

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Worldcall Telecom Limited

Dates of Hearing

January 20, 2022

Order-Redacted Version

Order dated July 29, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Worldcall Telecom Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated October 11, 2021.
2. Name of Respondent	Worldcall Telecom Limited (the Company and/ or the Respondent).
3. Nature of Offence	Alleged contraventions of <u>Section 96 of the Securities Act, 2015 (the Act)</u> read with Section 159 thereof.
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have considered both the written and verbal submissions made by the Respondent and its Representative and material available on record in light of aforementioned legal provisions and state that:</p> <p>a. the Respondent, during the hearing proceedings, contended that the Authorized Officer does not has power to conduct adjudication proceedings under Section 159 (5) of the Act.</p> <p>In this regard, it is stated that the Commission has delegated its powers under Section 159(5) of the Act vide SRO No. 232(1)2020 dated March 16, 2020 and therefore, the undersigned has the power to enforce relevant provisions of Section 159(5) of the Act. Therefore, the contention of the Respondent in this regard is not tenable.</p> <p>b. the Respondent also contended that reference for price-sensitive information may be drawn from regulation 5.6.1 of the PSX Rule Book and as such PSX is the frontline regulator to enforce the provisions of the Rule Book. The Respondent argued that the Commission may not exercise concurrent jurisdiction whereas, PSX has already taken cognizance and concluded the matter with regard to submission made by the Company.</p>

In regard it is stated that the SCN has been served under Section 96 of the Act which is administered by the Commission, therefore, the question of concurrent jurisdiction doesn't arise as the Commission is under obligation to take cognizance of the offenses pertaining to the Act. It is also stated that, no enforcement action was initiated against the Company by PSX in the matter as the same was taken up by the Commission.

c. the Respondent, also contended that the Commission took cognizance of the matter solely based on the communication received from NETSAT.

In this regard, it is stated that relevant department of the Commission vide letter dated May 27, 2021 requested the Company to explain its stance as to why the said material information was not shared with PSX and general public in terms of Section 96 of the Act. The Company provided its response vide letter dated June 08, 2021 which was scrutinized by the said relevant department. Clarification of the Company in the matter was also sought vide letter dated July 02, 2021 and all the relevant correspondence was duly considered by the relevant department subsequent to which the adjudication proceedings were initiated by the Commission. therefore, the contention of the Respondent that the SCN was served solely on the basis of unilateral communication is not tenable.

d. The Respondent, based on the merits of the case, contended that the agreement dated February 23, 2021 in question was not finalized at that time and was disputed in the nature. The Respondent provided evidences of emails exchanged between the Company and NETSAT wherein multiple disagreements were highlighted regarding the terms of the agreement. The Respondent provided that subsequent to successful negotiations, final agreement was executed between the parties on September 20, 2021 and the Company accordingly disclosed the fact through an announcement dated September 23, 2021 as required under the PSX Rulebook.

In this regard, it was observed that the agreement dated February 23, 2021 signed by both parties and majority of the terms and conditions were agreed between the parties, in continuation of which a payment of PKR 50 million was also made to the Respondent Company by NETSAT. Further, the Karachi based operations of the Respondent company were also handed over to NETSAT on the basis of the Agreement i.e. the agreement Signed on February 23, 2021. Based on the occurrence of these two significant events, the aforesaid plea of the Respondent cannot be agreed to. I am of the considered view that the Respondent was

	<p>liable to disclose the same, being material and price sensitive, along with the caveat that certain terms and conditions are disputed.</p> <p>e. With regard to the agreement dated February 23, 2021 in question, it is important to mention that a payment of Rs. 50 million was released by NETSAT to the Respondent. The Respondent has stated the Agreement signed on February 23 2012 was a "disputed document" between the two parties, and therefore the information was not disseminated to the public.</p> <p>In this regard, It is stated that the said Agreement was signed by CEOs Of both parties, an amount of Rs.50 million was paid to the Respondent Company, and Karachi based operations of the Respondent Company were handed over to NETSAT. Keeping in view all the aforesaid three significant events, reliance cannot be placed upon unilateral stance of the Respondent that the Agreement was a "disputed Document" ... The Respondent submitted copies of correspondence/ emails exchanged between the company and NETSAT which transpires that certain changes/ amendments needed to be made in the term of the agreement and the terms were finally agreed upon later in September, 2021. However, keeping in view the materiality of partnership between the two parties, payment of significant amount of Rs. 50 million, and handing over of Karachi based operations of the Respondent to NETSAT, the information based on the agreement dated February 23, 2012 must have been disclosed to public as per the requirement of the Section 96 of the Act.</p> <p>f. Section 96 of the Act requires a Listed company to disclose material/ price-sensitive information relating to the companies or Its subsidiaries which would be material to an investor's investmentt decision making regardless of its effect on the price of securities. It may be noted that the Company itself has disclosed the said agreement in September, 2021 keeping in view the material/ price-sensitive nature of the information. However, the Company has failed to disclose the said information upon signing the Agreement on February 23, 2021 which is contravention of Section 96 of the Act.</p> <p>Therefore, in terms of the powers conferred under Section 159 (5) of the 'Act, a penalty of Rs. <u>500,000/- (Rupees Five Hundred Thousand only)</u> is hereby imposed on the Respondent Company i.e. Worldcall Telecom Limited.</p>
5. Penalty Imposed	Rs. 500,000/-

6. Current Status of Order	Penalty not deposited and No Appeal has been filed by the respondents.
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