsequent to the hearing, the Representatives vide email dated November 01, 2024 submitted the following;

- i. Fee challan dated May 11, 2024 with three-time additional fee;
- ii. Acknowledgment receipt of filing dated June 04, 2024 of annual accounts for the period ended December 2023;
- iii. Objection letter dated April 19, 2024 related to filing of annual accounts; and
- iv. Email receipt dated May 01, 2024 for Filing of QFS.

8. The relevant provisions of the Act stipulate as under:

"237. Quarterly financial statements of listed companies. — 1) Every listed company shall prepare quarterly financial statements within a period of: -

- a) thirty days from the close of first and third quarters of its year of accounts; and*
- b) sixty days from the close of its second quarter of its year of accounts.*

2) The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1).

(4) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale."

9. As regards the matter at hand, I have analyzed the facts of the case based on the relevant provisions of the Act and the available record, as well as the written and verbal submissions of the Representatives. At this juncture, it is imperative to address the following legal and factual issues:

(i) **Whether it is statutory obligation to timely file/transmit QFS?**

The provisions of section 237 of the Act are unambiguous and explicit. The timing of the QFS is essence and the disclosure requirements of these QFS have been kept to a bare minimum. The timely preparation and filing/transmission of QFS with Registrar and the Commission provide to its users a reliable source of information regarding a Company's financial position and performance. In order to ensure compliance, the Respondents have



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fiduciary duty to ensure that the Company meticulously adheres to the law for preparation and filing/transmission of the QFS in a timely manner.

In the instant case, the Respondents initiated the process of filing the QFS on May 1, 2024; however, the evidence provided by the Representatives demonstrates that the system generated a challan with a three-time additional fee on May 11, 2024.

(ii) Whether QFS is source of information for the stakeholders/members?

QFS are crucial source of information for stakeholders/members. They provide timely insights into a company's financial performance and position, enabling members to make informed decisions regarding their investments. Such information is essential for assessing the company's overall financial health on a regular basis, thereby ensuring transparency of the company.

In the instant case, the Company had transmitted the QFS through PUCAR platform of PSX and made it available on the Company's website on May 02, 2024.

10. In view of the above, I have concluded that the failure to timely file/transmit the Company's QFS for the period ended March 31, 2024, was due to the system error. The evidence provided by the Representatives demonstrates that the Company initiated the filing process of the QFS via eZfile on May 1, 2024; however, a challan dated May 11, 2024 with three-time additional fee was generated and on resolution of the issue, the Company filed the QFS on July 26, 2024. Furthermore, considering the fact that the Company transmitted the QFS to PSX and posted it on the Company's website on May 2, 2024 and having satisfactory compliance history in respect of filing of QFS. Given these circumstances, in the exercise of the powers conferred under sub-section (4) of section 237 of the Act, I hereby warn the Respondents for the aforementioned default.

Mahboob Ahmad
Additional Director/ Head of Wing
Listed Companies Wing,
Adjudication Department – I

Announced:
November 15, 2024
Islamabad