



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company	M/s. Systems Limited
Show Cause Notice No. & Date:	No. CSD/ARN/561/2018-624 dated July 07, 2025
Noticee(s):	(i) Mr. Aezaz Hussain, Director; (ii) Mr. Muhammad Asif Peer, Director; and (iii) Mr. Arshad Masood, Director.
Date(s) of Hearing(s):	September 05, 2025
Case represented by:	(i) Ms. Roohi Khan, Chief Financial Officer; (ii) Mr. Fayez Qamar, Head of Legal and; (iii) Mr. Ahmed Parvez, Legal Advisor. As Authorized Representatives on the behalf of all Noticee(s)
Provision of law involved:	Section 205 and 207 of the Companies Act, 2017 read with Section 479 thereof.
Date of Order:	October 03, 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. CSD/ARN/561/2018-624 dated July 07, 2025 ("SCN") against Mr. Aezaz Hussain – Director, Mr. Muhammad Asif Peer – Director and Mr. Arshad Masood – Director, hereinafter collectively referred to as the the "Noticee(s)", issued under Section 205 and 207 of the Companies Act, 2017 (the "Act") read with Section 479 thereof.

2. The provisions of sub-section (1) of Section 205 of the Act require that every director of a company who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the company shall disclose the nature of his concern or interest at a meeting of the board. Provided that a director shall be deemed also to be interested or concerned if any of his relatives, is so interested or concerned.

3. The provisions of sub-section (1) of Section 207 of the Act require that no director of a company shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void. Provided that a director of a listed company who has a material personal interest in a matter that is being considered at a board meeting shall not be present while that matter is being considered.

4. Moreover, the provisions of sub-section (6) of Section 205 of the Act provides that any contravention or default in complying with requirements of sub-section (1) thereof, shall be an offence liable to a penalty of level 1 on the standard scale. Moreover, sub-section (4) of Section 207 of the Act provides that any contravention or default in complying with requirements of Section 207 of the Act shall be an offence liable to a penalty of level 1 on the standard scale.

5. The review of the Annual Audited Financial Statements for the year ended December 31, 2023 (the "Accounts") transpired that the Company, as disclosed in note 38 to the Accounts, entered into Related Party Transactions ("RPT") with several of its associated companies. The Commission vide letter dated August 07, 2024 advised the Company to provide list of common directors, name of related parties and the minutes of meeting of the Board of Directors ("BoD") along with attendance sheets; wherein the RPT were approved. In response, the Company vide letter dated August 16, 2024, submitted the following details:

Undertakings	Mr. M. Asif Peer	Mr. Aezaz Hussain	Mr. Arshad Masood
Visionet Systems Incorporation-USA	yes	yes	Yes
Visionet Deutschland GMBH			Yes
Visionet EMEA Limited			Yes
Visionet Canada Inc.			Yes
AtClose Inc.			Yes
Partner LinQ Inc.			Yes

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6. As per record, the Company approved RPTs in 220th meeting of its BoD held on March 22, 2024, however it was observed that disclosure of interest was not provided by the Mr. Asif Peer, Mr. Aezaz Hussain and Mr. Arshad Masood (“Common/ Interested Directors”) and they also participated in the said board meeting and approved the RPTs.

7. In order to probe the matter, the Commission vide email dated June 11, 2025 sought clarification from the Company in respect of its compliance with the provisions of Sections 205 and 207 of the Act. The Company vide email dated June 12, 2025, *inter-alia*, stated that:

Mr. Asif, Mr. Aezaz and Mr. Arshad disclosed their interest in said entities during earlier board meetings. Disclosure and recusal from participation did not occur at 220th board meeting. Under Sec-205 and 207, interested directors are not only required to disclosed their interest but also to abstain from participating in deliberations or approval of matters in which they have direct or indirect interest. In this meeting, procedural lapse was unintentional.

8. The Company's reply depicts that the three common/ interested directors, *prima-facie*, did not disclose their interest and have participated in the board meeting wherein RPTs were approved. Furthermore, the Company has not provided any documents/ evidence proving that any disclosure was made in earlier board meeting by the common/ interested directors. Accordingly, by participating and approving RPTs in BoD meeting held on March 22, 2024, the common/ interested directors have, *prima-facie*, contravened the provisions of Sections 205 and 207 of the Act.

9. In order to take cognizance of the matter, a SCN was served upon the Noticee(s), requiring them to show the cause as to why penal action as stipulated under sub-section (4) of the Section 205 and sub-section (6) of the Section 207 of the Act may not be undertaken against them. In response to the SCN, the Company vide its letter dated July 21, 2025, *inter-alia*, stated that:

- (i) *In accordance with Section 205(1) of the Act, all common/interested directors had duly disclosed their interests in the associated undertakings and the same were also appropriately recorded in the Register of interests maintained under Section 205(3) of the Act. These disclosures are up to date, and the Board is fully aware of the affiliations and interests of the relevant directors in these entities. The directors had no intention to conceal their interests or affiliations;*
- (ii) *We acknowledge with regret the inadvertent procedural oversight in ensuring the formal exclusion of the interested directors from voting during the 220th Board meeting at which the RPTs were approved. The lapse was purely clerical and occurred despite the Company's established internal compliance protocols and was not driven by mala fide intent or lack of awareness of the requirements of Section 207(1) of the Act;*
- (iii) *The RPTs in question were discussed and approved by independent directors present in full quorum, and the interested directors neither influence the independent judgement of the Board nor their presence effected the decision;*
- (iv) *The Company has instituted stronger procedural checks to ensure no recurrence of such lapses including sensitizing directors about the importance of compliance and tasking the Company Secretary to reinforce procedural reminders prior to any RPT approval, etc.; and*
- (v) *In consideration of the aforesaid, the Commission is requested to take lenient view in the matter.*

10. In order to provide an opportunity of personal representation to the Noticee(s), hearing in the matter was fixed for September 05, 2025; where Ms. Roohi Khan-Chief Financial Officer, Mr. Fayez Qamar-Head of Legal and Mr. Ahmed Pervez-Legal Advisor appeared on behalf of all Noticee(s), as their Authorized Representatives (the “Authorized Representatives”). The Authorized Representatives reiterated the response already provided in connection with the SCN and requested for taking a lenient view in the matter.

11. During the hearing proceedings, the Authorized Representatives were directed to submit the minutes of the 220th Board Meeting in order to verify their assertion regarding the fulfillment of quorum and minutes of the board meeting wherein the common/ interested directors had given general notice relating to their interest in aforesaid related parties. Subsequently, Mr. Fayez Qamar – Head of Legal vide email dated September 08, 2025, submitted the

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minutes of 220th meeting of the board and, *inter-alia*, stated that despite the oversight, spirit of law was maintained as the conflicted directors did not participate in voting on RPTs. Certain disclosures may have not been made in the prescribed and appropriate manner however were never intentionally concealed and made elsewhere overtime through various channels.

12. I have gone through the relevant provisions of Sections 205(1) and 207(1) of the Act along with the facts of the case, the available company records, and the written and oral submissions of the Authorized Representatives. I have also considered the penal provisions prescribed under Sections 205(4) and 207(6) of the Act. It is pertinent to note that directors are obligated not only to disclose any direct or indirect interest in contracts or arrangements involving the company but also to abstain from participating in discussions or voting on such matters.

13. It is imperative to observe that failure to comply with these mandatory provisions compromises the principles of corporate governance, transparency, and fair dealing, which are fundamental to protect shareholders interests and ensuring the integrity of board decisions. Disclosure of interest by the common/ interested directors is vital to uphold transparency and accountability within a company's governance framework and is necessary to ensure that any potential conflicts of interest are openly acknowledged, preventing undue influence or bias in board deliberations and decisions by fostering an environment of trust and ethical conduct, thereby reinforcing the integrity of the board's decision-making process. Therefore, timely and accurate disclosure, coupled with appropriate abstention from voting by interested directors, is essential to safeguard the principles of fairness and corporate governance. Furthermore, participation of common/ interested directors from voting during the Board meeting either due to intentional disregard or a mere procedural lapse has a direct bearing on the proper constitution of the meeting as envisaged under Section 207 of the Act which is not a procedural formality but a substantive safeguard, integral to upholding the principles of sound corporate governance. It mandates the exclusion of interested directors to ensure that Board decisions are made independently, free from any real or perceived conflicts of interest. Failure to adhere to these requirements, even in the absence of mala fide intent or deliberate non-compliance, undermines the integrity of the decision-making process and erodes stakeholder confidence in the governance framework.

14. It is also observed that the Board of Director of the Company, including the common/ interested directors, during the 220th meeting held on 22nd March 2024 approved the aforementioned RPTs. However the common/ interested directors failed to disclose their interest in the aforesaid RPTs during the said meeting as its minutes, provided by the Company, did not state any such disclosure by the Noticee(s). It is hereby pointed out that Section 205 of the Act provides for disclosure of nature of direct as well as indirect interest in any contract or arrangement entered or to be entered at the meeting of the board, therefore, in the instant matter, the common/ interested directors were required to disclose their interest in the meeting of the board of directors held on 22nd March 2024 w.r.t. the transactions with the aforesaid related parties. Furthermore, the Authorized Representatives failed to provide the minutes of the board meeting wherein interests of common/ interested directors in associated undertakings was disclosed, therefore their stance that such interest was disclosed during the year and the same was duly recorded in register of interests, could not substantiated.

15. It is also apt to observe that the common/ interested directors were present in the meeting held on 22nd March 2024 however the minutes of the said meeting did not disclose that the common/ interested directors recused from discussion and voting, when the matter of afore-stated related party transactions was considered and approved. The requirement of the law is clear and explicitly prohibits the common/ interested directors of a company to participate in discussion and vote on any contract/ arrangement entered or to be entered where such director is directly or indirectly concerned. This prohibition is more stringent for directors of listed companies as they are subject to enhanced standards of transparency, corporate governance, and accountability to a broader base of public shareholders and in such companies, even the perception of conflict of interest can severely damage investor confidence and market integrity. Accordingly, the Noticee(s), in the instant matter, had interest in the afore-stated RPTs due to their directorship and shareholding therein, and by participating in the consideration and approval of said transactions; the Noticee(s), being common/ interested directors contravened the provisions of Section 207 of the Act.

16. It is further observed that contention by the Authorized Representatives relating to non-disclosure of interest by common/ interested directors and their failure to abstain from voting for approval of the RPTS resulted due to lack of awareness of the relevant legal requirements does not absolve the procedural irregularity as directors are legally bound to comply with statutory provisions governing disclosure of interest and abstention from participation in matters involving conflicts. These requirements, being non-discretionary, are central to the lawful constitution of Board meetings and the preservation of independent decision-making. Moreover ignorance of the law cannot validate

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a process that is otherwise rendered defective under the Act.


17. In view of the above and particularly the admission of default made by the Noticee(s), the contravention of the provisions of Sections 205 and 207 of the Act at the relevant point in time, have been established beyond doubt, which attracts penal action in terms of Section 205(4) and 207(6) of the Act. Due consideration has also been given to the request of the Authorized Representatives for a lenient view on account of the rectification measures taken by the Company including sensitization of directors and reinforcement of internal compliance protocols. I, therefore, in exercise of the powers conferred upon me under Sections 205(4) and 207(6) of the Act read with SRO 1545(I)/2019 dated December 06, 2019, hereby impose an aggregate penalty of **Rs. 60,000 (Rupees Sixty Thousand Only)** on the Noticee(s) in the following manner:

Sr. #	Name of Respondent(s)	Penalty (Rs.)	
		Section 205	Section 207
1.	Mr. Aezaz Hussain, Director	10,000/-	10,000/-
2.	Mr. Muhammad Asif Peer, Director	10,000/-	10,000/-
3.	Mr. Arshad Masood, Director	10,000/-	10,000/-
Total		30,000/-	30,000/-

The Noticee(s) are also advised to ensure meticulous compliance with the applicable legal and regulatory framework in future in letter and spirit.

18. The Noticee(s) 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 from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the penalty/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.

19. Without prejudice to the above, in case the Noticee(s) are aggrieved by this Order, they may, within thirty days of the Order, prefer to file review application in terms of Section 32B of the Securities and Exchange Commission of Pakistan Act, 1997 ("SECP Act") or may file an appeal to Appellate Bench of the Commission in terms of Section 33 of the SECP Act in accordance with the procedure for filing an appeal as laid down under the Securities and Exchange Commission of Pakistan (Appellate Bench Procedure) Rules, 2003.


03-10-2025
(Sohail Qadri)
Director/ Head of Department
Adjudication Department-I

Announced:
Dated: October 03, 2025
Islamabad.