



Securities and Exchange Commission of Pakistan

BEFORE APPELLATE BENCH NO. III

In the matter of

Appeal No. 41 of 2015

- (i) The Pakistan Mutual Insurance Co. (Guarantee) Ltd through its Chief Executive Officer
 - (ii) Mr. Ch. Abdul Karim, Chief Executive Officer
 - (iii) Mr. Ch. Shahbaz Ali, Director
 - (iv) Mr. Asif Javaid, Director
 - (v) Mr. Yasir Naseer, Director
 - (vi) Mr. Jawad Amin, Director
 - (vii) Mr. Muhammad Saleem, Director
 - (viii) 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

1. This order is in appeal No. of 41 of 2015 filed under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 against the order dated 01/10/15 (Impugned Order) dated passed by the Respondent.
2. The brief facts of the case are that M/s. The Pakistan Mutual Insurance Company (Guarantee) Limited (Company) did not submit the Statement of Assets for Solvency Purposes (Form GJ) as on 31/12/13 along with the audit report thereon issued by the Company's statutory auditor. The Company vide Respondent's letter dated 10/02/15



Securities and Exchange Commission of Pakistan

was advised to file the Statement of Assets for Solvency Purposes (GJ) as on 31/12/13 along with the audit report thereon within ten days of the receipt of the letter. The Company submitted its response vide letter dated 17/02/15. The clarification given by the Company was not found to be cogent as note 1(1.2) of the annual accounts for the year 2013 did not address the filing of regulatory returns. The Company, prima facie, failed to file its Statement of Assets for Solvency Purposes (Form GJ) as on 31/12/13 as required under section 46(1)(b) read with section 51(1) of the Ordinance.

3. Show Cause Notice dated 03/07/15 was issued to the Appellants, thereby calling upon them to show cause as to why fine as provided under section 156 of the Ordinance should not be imposed for non-compliance with section with section 46(1)(b) and section 51(1) of the Ordinance. The Appellants submitted their response vide their letter dated 14/07/15 and hearing in the matter was held on 20/08/15 via video link from the Commission's Lahore office which was attended by Ch.Abdul Karim, Chief Executive Officer of the Company and Hafiz M. Farooq Afzal, Manager Finance of the Company, for and on behalf of the Appellants.
4. The Respondent No. 2 dissatisfied with the response of the Appellants held that Appellants have failed to comply with the requirements of section 46(1)(b) and section 51 of the Ordinance by not filling the Statement of Assets for Solvency Purposes (Form GJ) as on 31/12/13, for which they are liable to be penalized under section 156 of the Ordinance. Therefore, in exercise of the powers conferred under section 156 of the Ordinance, instead of the maximum fine, a fine of Rs.10,000 was imposed on each of the directors and Rs.100,000 was imposed on the Company. Further, the Appellants were further directed to immediately file the requisite Statement of Assets for Solvency Purposes (Form GJ) as on 31/12.13 along with the audit report. The Appellants were directed to observe strict compliance of the provisions of the Ordinance, Rules and Regulations in future. In case of failure to



Securities and Exchange Commission of Pakistan

comply with the Order, the Respondent shall be bound to initiate proceedings under section 63(2)(d), section 65 and/or section 156 of the Ordinance.

5. The Appellants have preferred the instant appeal against the Impugned Order. The CEO of the Company, Mr. Ch. Abdul Karim (Appellant No.2) 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. 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 stated above.
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**