



SECP

Insurance Division  
Karachi

Reference No: ID/PRDD/PDW-II/COS226/2014/19472

Date: April 22, 2014

**Circular No: 9 of 2014**

**COMPLIANCE WITH SECTION 226 OF THE COMPANIES ORDINANCE, 1984**  
**REGARDING MAINTENANCE OF SECURITIES AND DEPOSITS**

Whereas Section 226 of the Companies Ordinance, 1984 (the "Ordinance"), stipulates that:

*"Securities and deposits, etc. - No company, and no officer or agent of a company, shall receive or utilise any money received as security or deposit, except in accordance with a contract in writing; and all moneys so received shall be kept or deposited by the company or the officer or agent concerned, as the case may be, in a special account with a scheduled bank:*

*Provided that this section shall not apply where the money received is in the nature of an advance payment for goods to be delivered or sold to an agent, dealer or sub-agent in accordance with a contract in writing."*

2. Within this context, it has been noted that some insurance companies and insurance brokers do not adhere to the provisions of Section 226 of the Ordinance, in respect of the security deposits, cash margins against guarantee business and/or any other such deposits that they receive. The insurance companies and brokers receive and maintain these security deposits, cash margins against guarantee business and/or any other such deposits in their normal operational accounts, thus, the true essence of the provisions of Section 226 of the Ordinance is not complied with.

3. Henceforth, all insurance companies and insurance brokers are required to observe strict compliance with the said Section, and that no such deposit shall be received or utilised except in accordance with a contract in writing. However, if any money is received as a result of any contract in writing, then all such deposits shall be kept in a special account with a scheduled bank and no portion thereof should be utilised, except as stated in the underlying contract.

**Syed Nayyar Hussain**  
**Director**

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COMMISSION OF PAKISTAN

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
*Insurance Division*

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**Distribution**

1. Chief Executives of all Life and Non-Life Insurance Companies.
2. Chief Executives of all Family Takaful & General Takaful Operators.
3. Chairman Insurance Association of Pakistan.
4. President Institute of Chartered Accountants of Pakistan.
5. President Institute of Cost and Management Accountants of Pakistan.
6. President The Institute of Corporate Secretaries of Pakistan
7. President (Pakistan Society of Actuaries)
8. Joint Secretary (Insurance), Ministry of Commerce
- 9.. Executive Director -IS & T (SECP Islamabad)
10. Secretary to the Commission (SECP Islamabad)

  
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