



# Securities and Exchange Commission of Pakistan

## **BEFORE APPELLATE BENCH NO. III**

In the matter of

**Appeal No. 40 of 2015**

- (i) The Pakistan Mutual Insurance Co. (Guarantee) Ltd through its Chief Executive Officer
  - (ii) Mr. Jawad Amin, Director
  - (iii) Mr. Muhammad Saleem, Director
  - (iv) Mr. Hassan Ahmed Khan, Director
- ...Appellants

Versus

- (i) Chairman, Securities and Exchange Commission of Pakistan
  - (ii) Director (Insurance), Securities and Exchange Commission of Pakistan
- ...Respondents

Date of Hearing 10/12/15

### **Present:**

#### **For the Appellants**

Mr. Ch. Abdul Karim, CEO Pakistan Mutual Insurance Co. (Guarantee) Ltd

#### **For the Respondents:**

- (i) Mr. Hasnat Ahmad, Director (Insurance)
- (ii) Mr. Farrukh M. Qureshi, Deputy Director (Insurance)

## **ORDER**



## Securities and Exchange Commission of Pakistan

1. This order is in appeal No. of 40 of 2015 filed under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 against the order dated 22/09/15 (Impugned Order) dated passed by the Respondent.
2. The brief facts of the case are that Respondent observed that M/s. The Pakistan Mutual Insurance Company (Guarantee) Limited (Company) appointed below mentioned three persons to act as directors during the years 2012 and 2013, without approval:

Name	Status	Date of last appointment	Qualification	Remarks
Jawad Amin	Non-Executive	13-08-2012	B. Com	Businessman
Muhammad Saleem	Non-Executive	08-03-2013	B.A	Prop. Raja Bus services Faisalabad
Hassan Ahmed Khan	Non-Executive	24-04-2013	MBA	10 years' experience with various FI's

3. Show Cause Notice dated 30/06/15 (SCN) was issued to the Appellants, thereby calling upon them to show cause as to why fine as provided under section 156 of the Insurance Ordinance, 2000 (Ordinance) should not be imposed for non-compliance with Regulation 2(2) of the Insurance Companies (Sound and Prudent Management) Regulations, 2012 (Regulations) read with section 11(1)(f) and section 12 of the Ordinance. The Appellants submitted their response to the SCN vide their letter dated 11/07/15 and hearing in the matter was held on 20/08/15 which was attended by Ch. Abdul Karim, Chief Executive Officer of the Company and Hafiz M. Farooq Afzal,



## Securities and Exchange Commission of Pakistan

Manager Finance of the Company, for and on behalf of the Appellants through video conference.

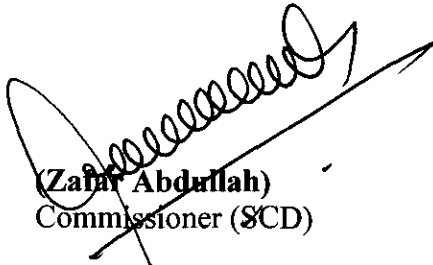
4. The Respondent No. 2 dissatisfied with the response of the Appellants held that the Appellants have not only contravened the provisions of the law by not seeking approval of the Commission before appointing directors but have also ignored the Commission's express demand to file a duly completed application for consideration and approval of the Commission. Moreover, the Appellants have admitted during the course of the hearing that since all directors of the Company are transporters, they would not fulfill the requirements of the Regulations and it would be worthless to seek approval of the Commission which shows that the default on the part of the Appellants was deliberate and willful. Therefore, the default of Regulation (2)(2) read with section 11(1)(f) and section 12 is established. Taking a lenient view, however, instead of the maximum fine, a fine of Rs.10,000 was imposed on each of the directors and Rs.100,000 on the Company.
5. The Appellants have preferred the instant appeal against the Impugned Order. The CEO of the Company Mr. Ch. Abdul Karim, at the hearing admitted the default on behalf of the Company and requested for the condonation of penalty stating that with effect from 1/10/15, the Company has stopped entering into new contracts of insurance and as such no business was being conducted by the Company. Further, keeping in view the difficult circumstances being faced by the Company, the Board of Directors have agreed to initiate the legal process of member's voluntary winding up under section 144 of the Ordinance and provisions of the Companies Ordinance, 1984. The CEO has confirmed this in writing vide letter dated 19/12/15 addressed to the Appellate Bench. The Respondent No.2 has also not objected to any of the grounds for condonation of penalty stated above.



## Securities and Exchange Commission of Pakistan

6. In view of the foregoing, we set aside the Impugned Order to the extent of penalty and warn the Appellants to ensure compliance with the laws and regulations in future till the company is wound up. The appeal is disposed of accordingly.

7. Parties to bear their cost.

  
(Zafar Abdullah)  
Commissioner (SCD)

  
(Tahir Mahmood)  
Commissioner (CLD)

Announced on: 11 JAN 2016