



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Division
Adjudication Department-II

BEFORE HEAD OF DEPARTMENT, ADJUDICATION DEPARTMENT-II

IN THE MATTER OF

M/S SFS INTERNATIONAL (PRIVATE) LIMITED

Show Cause Notice	No. Adj-II/301/14/IAN-4025/2023-706	dated July 14, 2023
Date on which hearing opportunity provided	Date	Attended by
	August 23, 2023	Mr. Riaz A. Khan, Authorized Representative
	October 19, 2023	Mr. Riaz A. Khan, Authorized Representative
	November 14, 2023	Mr. Riaz A. Khan, Authorized Representative
	December 26, 2023	Mr. Riaz A. Khan, Authorized Representative

SANCTION FOR FILING OF WINDING-UP PETITION UNDER CLAUSE (b) OF PROVISO TO SECTION 304 READ WITH SECTION 301 OF THE COMPANIES ACT, 2017

The Securities and Exchange Commission of Pakistan (the '**Commission**') issued show cause notice No. Adj-II/301/14/IAN-4025/2023-706 dated July 14, 2023 (the '**SCN**') to M/s **SFS International (Private) Limited** (the '**Company**') having registered office No. 311/H, Lane 1, Peshawar Road, Rawalpindi Cantt and its directors Muhammad Sheeraz, Neelam Rehman and Naseem Mahmood (collectively referred to as the '**Respondents**') under clause (b) of proviso to section 304 read with section 301 of the Companies Act, 2017 (the '**Act**') for carrying on unlawful/prohibited business of inviting unauthorized deposits from the public, *prima facie*, in violation of sections 84(1) and 26(2) of the Act.

2. The Company was registered with the Commission on May 25, 2022 under the Act. The principal line of business of the Company as mentioned in clause 3(i) of the Memorandum of Association ('**MoA**') is as under:

"The principal line of business of the company shall be marketing and development of all type of real estate including developed or undeveloped land, housing or commercial projects including commercial markets or multistoried building (for commercial and residential purposes), shopping centers, restaurants, hotels, recreational facilities etc. with the permission of concerned authorities and compliance with applicable laws and regulations, and the Company shall not invite and accept deposits from the public."

3. Paid-up capital of the Company is Rs. 1,000,000. The particulars of sponsors and directors of the Company are as under:

Sr.	Names	CNIC	Designation/ Status	Shareholding %
1	Muhammad Sheeraz	82401-2480069-9	CEO/Director	75%
2	Neelam Rehman	17201-4177862-8	Director	15%
3	Naseem Mahmood	82401-2501696-7	Director	10%

4. In terms of clause 3 (iii) of MoA, the Company, its Chief Executive and Directors ('Respondents') are restricted from indulging in banking, non-banking finance, stock brokerage business, etc.:

"Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Mutual Fund, Leasing, Investment Company, Investment Advisor, Real Estate Investment Trust management company, Housing Finance Company, Venture Capital Company, Discounting Services, Microfinance or Microcredit business), Insurance Business, Modaraba management company, Stock Brokerage business, forex, real estate business, managing agency, business of providing the services of security guards or any other business restricted under any law for the time being in force or as may be specified by the Commission."

5. Further under clause 3(iv) of MoA of the Company, the Respondents have undertaken not to engage in the following businesses:

- a) *engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;*
- b) *launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;*
- c) *engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.*

6. The facts leading to issuance of the SCNs were that Supervision Division of the Commission during monitoring of social media observed that the Respondents were soliciting deposits from general public on the pretext of monthly profit ranging from 7% to 13%. In order to ascertain the factual position, the Commission vide order dated January 9, 2023 investigated into affairs of the Company under Section 256 of the Act.

7. The investigation team in the investigation report dated May 12, 2023 concluded that the Respondents were engaged in the prohibited and unlawful business of inviting unauthorized deposits from the public on the pretext of providing guaranteed return on investment, *prima facie*, in violation of sections 84(1) and 26(2) of the Act, read with clause 3 of the MoA of the Company.

8. Considering the foregoing, show cause notices under section 84(2), 172 and 500 of the Act, for alleged violations of section 84(1) and 26(2) of the Act, were issued to the Respondents on July 14, 2023.

9. In view of the above, Registrar of the concerned Company Registration Office sought sanction of the Commission to present a petition for winding up of the Company under clause (b) of proviso to section 304 read with sub-clause (i) and (ii) of clause (g) of section 301 of the Act on the grounds that the Respondents were engaged in unlawful and prohibited business of inviting unauthorized deposits from the general public, *prima facie*, in violation of sections 84 (1) and 26(2) of the Act.

10. Accordingly, the SCN was issued to the Respondents on July 14, 2023, calling upon them to furnish submissions in writing to explain within ten (10) days of the date of the SCN, as to why the sanction of the Commission to present a petition for winding up of M/s SFS International (Private) Limited as required by the concerned Registrar may not be granted.

11. Further, the Respondents were advised to inform if they wanted to avail an opportunity of being heard in person or through authorized representative(s).



12. The Chief Executive of the Company vide letter dated August 12, 2023 sought ten days extension for filing of reply to the SCNs. Vide letter dated August 17, 2023, the request was accepted and the Respondents were advised to file written reply latest by August 21, 2023 and attend hearing scheduled for August 23, 2023. Mr. Riaz Ahmad, Advocate High Court ('*Authorized Representative*') vide letter dated nil received in this office on August 21, 2023 filed written response to the SCNs, wherein he denied the allegations of violation of section 26 and 84 of the Act. The Authorized Representative also attended hearings scheduled for August 23, 2023, October 19, 2023, November 14, 2023 and December 26, 2023. The submissions made by the Authorized Representative in writing and verbal during the hearings may be summarized as under: -

- a) M/s SFS International Private Limited was registered with SECP on 25.05.2022. The referred whatsapp page is given by some freelancer Saqib Awan on January 19, 2022. SFS International has no concern with the said social media page as alleged, as the Company was not yet registered on 19.01.2022. The SFS International, CEO or Directors have no knowledge about the same.
- b) Whatever information was ever sought by SECP was instantly provided by SFS International Private Limited. In this regard Mr. Muhammad Amanullah Afzal Chaudhry son of Muhammad Afzal Caudhry, Manager Admin/ Administrator of SFS International Private Limited gave a statement in writing on oath on 10.02.2023 supported by an affidavit duly signed and impression by thumb which is self-explanatory.
- c) M/s SFS International (Private) Limited, didn't open any account in any bank as yet, then how to receive any amount, they are not involved in any unlawful business of inviting unauthorized deposits from the public on any pretext. The personal accounts of the CEO/Directors were already operative before registration of the company with SECP.

Framing of Issues: -

13. After hearing the Authorized Representative for the Respondents and going through the available record, including written response to the SCNs and verbal submissions made by the Authorised Representative, it is admitted fact that deposit invitation was made through social media/website having name of the Company as well as guaranteed monthly return from 7% to 15% with the assurance that the investment is safe and refundable. However, the Authorized Representative contended that the said invitation was made on January 19, 2022 before incorporation of the Company by a freelancer and the Respondents have neither knowledge of the said invitation nor any link with it. Considering contention of the Authorized Representative, the following issues have been framed, which are needed to be discussed in detail:

- 1) Whether deposit invitation was published on social media after incorporation of the Company or not.
- 2) Whether the Respondents have any link with the deposit invitation or not.

Legal Framework:

14. Prior to proceeding in the matter, the relevant provisions of law are explained and reproduced hereunder:

- i. In terms of section 84 of the Act, all companies, excluding banking companies and such other companies or class of companies as the Commission may notify in this behalf, are prohibited from inviting, accepting or renewing deposits from the public. Further, the term deposit has also been defined in section 84 of the Act as any amount accepted or borrowed

by a company other than a loan raised by issue of debentures or a loan obtained from a banking company or financial institution or an advance against sale of goods or provision of services in the ordinary course of business. Section 84 of the Act is reproduced below for ease of reference:

84. Prohibition on acceptance of deposits from public. — (1) On and after the commencement of this Act, no company shall invite, accept or renew deposits from the public:

Provided that nothing in this sub-section shall apply to a banking company and such other company or class of companies or such deposits as the Commission may, notify in this behalf.

Explanation. —For the purposes of this section, “deposit” means any deposit of money with, and includes any amount borrowed by, a company, but shall not include a loan raised by issue of debentures or a loan obtained from a banking company or financial institution or an advance against sale of goods or provision of services in the ordinary course of business.

- ii. Section 26(2) of the Act bars a company from engaging in a business which is prohibited by any law for the time being in force in Pakistan or restricted by any law, rules or regulations. Section 84(1) of the Act prohibits a company from inviting and accepting deposits from the public:

26. Business and objects of a company. — (2) A company shall not engage in a business which is—

(a) prohibited by any law for the time being in force in Pakistan; or

(b) restricted by any law, rules or regulations, unless necessary licence, registration, permission or approval has been obtained or compliance with any other condition has been made:

- iii. In terms of clause 3 of MoA, the Respondents have undertaken that they shall not engage in any unlawful/prohibited business activities. Inviting and accepting deposits is unlawful/prohibited in terms of sections 84(1) and 26(2) of the Act.

15. It is evident from the foregoing that except a banking company and class of companies notified in this regard by the Commission a company is not authorized to invite and accept deposit from public, Further, the term “deposit” has also been explained in section (84) of the Act.

Analysis of the issues:

16. Prior to analyzing the aforesaid issues, it is pertinent to point out that:-

- (i) Supervision Division of the Commission during social media monitoring, observed that the Respondents were soliciting deposits from general public on the pretext of providing monthly profit ranging from 7% to 13%.
- (ii) In order to ascertain the factual position, the Commission vide order dated January 9, 2023 investigated into affairs of the Company under Section 256 of the Act.
- (iii) On January 24, 2023, the investigation team visited registered office of the Company and met with an ex-employee of the Company Mr. Muhammad Amanullah Afzal Chaudhry, who inter alia stated that one of the directors of the Company was doing business with a company incorporated in Azad Kashmir having similar name. He

wanted to expand his business in Pakistan, therefore, he registered the Company with the Commission. But now that director has resigned from that Company registered in Azad Kashmir.

(iv) Muhammad Sheeraz and Mr. Naseem Mahmood directors of the Company were also owning/operating another Company incorporated on April 10, 2014, with Registrar of Companies, Mir Pur Azad Kashmir having a similar name i.e. SFS International (Pvt) Limited.

(v) Muhammad Sheeraz, Chief Executive Officer of the Company appeared before the investigation team on February 28, 2023 for recording of statement. In reply to a query with regard to objective of SFS International (Private) Limited based in Pakistan, he stated that the Company was targeting the overseas investors who were interested in the real estate sector of Pakistan. Further, the Company would be providing real estate marketing services to the said individuals. Moreover, the Company had also helped in arranging some visits to some relevant individuals for the investment purpose. The relevant text of his statement is reproduced here under: -

1. In reply to the query regarding the objective of SFS International (Private) Limited based in Pakistan, I say that the Company was targeting the overseas investors which were interested in the real estate sector of Pakistan. Further, the Company would be providing real estate marketing services to the said individuals. Moreover, the Company had also helped in arranging some visits to some relevant individuals for the investment purpose.

(vi) With regard to maintenance of Company's website and deposit invitation material, the Chief Executive Officer of the Company in his statement stated as under;

16. In reply to the query regarding website of the Company i.e. sfsintl.com, I say that I have no idea who has posted advertisements on the Company's website. However, I will get back to the investigation team at the earliest with the complete information in relation to the said website and the posts related to promotional material posted on the website. Moreover, it is informed that the website is old and was formed on November 21, 2018 for SFS International (Private) Limited based in Azad Kashmir.

17. Now, the above-framed issues are discussed hereunder in seriatim: -

1) **Whether deposit invitation was published on social media after incorporation of the Company or not:** In response to the SCN, the Authorized Representative contended that the deposit invitation dated January 19, 2022, was made before incorporation of the Company as the Company was incorporated on May 25, 2022, therefore, the matter does not attract provisions of section 84 of the Act. To substantiate his claim, the Authorized Representative presented a copy of deposit invitation published on social media on January 19, 2022. Image of the said deposit invitation is pasted hereunder: -



The contention of the Authorized Representative has been considered and did not find plausible on the following grounds: -

- a) The following deposit invitation/advertisement was downloaded by Supervision Division of the Commission in June 2022 i.e. after incorporation of the Company, whereby it has been claimed that the Company is registered with SECP: -



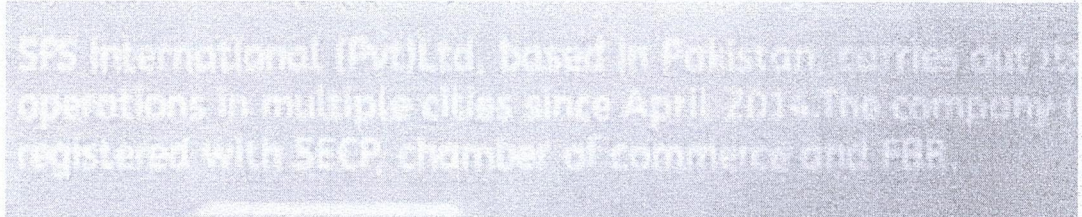
SFS INTERNATIONAL (PVT) LTD
INSPIRE PAKISTAN
JOIN US FOR SAFE, STABLE
HILAL INVESTMENT PLATFORM
JUST INVEST & GET
7% TO 13%
MONTHLY PROFIT
YOUR INVESTMENT SAFE AND REFUNDABLE
CONT/WATTSAPP 03165171097

However, the website and social media accounts of the Company are now inaccessible.

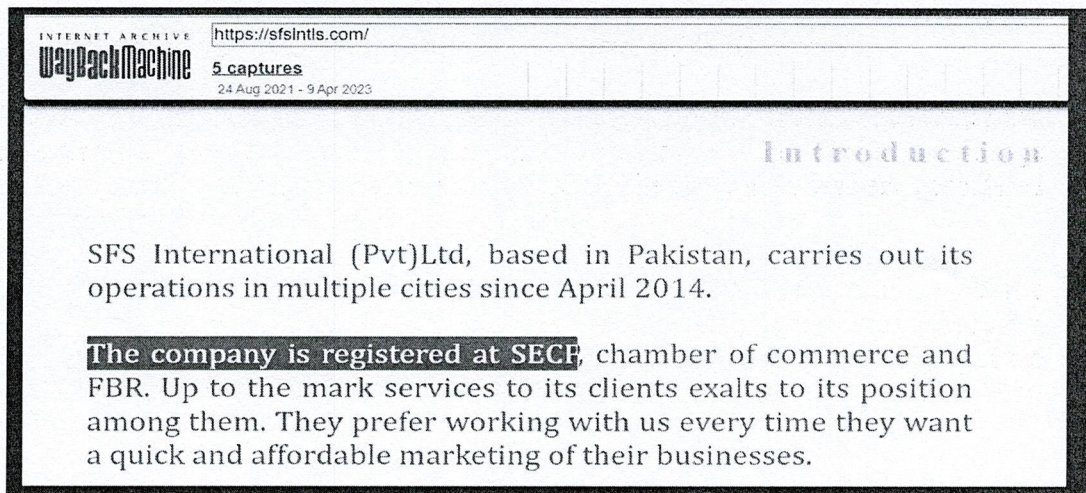
- b) Review of the above given invitation material reveals that the following text is appearing after the heading of “**One Time Investment**”, wherein it has been claimed that SFS International (Pvt) Limited is registered with the Commission and FBR:


“SFS International (Pvt) Limited, based in Pakistan carries out its operations in multiple cities since April 2014. The Company is registered with SECP, Chamber of Commerce and FBR”.

- c) An image of the said part of the invitation is also pasted hereunder: -



- d) Further a screen shot taken from the archived website of the Company is also pasted hereunder whereby the Company claims its registration with the SECP: -



- e) Considering the statement appearing in deposit invitation material that “*the company is registered with SECP*” it is evident that the under-reference deposit invitation was published in social media/website after incorporation of the Company.
- 2) **Whether the Respondents have any link with the deposit invitation:** The Authorized Representative contended that the Respondents do not have any knowledge and linkage with the deposit invitation material given in the SCN. The contention has been considered and did not find plausible on the following grounds:
- a) The supervision Division of the Commission visited updated version of the website www.sfsintl.com in June 2022 which *inter alia* shows contacts/address as House # 311 Lane # 1, Peshawar Road, Rawalpindi, which is registered office address of the Company. Image of said part of the website is pasted hereunder: - 

Contacts

Address: Off. H#311, Lane#1,
Peshawar Rd. Rawalpindi

Telephone: +92 051 5174273

Fax: +8 91230 456 788

Email: info@sfsintls.com

Website: www.sfsintls.com

- b) The Chief Executive Officer of the Company accepted before the investigation team that the website www.sfsintls.com was developed on November 21, 2018 for SFS International registered in Azad Kashmir. On May 25, 2022, SFS International (Private) Limited was registered with the Commission. The website and social media pages of the Company were visited by officials of the Commission in June 2022.
- c) SFS International Limited registered in Azad Kashmir and SFS International registered with the Commission have common directors.
- d) It has been claimed in the deposit invitation/promotional material that the Company is registered with the SECP, Chamber of Commerce and FBR.
- e) The Chief Executive officer of the Company stated before the investigation team that *"I have no idea who has posted advertisement on the Company's website I will get back to the investigation team at the earliest with the complete information in relation to the said website and posts related to promotional material posted on the website"*. The Chief Executive Officer of the Company has implicitly admitted that the under-reference website pertains to the Company.
- f) The Respondents did not take any legal action, if in their opinion name of Company was being misused by any freelancer.

18. Considering above, the preponderance of evidences does not go in favor of the Respondents. The Respondents were inviting deposits from public on the pretext of guaranteed monthly profit ranging from 7% to 13% on investment. In order to gain public's confidence, the Respondents mentioned in the deposit invitation that *"the company is registered with SECP"* and said invitation material was downloaded by the Commission's social media monitoring team in June 2022, after incorporation of the Company. The Respondents also cheated the public by mentioning in the deposit invitation material that SFS International (Pvt) Limited based in Pakistan, carries out its operations since 2014. While 2014 is year of incorporation of SFS International (Pvt) Limited in Azad Kashmir. But, this fact has not been stated in the deposit invitation material, which implies that the Respondents have given the impression that the Company is registered with the Commission since long and its deposit invitation activity is duly approved by the Commission.

Overall Decision: -

19. In view of the foregoing and investigation findings including evidence of deposit invitation contained in the Investigation Reports as well as pasted above, it is established that the Respondents were carrying on prohibited business of inviting deposits from public in violation of sections 84(1)



and 26(2) of the Act read with clause 3 of MOA of the Company. However as per investigation report no bank account was opened in name of the Company and no evidence of acceptance of deposits by the Company is available on record hence the general public has not been deprived of any funds.

20. It is pertinent to mention that the proceedings initiated on July 14, 2023 against the Company and its directors under sections 84 (2), 172 and 500 of the Act were concluded vide order dated January 10, 2024, whereby aggregate penalty of Rs.200,000/- has been imposed on the Company and its director. Further the director of the Company has been disqualified to become director/chief executive of any company for a period of five years from the date of the order.

21. Considering that the Company its Chief Executive/Directors were found engaged in inviting deposits from general public in violation of section 84(1) and 26(2) of the Act read with clause 3 of MOA of the Company, the Company is liable to be wound up in terms of sub-clauses (i) and (ii) of clause (g) of section 301 of the Act, for carrying on unlawful activity of raising unauthorized deposits from the public. Sub-clauses (i) and (ii) of clause (g) of section 301 of the Act are reproduced below:

301. Circumstances in which a company may be wound up by Court.- A company may be wound-up by the Court –

(g) if the company is-

(i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or

(ii) carrying on business prohibited by any law for the time being in force in Pakistan; or restricted by law, rules or regulations for the time being in force in Pakistan; or

Explanation 1.- The promotion or the carrying on of any scheme or business, howsoever described-

(a)

(b) raising unauthorized deposits from the general public, indulging in referral marketing, multi-level marketing (MLM), Pyramid and Ponzi Schemes, locally or internationally, directly or indirectly; or

(c) ... ;

shall be deemed to be an unlawful activity.

22. Accordingly, in exercise of the powers under clause (b) of proviso to section 304 read with sub-clauses (i) and (ii) of section 301(g) of the Act delegated to the undersigned vide S.R.O 1546 (I) / 2019, sanction is hereby granted to Incharge, Company Registration Office, **Islamabad** to present a petition for winding up of M/s **SFS International (Private) Limited** before the concerned High Court. The said clause (b) of proviso to Section 304 of the Act is reproduced hereunder, for ease of reference:

304. Provisions as to applications for winding up. An application to the Court for the winding up of a company shall be by petition presented, subject to the provisions of this section, either by the company, or by any creditor or creditors (including any contingent or prospective creditor or creditors), or by any contributory or contributories, or by all or any of the aforesaid parties, together or separately or by the registrar, or by the Commission or by a person authorized by the Commission in that behalf:


Provided that –

(a)

(b) the registrar shall not be entitled to present a petition for the winding up of a company unless the previous sanction of the Commission has been obtained to the presentation of the petition: Provided that no such sanction shall be given unless the company has first been afforded an opportunity of making a representation and of being heard;

23. This Sanction is being issued without prejudice to any other proceedings or action that the Commission or National Accountability Bureau or Federal Investigation Agency or any other authority, bureau, agency or institution may initiate, in accordance with relevant provisions of law, against the Respondents and any other officer of the Company in respect of unlawful/illegal deposit taking activities undertaken by them.

24. This sanction is being issued without prejudice to any other proceedings or action that the Commission, National Accountability Bureau, Federal Investigation Agency or any other authority, bureau, agency or institution may initiate, in accordance with relevant provisions of law, against the Respondents or any other officer in respect of unlawful/illegal deposit taking activities undertaken by them.


(Muhammad Farooq)
Head of Department/Additional Director
Adjudication II Department

Date of Order: January 29, 2024