



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before Shahzad Afzal Khan, Director/HOD (Adjudication-I)

In the matter of

The Cooperative Insurance Society of Pakistan Ltd.

Show Cause Notice No. &
Issue Date:

Ref: ID/Enf/CISP/2022-331
July 05, 2024

Date of Hearing:

August 27, 2024

Attended By:

1. Mr. Fateh Khan Niazi,
Chief Executive Officer
2. Mr. Shoaib Ahmad Waseem,
Financial Advisor
3. Mr. Fahad Amjad,
Compliance Officer
(Authorized Representatives)

ORDER

**UNDER SECTION 156 AND 158 OF THE INSURANCE ORDINANCE, 2000 READ WITH
THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016 AND RULE 12 OF
THE INSURANCE RULES, 2017**

This Order shall dispose of the proceedings initiated against **The Cooperative Insurance Society of Pakistan Ltd. (the Insurer and/or CISPL and/or the Respondent)** vide Show-Cause Notice No. ID/Enf/CISP/2022/331 dated July 05, 2024 (**the SCN**) issued under Sections 156 and 158 of the Insurance Ordinance, 2000 (**the Ordinance**) read with the Code of Corporate Governance for Insurers, 2016 (**the Code**) and Rule 12 of the Insurance Rules, 2017 (**the Rules**).

2. The Respondent is incorporated as a cooperative society under the Co-operative Societies Act, 1925 to undertake the business of non-life insurance in Pakistan.

3. The facts giving rise to the instant proceedings are summarized as under:

- (i) In the Review Report on Statement of Compliance (SoC) with the Code issued by the Auditors of the Insurer (**the Review Report**), the Auditors have highlighted non-compliances with numerous clauses of the Code. The Review Reports on the Accounts from FY 2017 to FY 2022 show that the Insurer, prima facie, failed to comply with various clauses of the Code, as indicated in the below table:

| Non-Compliance | Clause of the Code | 2022 | 2019 | 2018 | 2017 |
|--|--------------------|------|------|------|------|
| Appointed actuary is related to the Insurer. | (lxxiii) | ✓ | ✓ | ✓ | |
| Head of Internal Audit does not meet required qualification. | (xxii) | ✓ | ✓ | | |

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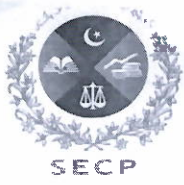
| Non-Compliance | Clause of the Code | 2022 | 2019 | 2018 | 2017 |
|--|--------------------------|------|------|------|------|
| Lack of effective internal audit department. | (lvi)(g) | ✓ | ✓ | | |
| No orientation course for directors. | (xix) | ✓ | ✓ | ✓ | |
| Quarterly financial reports not accompanied with prescribed reports and half-yearly review was not performed. | (xxv) & (xxvi) | ✓ | ✓ | ✓ | |
| No Compliance Officer. | (xxix), (xxx) and (xxxi) | ✓ | ✓ | ✓ | |
| Quarterly meetings not conducted for all quarters. | (xliii) | ✓ | ✓ | ✓ | |
| No secretarial compliance certificate | (xxxiii) | | | ✓ | ✓ |
| Member other than Chief Executive Officer is a member of both Claim Settlement Committee and Underwriting Committee. | (xxxv) | | | ✓ | |
| Chief Financial Officer does not meet the required qualification. | (xxi) | ✓ | | | |
| No approved business plan, cash flows projects and long-term plan. | (xviii) | ✓ | | | |
| External auditor did not attend audit committee meeting. | (lv) | ✓ | | | |
| Management Letter was not discussed with audit committee. | (lv)(e) | ✓ | | | |

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| Non-Compliance | Clause of the Code | 2022 | 2019 | 2018 | 2017 |
|--|--------------------|------|------|------|------|
| Investment policy does not include maximum allowable investment limits. | (xlv) | ✓ | | ✓ | |
| No remuneration policy. | (xi)(b) | | | | ✓ |
| No Risk Management Function. | (lxx) | | | | ✓ |
| Less than one-third independent directors. | (iii)(a) | | | ✓ | |
| Written consent of directors not provided. | (iv) & (v) | | | ✓ | |
| Qualification and eligibility of directors not confirmed. | (vi) | | ✓ | ✓ | |
| Code of conduct not available on website. | (xi)(a) | | | ✓ | |
| Remuneration and terms and conditions of CEO and directors not determined and approved by the BoD. | (xi)(e) | | | ✓ | |
| No documented underwriting policy. | (xxxvi) | | | ✓ | |
| No documented claim settlement policy. | (xxxvii) | | | ✓ | |
| No documented reinsurance and co-insurance policy. | (xxxviii) | | | ✓ | |
| Human resource policy not documented and implemented. | (xli) | | | ✓ | |
| Code of conduct not prepared and circulated. | (xi)(a) | | ✓ | | |



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- (ii) The Insurer, prima facie, has violated the requirements of Section 46(1) read with Section 51(1) of the Ordinance, due to non-filing of Annual Accounts and Regulatory Returns for FY 2023 and/or late filing of its Annual Accounts and Regulatory Returns for FY 2020 to FY 2022. The non-compliance thereof attracts penal provisions contained in Section 156 of the Ordinance.
- (iii) Examination of the Statement of Solvency of the Insurer as at December 31, 2022 has revealed that the Insurer has incorrectly calculated inadmissible assets by applying the percentage of inadmissibility to the line item instead of 'total investment', which, prima facie, is in contravention of the requirements of Section 32(2) of the Ordinance read with Rule 12 of the Rules.
- (iv) The aforesaid observations were taken up with the Insurer. The Insurer responded them vide email dated May 21, 2024 and stated that calculations of the solvency were carried out in accordance with the requirements of Rules and the same were duly audited by its Auditor. However, the Insurer failed to provide any justification for not applying inadmissibility percentages based on 'total investment' as defined in Section 32(6) of the Ordinance.
- (v) The Insurer did not exclude cash balances with and investments in a related party, i.e. Punjab Provincial Cooperative Bank Limited (PPCBL), for the purpose of computation of inadmissible assets in the Statement of Solvency as at December 31, 2022, which, prima facie, is in contravention of Section 32(2)(g) of the Ordinance. Upon inquiring, the Insurer submitted its response as follows:

"Despite the Punjab Provincial Cooperative Bank Limited holding 73% shares of The Cooperative Insurance Society of Pakistan Limited, it possesses only one voting right, hence, cash and bank balances were rightly included in admissible assets. Consequently, the Society did not violate Section 32(2)(g) and Section 32(7) of the Insurance Ordinance, 2000."
- (vi) The Insurer, prima facie, did not correctly apply the inadmissibility limits prescribed under Section 32(2) of the Ordinance read with Rule 12 of the Rules. In view of the foregoing, the Statement of Solvency of the Insurer as at December 31, 2022, prima facie, has not been prepared as per the aforesaid applicable provisions of the law; therefore, the provisions of Section 158 of the Ordinance are attracted due to the said misstatement in the Solvency Statement.

4. In view of the above, the Insurer, prima facie, has contravened the requirements of Section 32(2) of the Ordinance read with Rule 12 of the Rules, Section 32(6) and Section 32(7) of the Ordinance and the aforesaid clauses of the Code, for which the Insurer is liable to penal action under Section 156 and Section 158 of the Ordinance and Section 40A of the SECP Act, 1997.

5. In order to take cognizance of the aforesaid non-compliances/ violations/ contraventions, the SCN was issued to the Respondent, calling upon it to show cause in writing within fourteen (14) days of the date of the SCN as to why penalty may not be imposed on it for contravening the aforesaid provisions of the law.

6. The relevant provisions of the law are reproduced as under:

Relevant Clauses of Code of Corporate Governance for Insurers, 2016:

Clause lxxiii

The Board of Directors of the insurer shall ensure that an appointed actuary must not be:

- (a) A person who is, or at any time during the preceding three years was a director, other officer or employee of the insurer;*
- (b) A person who is a partner of, or in the employment of a director, officer or employee of the insurer;*
- (c) The spouse or lineal ascendant / descendant of the director of the insurer; and*
- (d) The person who is indebted to the insurer.*

Clause xliv

Insurer shall constitute an Investment Committee, which shall consist of a minimum of two non-executive directors of the insurer, the Chief Executive Officer, the Chief Financial Officer and wherever an Appointed Actuary or an internal actuary is employed, the Appointed Actuary or the internal actuary. The decisions taken by the committee shall be properly recorded and shall be made available to the Securities and Exchange Commission of Pakistan upon request.

Provided that where an internal actuary is appointed as member of the investment Committee, the internal actuary shall be a person being the Fellow or Associate member of the Pakistan Society of Actuaries, the Institute of Actuaries in England or Society of Actuaries in the United States of America, or such other body as may be recognized by the Commission after obtaining views of the Pakistan Society of Actuaries.

Clause xxii

No person shall be appointed as Head of Internal Audit of an Insurer unless he has at least three (3) years of relevant experience in audit or finance or compliance function, and is:

- (a) member of a recognized body of professional accountants; or*
- (b) a Certified Internal Auditor; or*
- (c) a Certified Fraud Examiner; or*
- (d) a Certified Internal Control Auditor.*

Provided that individual serving as Head of Internal Audit of an insurer for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement.

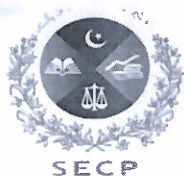
Clause lvi(g)

The terms of reference of the Audit Committee shall also include the following:

... ..
review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the insurer;

Clause xxi

No person shall be appointed as the Chief Financial Officer of an insurer unless he has at least three (3) years of experience of being engaged in or employed in a public



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practice (audit / accounting), or in managing financial or corporate affairs function of a company, and:

(a) is a member of a recognized body of professional accountants; or

(b) has a postgraduate degree in finance from a recognized university or equivalent.

Provided that individual serving as Chief Financial Officer of an insurer for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement.

Clause xix

The insurer shall make appropriate arrangements to carry out orientation courses for its directors to acquaint them with their duties and responsibilities and enable them to manage the affairs of the insurer on behalf of shareholders (policyholders in the case of mutual insurer, which are the members of such insurer).

Clause xliii

All committees (whether management committees or the Board committees) shall meet at least once in every quarter.

Clause xxvi

The insurer shall ensure that half-yearly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Securities and Exchange Commission of Pakistan.

Clause xviii(a)

In order to strengthen and formalize corporate decision making process, significant issues shall be placed for the information, consideration and decision of Board of Directors of insurer.

.....

Annual business plan, cash flow projections, forecast and long term plans;

Clause Iv

Attendance at Meetings.- The Chief Financial Officer, the Head of Internal Audit and a representative of the external auditors shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed:

Provided that at least once a year, the Audit Committee shall meet the external auditors without the Chief Financial Officer and the Head of Internal Audit being present.

Provided further that at least once a year, the Audit Committee shall meet the Head of Internal Audit and other members of the internal audit function without the Chief financial Officer and the external auditors being present.

Clause Ivi(e)

The terms of reference of Audit Committee shall also include the following:

.....

review of management letter issued by external auditors and management's response thereto;



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Clause xxiii

The Chief Financial Officer and the Company Secretary of an insurer shall attend meetings of the Board of Directors:

Provided that unless elected / appointed / nominated as a director, the Chief Financial Officer or the Company Secretary shall not be deemed to be a director or entitled to cast a vote at meetings of the Board of Directors for the purpose of this clause.

Provided further that the Chief Financial Officer and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to the Chief Financial Officer, Company Secretary, Chief Executive Officer or any director.

Clause xviii(a)

In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the Board of Directors of insurer. Significant issues for this purpose may include: annual business plan, cash flow projections, forecasts and long term plans.

Clause xlv

The investment Committee shall draw up an investment policy and fund-wise investment policy, in case of life insurance business (shareholders fund and statutory funds) or takaful business (shareholders fund and participants investment fund), which shall be reviewed annually. The investment policy shall, at the least, include the following:

.....

Clause xxix

Every insurer shall put in place a Compliance Program to ensure that all relevant laws are complied with, in letter and spirit, and, thus, minimize legal and regulatory risks. For this purpose, the Board of Directors shall appoint/designate a suitably qualified and experienced person as Compliance Officer on a countrywide basis, who may be assisted by other compliance officers down the line. The Head of Compliance will report to the Board of Directors of the insurer through the Risk Management & Compliance Committee on all major issues and on such other non-major matters and at such frequency as the Board may determine, however, in all other routine matters, the Compliance Officer will report to the Chief Executive Officer. The Compliance Officer will primarily be responsible for insurer's effective compliance relating to:

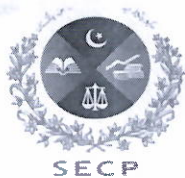
- (a) Insurance Ordinance, 2000 and the Rules and Regulations made thereunder;*
- (b) Companies Ordinance, 1984 and the Rules and Regulations made thereunder;*
- (c) Listing Regulations, in case of listed insurers; and*
- (d) Anti-money laundering laws, Rules and Regulations, and related Directives.*

Section 46 of the Ordinance:

"Accounting and reporting.- (1) Every insurer shall at the expiration of each year prepare and deliver to the Commission with reference to that year annual statutory accounts comprising the following statements duly audited by an approved auditor:

.....

- (b) in the case of a non-life insurer,*
 - (i) a statement of assets and liabilities;*
 - (ii) a statement of profits and losses;*
 - (iii) a statement of cash flows;*



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- (iv) a statement of premiums;
 - (v) a statement of claims;
 - (vi) a statement of expenses;
 - (vii) a statement of investment income;
 - (viii) a statement of claims analysis;
 - (ix) a statement of exposures; and
 - (x) such other statements as may be prescribed by the Federal Government;
- each in such form as may be prescribed by the Commission and prepared in accordance with such regulations as are issued by the Commission from time to time in this behalf."

Section 51(1) of the Ordinance:

"Submission of returns.- (1) The audited statements and report referred to in subsections (1) and (5) of section 46 and the report and statement referred to in section 50, including any report referred to in sub-section (7) of section 50, shall be furnished as returns to the Commission in such manner as may be prescribed by the Commission, but in any case including at least one printed copy, within four months from the end of the period to which they refer:

Provided that the Commission may on application by an insurer extend the time allowed by this sub-section for the furnishing of such returns by a further period not exceeding one month."

Section 32 of Ordinance:

"Admissible Assets.- (1)

.....

(2) For the purposes of this Part, subject to sub-section (1), the following are not admissible assets:

- (a) in a statutory fund of a life insurer, a loan to, capital transfer to or other interest in the shareholders' fund of the life insurer;*
- (b) in a statutory fund of a life insurer, any asset to the extent that it exceeds such percentage as may be prescribed by the Commission of the value of the fund (being the market value of assets less liabilities other than policyholder liabilities);*
- (c) in the shareholders' fund of a life insurer, a loan to, capital transfer to or other interest in a statutory fund of the life insurer;*
- (d) loans (not being loans secured against life insurance policies) to directors, shareholders, agents or employees of the insurer, and accrued profit or return (however called or described) thereon:*

Provided that a person holding less than one per cent. of the shares of the insurer shall not be considered to be a shareholder for the purposes of this clause.

Provided, further, that a loan and accrued profit or return (however called or described) thereon

to an employee of an insurer, not being a director of the insurer, shall not be inadmissible by virtue only of the operation of this clause, to the extent that the loan is secured against immovable property.

- (e) Loans to life insurance policyholders of the insurer, to the extent that these, together with accrued profit or return (however called or described) thereon, exceed the surrender value of the policies against which they are secured;*
- (f) loans which are secured against immovable property, to the extent that they exceed, in the aggregate, such percentage as may be prescribed by the Commission of the insurer's total investments or, in the case of a life insurer, such percentage*

- as may be prescribed by the Commission of the total investments of the relevant statutory fund or shareholders' fund;*
- (g) balances with, shares in, loans to or other amounts due from any body that is related to the insurer or to any director of the insurer;*
 - (h) premiums due and payable to the insurer but not paid for more than three months from the date due and payable; Provided that in the case of a life insurer a premium which has not been paid shall be deemed to have been paid to the extent that the provisions of clause (b) of subsection (4) of section 93 have been applied in respect of that premium;*
 - (i) intangible assets, including but not limited to goodwill, brand names and capitalised establishment costs;*
 - (j) deferred tax asset balances;*
 - (k) amounts available to the insurer under guarantees;*
 - (l) assets subject to encumbrances;*
 - (m) unpaid share capital;*
 - (n) any unit of immovable property, to the extent that it exceeds such percentage as may be prescribed by the Commission of the insurer's total investments or, in the case of a life insurer, such percentage as may be prescribed by the Commission of the total investments of the relevant statutory fund or shareholders' fund;*
 - (o) immovable property, to the extent that it exceeds in total such percentage as may be prescribed by the Commission of the insurer's total investments or, in the case of a life insurer, such percentage as may be prescribed by the Commission of the total investments of the relevant statutory fund or shareholders' fund;*
 - (p) shares in any one company or group of related companies, to the extent that they exceed such percentage as may be prescribed by the Commission of the insurer's total investments or, in the case of a life insurer, such percentage as may be prescribed by the Commission of the total investments of the relevant statutory fund or shareholders' fund;*
 - (q) shares of listed companies, to the extent that they exceed, in the aggregate, such percentage as may be prescribed by the Commission of the insurer's total investments or, in the case of a life insurer, such percentage as may be prescribed by the Commission of the total investments of the relevant statutory fund or shareholders' fund;*
 - (r) shares of companies (not being listed companies), to the extent that they exceed, in the aggregate, such percentage as may be prescribed by the Commission of the insurer's total investments or, in the case of a life insurer, such percentage as may be prescribed by the Commission of the total investments of the relevant statutory fund or shareholders' fund;*
 - (s) immovable property and shares in the aggregate, to the extent that they exceed such percentage as may be prescribed by the Commission of the insurer's total investments or, in the case of a life insurer, such percentage as may be prescribed by the Commission of the total investments of the relevant statutory fund or shareholders' fund;*
 - (t) loans to any person or group of related persons, to the extent that they exceed such percentage as may be prescribed by the Commission of the insurer's total investments or, in the case of a life insurer, such percentage as may be prescribed by the Commission of the total investments of the relevant statutory fund or shareholders' fund;*
 - (u)*
 - (i) vehicles;*
 - (ii) office equipment and*
 - (iii) fixtures and fittings which are not immovable property;*

- (v) such assets as the Commission may prescribe; and
(w) assets which are declared by the Commission, pursuant to sub-section (9), not to be admissible assets of an insurer or of a life insurance statutory fund maintained by an insurer.

....

(6) In this section, "investments" includes all forms of shares, debentures, bonds, deposits and other securities and derivative instruments, and includes immovable property whether or not occupied by the insurer.

(7) For the purposes of this section, two or more persons are "related" if they are under common control, or if they are connected by an ownership interest of more than 49% or, if they are natural persons, they are members of the same family.

Rule 12 of the Insurance Rules, 2017:

"Admissibility of assets.- For the purposes of sub-section (2) of section 32 of the Ordinance, the percentages specified in column (3) of the table below shall apply for the clauses of the said sub-section specified in column (1) of that table in respect of the assets described in column (2) thereof.

| Clause | Description of Assets | Percentage |
|--------|--|--|
| (1) | (2) | (3) |
| (b) | In a statutory fund of a life insurer, any assets | For assets other than bank deposits – five per cent For total bank deposits – one hundred per cent; and For deposits in a single bank – greater of Rs. 25 million or fifteen per cent. |
| (f) | Loans which are secured against immovable property | Five percent for both life and non-life insurer. |
| (n) | Any one unit of immovable property | In the case of both a non-life insurer and a life insurer, – fifty percent till 31 December 2011; then thirty five percent till 31 December 2013; then twenty percent till 31 December 2014 and thereafter. |
| (o) | Total immovable property | In the case of both a non-life insurer and a life insurer, – sixty percent till 31 December 2011; then forty five percent till 31 December 2013; |

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| | | |
|-----|--|--|
| | | <i>then thirty percent till 31 December 2014 and thereafter.</i> |
| (p) | <i>Shares in any one company or in group of related companies</i> | <p><i>five percent in case of life insurer.</i></p> <p><i>In the case of a non-life insurer –</i></p> <p><i>- till 30 December 2012 twenty-five per cent; and</i></p> <p><i>- thereafter as per the following table</i></p> <p><i>On and after 31 December 2012 twenty percent</i></p> <p><i>On and after 31 December 2013 fifteen percent</i></p> <p><i>On and after 31 December 2014 ten percent</i></p> <p><i>On or after 31 December 2015 five percent</i></p> |
| (q) | <i>Shares of listed companies in the aggregate</i> | <p><i>In case of both life and non-life insurers. –</i></p> <p><i>Seventy percent till 31 December 2011;</i></p> <p><i>Sixty percent till 31 December 2012;</i></p> <p><i>Fifty percent till 31 December 2013 and thereafter</i></p> |
| (r) | <i>Shares of companies (not being listed companies) in the aggregate</i> | <i>Five per cent in case of non-life insurer and two and half per cent in case of life insurer till 31 December 2012 and thereafter.</i> |
| (s) | <i>Immovable property and shares in the aggregate</i> | <p><i>In the case of both life and non-life insurers. –</i></p> <p><i>Eighty per cent till 31 December 2011;</i></p> <p><i>Seventy per cent till 31 December 2012;</i></p> <p><i>Sixty per cent till 31 December 2013 and thereafter.</i></p> |
| (t) | <i>Loans to any person or group of related persons</i> | <p><i>For both life and non-life insurers:</i></p> <ul style="list-style-type: none"> <i>• To any one person – one per cent; and</i> <i>• To a group of related persons – two per cent till 31 December 2012 and thereafter.</i> |

.....”

Section 156 of the Ordinance:

"Penalty for default in complying with, or acting in contravention of this Ordinance.- Except as otherwise provided in this Ordinance, any insurer who makes default in complying with or acts in contravention of any requirement of this Ordinance, [or any direction made by the Commission, the Commission shall have the power to impose fine on the insurer and, where the insurer is a company, any director, or other officer of the company, who is knowingly a party to the default, shall be punishable with fine which may extend to one million rupees and, in the case of a continuing default, with an additional fine which may extend to ten thousand rupees for every day during which the default continues."

Section 158 of the Ordinance:

"Penalty for false statement in document.- Except as otherwise provided in this Ordinance, whoever, in any return, report, certificate, balance-sheet or other document, required by or for the purposes of any of the provisions of this Ordinance, willfully makes a statement false in any material particular, knowing it to be false, shall be punishable [by the Commission]17 with fine which may extend to one million rupees."

Section 40A of the SECP Act, 1997:

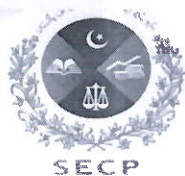
"(1) Any person who contravenes or fails to comply with any provision of rule made under section 39 or regulation made under section 40 or directive or notification issued under this Act shall be liable to pay by way of penalty a sum which may extend to ten million rupees and where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

(2) A penalty under sub-section (1) shall be imposed by the Commission after providing a reasonable opportunity of being heard to the party."

7. In response to the SCN, the Respondent vide letter dated July 15, 2024 submitted its reply, the relevant extracts of which are reproduced as under:

| Non-Compliance | Clause of the Code | Remarks |
|--|--------------------|--|
| Appointed Actuary Related to the Insurer | (lxxiii) | <p>The Society appointed actuaries in 2018. Due to low number of claims, the chain ladder method is not applicable to the Society, and the Society's IBNR calculations were made by the appointed actuary on the estimated basis considering the historical pattern of claim. Since 2018, the Society has been preparing IBNR reports based on actuarial estimate suggested by the appointed actuary in year 2018.</p> <p>Further, appointment of Actuary is not a mandatory requirement for non-life insurance business because under section 26 of the Insurance Ordinance, 2000 only life insurers are required to appoint actuary.</p> <p>Copy of actuary report for the period 2018 is attached as Annexure "A".</p> |

| Head of Internal Audit Does not meet required qualification. | (xxii) | The financial condition of the Society is not comparable to other insurance companies in Pakistan. The Society, with a BB+ rating, is only listed on panel of the Punjab Provincial Cooperative Bank Limited. The Society has very nominal business volume and has been sustaining underwriting losses since last many years. Appointing a person with professional qualification as required by the Code is not practicable for the Society. The Society appointed the Head of Internal Audit (HOLA) on 17-09-2021, who has extensive experience in financial institutions and holds a postgraduate degree in commerce. He is also undertaking professional qualification. His profile/CV is attached as <u>Annexure B. We hereby request to take a lenient view in this regard till the time the existing staff attains some professional qualification for which Society is providing financial support.</u> | | | | | | | | | | | | | | | | |
|--|---------------------------|---|------|-------------|-----------|------|-------------------|---------------------------|------|------|----------------------|-------------------------|------|------|-------------------------|----------|------|------|
| Lack of effective Internal audit department | (Ivi)(g) | The internal audit department of the Society is effective, keeping in view of limited business volume. Audit department quarterly submits the report to the chairman of the Audit Committee. Proper checks and balances are in place. | | | | | | | | | | | | | | | | |
| No orientation courses for directors | (xix) | <p>To comply with the mentioned clause the Society enrolled directors in Director Training Programs. The detail are given below:</p> <table><tr><th>Name</th><th>Designation</th><th>Institute</th><th>Year</th></tr><tr><td>Mr. Ahsun Mehmood</td><td>Senior Vice Chairman (Ex)</td><td>PICG</td><td>2020</td></tr><tr><td>Mr. Fateh Khan Niazi</td><td>Chief Executive Officer</td><td>ICAP</td><td>2022</td></tr><tr><td>Mr. Asad Ul Haq Piracha</td><td>Chairman</td><td>ICAP</td><td>2022</td></tr></table> <p>According to section (xixa) Code of Corporate Governance 2016 for insurer amended via SRO1013(I)/2022 dated 05/08/2022 <u>"Insurers shall ensure that by December 31, 2022, at least 25% of the directors on their Boards"</u> As of December 31, 2022, approximately 43% of directors were certified as mentioned above. Certificates of abovementioned directors are</p> | Name | Designation | Institute | Year | Mr. Ahsun Mehmood | Senior Vice Chairman (Ex) | PICG | 2020 | Mr. Fateh Khan Niazi | Chief Executive Officer | ICAP | 2022 | Mr. Asad Ul Haq Piracha | Chairman | ICAP | 2022 |
| Name | Designation | Institute | Year | | | | | | | | | | | | | | | |
| Mr. Ahsun Mehmood | Senior Vice Chairman (Ex) | PICG | 2020 | | | | | | | | | | | | | | | |
| Mr. Fateh Khan Niazi | Chief Executive Officer | ICAP | 2022 | | | | | | | | | | | | | | | |
| Mr. Asad Ul Haq Piracha | Chairman | ICAP | 2022 | | | | | | | | | | | | | | | |



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| | | attached as <u>Annexure D. We are arranging DTP certifications for other directors as well.</u> |
| Quarterly Financial reports not accompanied with prescribed reports and half yearly review was not performed. | (xxv) & (xxvi) | The Society submitted the Director Review report along with quarterly unaudited financial statements to Securities and Exchange Commission of Pakistan. The business of the Society is very limited, with no significant changes and overdue debts. Further, the Society requested the Chief Auditor of the Cooperative Department to arrange a half yearly review every year. Being a cooperative concern registered under the Cooperative Societies Act, 1925. The main hurdle for half yearly review is the late submission of audit report by the external auditors as you mentioned in page no 3. Copies of letters are attached as <u>Annexure U.</u> |
| No Compliance Officer | (xxix), (xxx) and (xxxi) | Mr. Fahad Amjad was appointed on 08-11-2018 as supervisor accounts. He has 5 years and seven months' working experience in the Society on different posts. He served 3 years 3 months as Compliance Officer as he was promoted as Compliance Officer on 01-04-2021. Mr. Fahad Amjad has qualification of Certified Anti Money Laundering Professional by Institute of Financial Market of Pakistan and has also done AML CFT training program by IFMP. Mr. Fahad Amjad is a graduate and PIPFA (Continuing). We are enclosing his professional certificates as <u>Annexure E.</u> |
| Quarterly meeting not conducted for all quarters. | (xliii) | The Society conducted its quarterly meetings as required. Copies of the meeting minutes are attached as <u>Annexure F. The meetings in past wherever missed were on account of Board not available as a result of pending approval from the SECP.</u> |
| No Secretarial Compliance Certificate | (xxxiii) | The Society wrote to the SECP for exemption from the Code of Corporate Governance for Insurers, 2016 due to financial constraints, but approximately two years later, they replied and ordered the implementation of the code. This observation was in 2017 and 2018 when the SECP reply was received by the Society. Afterword, there is no incidence of such non-compliance. |

| | | |
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| Member Other than CEO is a member of both claim, settlement Committee and underwriting Committee | (xxxv) | As mentioned above the Society approached SECP for exemption with respect to Code and in the reply SECP refused to give exemption. Thereafter, Society started implementation of the Code due to which Sub-Committees were not established/constituted in 2018. The observation has been resolved. |
| CFO does not meet the required qualification | (xxi) | Mr. Usman Amjad was Chief Financial Officer of the Society and resigned from his services on 25-08-2022. Mr. Usman Amjad qualified the mentioned clause of Code of Corporate Governance 2016. We are enclosing his certificates as <u>Annexure G</u> . After the resignation of CFO, Mr. Fahad is performing as Acting CFO and has enrolled in PIPFA and hopefully will acquire the required qualification in due course of time. The Society tried to find some suitable candidate who could work in salary structure offered by the Society due to financial constraints but could not find one. |
| No approved Business Plan, Cash Flows projects and long-term plan | (xviii) | This observation is incorrect. The Society prepared its annual budgets which is approved by the Board of Directors. Copies are attached as <u>Annexure H</u> . |
| External Auditor did not attend audit committee meeting. | (Iv) | We verbally informed to the External auditors for attending the Audit Committee meeting, but they could not attend the meeting. |
| Management Letter was not discussed with audit committee | (Iv)(e) | The management letter for 2022 has not yet been provided by the auditor despite verbal and written requests. Copies of the letters are attached as <u>Annexure J</u> . |
| Investment policy does not include maximum allowable investment limits. | (xlv) | Currently, the Society does not have sufficient funds for investment, and the business of the Society is in loss. Investments shown in the accounts for the calendar year 2022 were made in the '60s. The Board has decided to keep the investments intact. Due to its insufficient funds, this is not applicable to the Society. |
| No remuneration policy | (xi)(b) | The Society has approved remuneration policy which is attached as <u>Annexure K</u> . |
| No risk management function | (ixx) | This observation in 2017 has now been resolved. The Society has Risk Management function which is approved by the Board of Directors attached as <u>Annexure L</u> . |

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| Less than one third independent directors | (iii)(a) | According to the mentioned clause of Code: <u>"the Board of Directors of the insurer includes preferably one third of the total members of the Board as independent director(s)."</u> As per the above clause appointment of one third of independent directors is not mandatory. while the Society send the data of independent director to Securities & Exchange Commission of Pakistan for approval in 2024'. Copies of letter is. attached as <u>Annexure M.</u> |
| Written consent of directors not provided | (iv)&(v) | The proposed directors of the Society are nominated by the Shareholders. We have the director's consent in the shape of nomination paper where the. directors have also signed. Further, we are enclosing the copies nomination papers, election rules and newspaper as <u>Annexure N.</u> |
| Qualification and eligibility of directors not confirmed | (vi) | All proposed directors of the Society are duly approved by the Securities and Exchange Commission of Pakistan under the Sound and Prudent Management Regulations 2012. Letter of SECP approved directors attached as <u>Annexure O.</u> |
| Code of conduct not available on website. | (xi)(a) | The Code of conduct was duly prepared and approved and has been uploaded on the website as well. |
| Remuneration and terms and conditions of CEO and directors not determined and approved by the BOD. | (xi)(e) | Directors do not receive remuneration other than TA/DA. CEO's remuneration is approved, and authority for decision-making is delegated to the Chairman and Vice Chairman. Resolutions are attached as <u>Annexure P.</u> |
| No documented underwriting policy | (xxxvi) | This observation is incorrect. The Society prepared and approved underwriting policy which is attached as <u>Annexure Q.</u> |
| No documented claim settlement policy | (xxxvii) | This observation is incorrect. The Society prepared and approved Claim Settlement policy which is attached as <u>Annexure R.</u> |
| No documented re-insurance co-insurance policy | (xxxviii) | This observation is incorrect. The Society prepared and approved Co-insurance and Re-insurance policy which is attached as <u>Annex S.</u> |
| Human resources policy not documented and implemented | (xli) | The Society has approved human resources policy. This observation was in year 2018 and later needful was done. |

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| Code of Conduct not prepared and circulated | (xi)(a) | This observation is incorrect. The Society prepared and approved Code of Conduct which is attached as <u>Annexure T</u> . |
|---|---------|---|

The Society is committed to complying with all the requirements as set forth by the Securities and Exchange Commission of Pakistan (SECP). However, the audit of the Society has been delayed due to the late appointment of auditors by the Registrar, Cooperative Department and delayed completion of audit at the end of auditors.

This matter was presented to Mr. Wazir Zada Yasir Almas Khan, Additional Director at the Securities and Exchange Commission of Pakistan (SECP). The reasons for late submissions were thoroughly discussed with him. Our correspondence regarding this matter is attached as Annexure U.

Further, for the audit of the year 2023, M/s Fazal Mehmood & Co. Chartered Accountants (FMC) accepted the audit of the Society on 18-04-2024, and their staff worked in the Society's Head Office until 17-05-2024. However, FMC resigned from the audit of the Society on 29-05-2024. The resignation letter is attached in Annexure V.

Statement of Solvency:

II. According to section 32(2)(g) of the Insurance Ordinance 2000:

"Balances with, shares in, loans to or other amounts due from anybody that is related to the insurer or to any director of the insurer"

It is important to note that the Society does not have any receivable amount from the Punjab Provincial Cooperative Bank Limited (PPCBL). The Society deposited cash in the bank, and Rs 1 million as a term deposit receipt like other scheduled banks. The Society can withdraw it as and when required and the same is not under any restriction. The Punjab Provincial Cooperative Bank Limited cannot hold it as these are cash and bank balance maintained in the scheduled bank like any other bank.

Further, according to the subsection 7 of 32 of the Insurance Ordinance 2000:

"For the purposes of this section, two or more persons are "related" if they are under common control, or if they are connected by an ownership interest of more than 49% or, if they are natural persons, they are members of the same family."

Punjab Provincial Cooperative Bank Limited own approx. 73% holding of the Society but it possesses only one voting right according to section 18 of the Cooperative Societies Act, 1925. As a ready reference, the same is reproduced below.

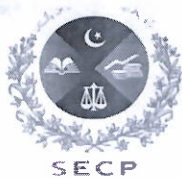
"No member of any society shall have more than one vote in its affairs, provided that in the case of an equality of votes the chairman shall have a casting vote. (2) A Society which has invested any part of its funds in the shares of another society, may appoint one of its members to vote in the affairs of such other registered society."

As per the above clause of Cooperative Societies Act, 1925 Punjab Provincial Cooperative Bank Limited (PPCBL) is not the related party to the Society.

III. According to section 32(2)(r) of the ordinance and rule 12 of the Insurance rules, 2017:

"Five per cent in case of non-life insurer and two and half per cent in case of life insurer till 31 December 2012 and thereafter"

As per the above admissibility for non-Life insurer is 5% (95% Inadmissibility) and the Society calculates 95% of un-Listed share as inadmissible as per above provisions.



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IV. According to section 32(2)(q) of the ordinance and rule 12 of the Insurance Rules, 2017:

"In case of both life and non-life insurers. -Seventy percent till 31 December 2011; Sixty percent till 31 December 2012; Fifty percent till 31 December 2013 and thereafter"

The Society calculated 50 percent of the listed share as inadmissible asset as per above provisions.

V. According to section 32(2)(n) of the ordinance and rule 12 of the Insurance rules 2017:

"Any one unit of immovable property In the case of both a non-life insurer and a life insurer, - fifty percent till 31 December 2011; then thirty five percent till 31 December 2013; then twenty percent till 31 December 2014 and thereafter."

It is important to note that the Society has 3 immovable properties in Lahore, Sargodha, and Rawalpindi. The Rawalpindi building is declared an investment property. In the Land and Building column of the Fixed Assets of the Society's Final Accounts for the year 2022, the cumulative balance shows that more than one unit of immovable property is held. Therefore, Section 32(2)(o) will be applicable instead of Section 32(2)(n). Hence, the Society calculated inadmissibility on Land and Building as prescribed in Section 32(2)(o).

According to section 32(2)(n) of the Ordinance the inadmissible percentage is 80% while you calculated 75.56%.

According to section 32(2)(o) of the Ordinance and Rule 12 of the Insurance Rules, 2017:

"In the case of both a non-life insurer and a life insurer, - sixty percent till 31 December 2011; then forty five percent till 31 December 2013; then thirty percent till 31 December 2014 and thereafter."

We have been calculating the solvency margin as per above provisions of the Ordinance and Rules and the same have been subjected to audit test by the SECP Panel of Auditors and SECP also in the past never objected to the above calculations. We are of the considered opinion that our working of solvency margin is as per the applicable provisions of the law and approved by the auditors as well.

We, being a very small entity in the insurance sector, have been struggling hard to survive in the highly regulated environment. We mainly do insurance business in cooperative sector entities. We are not enlisted on panel of Insurers of any scheduled bank except the PPCBL. Hence, our exposure is very limited in the insurance sector; In the latest year ending on December 31, 2023, our gross underwriting business is only Rs 32 million with underwriting loss of Rs. (2058725). The other income of the Society is helping it to sail through the tumultuous business affairs. We hope you will take a lenient view to support the Society to continue to serve the cooperative sector entities in the country."

8. In order to provide the Respondent an opportunity of personal representation, hearing in the matter was fixed for August 27, 2024, wherein, Mr. Fateh Khan Niazi, (CEO); Mr. Shoaib Ahmad Waseem (Financial Advisor); and Mr. Fahad Amjad (Compliance Officer) appeared before the undersigned as the Authorized Representatives of the Respondent (**the Representatives**). During the hearing, the Representatives were advised to explain the reasons for the non-compliances as narrated in the SCN. The Representatives reiterated the submissions and arguments made in the written reply. During the hearing proceedings, the Representatives assured that the incumbent CFO will acquire the

required qualification in due course of time. It was also stated that the Compliance Officer of the Insurer has been appointed. The Representatives were advised to submit evidence confirming his appointment. The Representatives admitted that the Accounts for FY 2023 have not yet been finalized and the same would be filed by end of September, 2024.

9. Subsequent to the hearing, the Insurer vide letter dated September 9, 2024 submitted copies of the record requisitioned during the hearing proceedings.

10. I have carefully examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the verbal as well as written submissions of the Respondent and its Representatives and have observed as under:

(a) Contravention of Clauses of the Code:

The incumbent Head of Internal Audit of the Insurer did not meet the condition of the required qualification, as stipulated under clause xxii of the Code. The Respondent has stated appointing a person with professional qualification as required by the Code is not practicable given the fact that it has very nominal business volume and has been sustaining underwriting losses since last many years. However, it has been noted that the financial condition of the Insurer cannot be a valid justification for the non-compliance. Therefore, contravention of clause xxii of the Code is established.

The Respondent has stated that the internal audit department of the Insurer is effective keeping in view limited business volume and the department quarterly submits the report to the chairman of the Audit Committee. The terms of reference of Audit Committee, inter alia, include review of scope and extent of internal audit and ensuring that internal audit function has adequate resources and is appropriately placed within the insurer. However, in absence of such scope and implementation thereof, there was lack of effectiveness in the internal audit department which constitutes violation of clause lvi(g) of the Code.

The Respondent has admitted that after resignation of previous incumbent CFO on 25-08-2022, Mr. Fahad Amjad, Compliance Officer has been serving as Acting CFO. However, it has been noted that there is no provision in the Code which allows appointment of Acting CFO of an insurer. More importantly, the individual having acting charge of CFO does not meet the required qualification. The Respondent has stated that the incumbent Compliance Officer was promoted in April, 2021; however, it has been noted that neither the compliance program was adopted nor effective role of the Compliance Officer with respect to compliance with insurance laws and other applicable statutes existed. This has resulted in violation of clauses xxix and xxxi of the Code;

With regard to observation on absence of an annual business plan, cash flow projections and long term plans of the insurer, the Respondent has merely stated that annual budget was duly approved the Board. However, the scope of clause xviii of the Code is much larger compared to approval of annual budget as it requires that in order to strengthen corporate decision making, significant issues such as annual business plan, cash flow projections, forecasts and long term plans would be placed for consideration and decision of the Board of an Insurer. Therefore, the Insurer did not demonstrate its compliance with clause xviii of the Code.

The Respondent has stated that they verbally informed to the external auditors for attending the meeting of the Audit Committee but they could not attend the meeting.

Keeping in view the mandatory attendance of the external auditors in such meetings, it was obligatory for the Insurer to send notice or intimation in writing to them. Therefore, the Insurer failed to fulfill their obligations in the matter which constitutes non-compliance with clause lv of the Code.

It was stated in the reply that the Insurer does not have sufficient funds for investment; hence, the requirement of maximum allowable limits in investment policy is not applicable. Regardless of its current position of availability of funds, the Investment Committee of the Insurer is required to draw up an investment policy, which, inter alia, include allowable exposures in various assets classes as well as allowable exposure in a single entity and in a related party. However, the Insurer did not comply with the requirements of clause xlv of the Code.

(b) Non-Filing or Delayed Filing of Annual Accounts and Regulatory Returns:

The Respondent has attributed delay in filing of its Annual Accounts to late appointment of the Auditors by the Registrar, Cooperative Department as well as late completion of audit. The Respondent has further stated that the Auditors accepted audit of the Annual Accounts of the Insurer for FY 2023 on 18-04-2024 but they have resigned on 29-05-2024. Without going into the foregoing issues, it is important to note here that the Insurer is obligated to ensure compliance with the relevant provisions of audit and accounts of the applicable regulatory framework i.e. the Insurance Ordinance, 2000. Keeping in view its past experience, the Insurer should have exhausted every possible effort for achieving the compliance and initiated the process on timely basis in order to have the accounts audited and finalized well before the due date. However, it has been noted that the Insurer failed to file the Annual Accounts and Regulatory Returns for last three (3) consecutive financial years i.e. FY 2020 to 2022 within due date. Moreover, Annual Accounts and Regulatory Returns for FY 2023 have not yet been filed despite expiry of over 5 months beyond the due date, as mentioned below:

| Annual Accounts/ Regulatory Returns | Financial Year Ended | Due Date for Submission | Date Filed |
|--|-------------------------|----------------------------|-------------|
| Audited Accounts & Regulatory Returns | Dec-31-2023 | Apr-30-2024 | Not Filed |
| Audited Accounts & Regulatory Returns | Dec-31-2022 | Apr-30-2023 | Oct-05-2023 |
| Audited Accounts & Regulatory Returns | Dec-31-2021 | Apr-30-2022 | Sep-30-2022 |
| Audited Accounts & Regulatory Returns | Dec-31-2020 | Apr-30-2021 | May-31-2021 |

In view of the above, the Insurer has violated the requirements of Section 46(1) read with Section 51(1) of the Ordinance due to non-filing or late filing of its above-mentioned Annual Accounts and Regulatory Returns. Therefore, the Insurer is liable to penal action under Section 156 of the Ordinance.

(c) Misstatement in Reporting of Solvency Margin in the Solvency Statement of the Insurer for FY 2022:

The Respondent has stated that though PPCBL holds 73% shares in the Insurer yet it possesses only one voting right; hence, PPCBL is not a related party of the Insurer and cash and bank balances were rightly included in admissible assets. However, it needs to be appreciated that Pursuant to Section 32(7) of the Ordinance, two or more persons are related if they are connected by an ownership interest of more than 49% and the provisions of Section 32(7) ibid do not take into account voting rights attached to such ownership interest. Therefore, PPCBL is definitely a "related party" and balances with the related party cannot be included in admissible assets of the Insurer. Accordingly, the current account in, shares in and term deposit with the related party would be treated as inadmissible for the solvency calculation. Thus, the Insurer has violated the requirements of Section 32(2)(g) and Section 32(7) of the Ordinance.

The Respondent has stated that it has calculated 95% of unlisted share as inadmissible and further 50% of the listed shares has been included in inadmissible asset. However, it would be incorrect understanding and treatment of inadmissible assets.

Pursuant to Section 32(2)(q) of the Ordinance read with Rule 12, portion of listed shares that would be accounted for as inadmissible would be the balance of listed shares exceeding 50% of total investment in terms of 32(6) of the Ordinance. Pursuant to Section 32(2)(r) of the Ordinance read with Rule 12, portion of unlisted shares that would be accounted for as inadmissible would be the balance of unlisted shares exceeding 5% of total investment in terms of 32(6) of the Ordinance. Total Investment in terms of Section 32(6) of the Ordinance includes all forms of shares, debentures, bonds, deposits and other securities and derivative instruments, and includes immovable property whether or not occupied by the insurer. Thus, contraventions of Section 32(2)(q), Section 32(2)(r) and Section 32(6) of the Ordinance are established.

The Respondent is of the view that according to section 32(2)(n) of the Ordinance, the inadmissible percentage of immovable property would be 80%; however, it would be incorrect interpretation of the applicable provisions of the law. Pursuant to Section 32(2)(n) of the Ordinance, the portion of immovable property that would be accounted for as inadmissible would be the balance of immovable property (Freehold Land) exceeding 20% of total investment in terms of 32(6) of the Ordinance. Total Investment in terms of Section 32(6) of the Ordinance includes all forms of shares, debentures, bonds, deposits and other securities and derivative instruments, and includes immovable property whether or not occupied by the insurer. Total Investments of the Insurer stood at Rs. Rs. 2,380.912 million as on December 31, 2022.

The balance of Freehold Land of Rs. 2,155.810 million would be admissible to the extent of Rs. 476.182 million (20% of total investment), whereas, the remaining balance of Freehold Land of Rs. 1679.631 million would be treated as inadmissible for the purpose of solvency calculation. Thus, contraventions of Section 32(2)(n) and Section 32(6) of the Ordinance are established. The aforesaid contraventions attract penal action under Section 156 of the Ordinance.

As a result of the correct application of the relevant clauses of Section 32(2) of the Ordinance read with Rule 12 of the Insurance Rules, it is evident from the below table that solvency margin of the Insurer would be calculated as Rs. 476.598 million. Therefore, Solvency Statement of the Insurer for FY 2022 did not report the correct



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solvency margin, which constitutes contravention of Section 158 of the Ordinance.

| Statement of Solvency | | | | |
|--|------------------------|---|----------------------|---|
| Description | As per Our Calculation | Statement of Solvency Provided by the Company | Difference | Insurance Ordinance (the "Ordinance") and Insurance Rules, 2017 (the "Rules") |
| Total Assets (As per Financial Statement) | 2,398,832,241 | 2,398,832,241 | | |
| Inadmissible Assets | | | | |
| (i) Equipments, Vehicles, Fixtures & Fittings | 5,072,609 | 5,072,609 | - | |
| (ii) Balances with Related Parties (Punjab Provincial Cooperative Bank Limited): | | | | |
| - Current Account | 11,801,470 | - | (11,801,470) | Section 32(2)(g) of the Ordinance |
| - Shares | 13,194,522 | 12,534,796 | (659,726) | -do- |
| - Term Deposit | 1,000,000 | - | (1,000,000) | -do- |
| (iii) Unlisted Shares | - | 2,158,210 | 2,158,210 | Incorrectly taken by the Company as inadmissible - Section 32(2)(r) of the Ordinance and Rule 12 of the Rules |
| (iv) Listed Equities | - | 24,237,548 | 24,237,548 | Incorrectly taken as inadmissible by the Company - Section 32(2)(q) of the Ordinance and Rule 12 of the Rules |
| (v) Intangible Assets | 89,600 | 89,600 | - | |
| (vi) Immovable Property (Any one unit): | | | | |
| - Freehold Land | 1,679,631,258 | 1,556,072,022 | (123,559,236) | Section 32(2)(n) of the Ordinance and Rule 12 of the Rules |
| Total Inadmissible Assets | 1,710,789,459 | 1,600,164,785 | (110,624,674) | |
| Admissible Assets | 688,042,782 | 798,667,456 | 110,624,674 | |
| Total Liabilities (As per Financial Statements) | 61,444,643 | 61,444,643 | - | |
| Total Net Admissible / (Inadmissible) Assets | 626,598,139 | 737,222,813 | 110,624,674 | |
| Minimum Solvency Requirement (higher of followings) | | | | |
| Under section 36(3)(a) of the Ordinance | | | | |
| Under section 36(3)(b) of the Ordinance | | | | |
| Under section 36(3)(c) of the Ordinance | | | | |
| | 150,000,000 | 150,000,000 | | |
| Net admissible / (inadmissible) assets in excess of solvency requirement | 476,598,139 | 587,222,813 | 110,624,674 | |

11. In exercise of the powers conferred under Section 156, Section 158 of the Ordinance and Section 40A of the SECP Act, I, hereby, impose an aggregate penalty of **Rs. 200,000/- (Rupees Two Hundred Thousand Only)** on the Respondent on account of established defaults of Section 32(2) of the Ordinance read with Rule 12 of the Rules, Section 32(6) and Section 32(7) of the Ordinance, Section 46(1) read with Section 51(1) of the Ordinance; and the aforesaid clauses of the Code, as mentioned in the paras hereinabove.

12. Accordingly, the Respondent is hereby directed to deposit the aforementioned penalty in the designated Bank Account maintained in the name of the Securities and Exchange Commission of



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Pakistan with MCB Bank Limited or United Bank within thirty (30) days of the date of this Order and furnish receipted voucher evidencing payment of the same.

13. This Order is being issued without prejudice to any other action that the Commission may initiate against the Respondent and / or its management (including CEO of the Company) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

(Shahzad Afzal Khan)
Director/Head of Department
(Adjudication Department-I)

Announced:
October 11, 2024
Islamabad



Reference is made to the letter of the Ministry of Finance dated 10.12.2011 regarding the subject mentioned above.

The Ministry of Finance has been requested to take necessary steps to ensure that the subject matter of the letter is given due consideration and the necessary steps are taken to ensure that the subject matter is given due consideration.

Chairman, Securities & Exchange Commission of Pakistan