

Establishment of Securities and Exchange Commission of Pakistan
January 25,1999 Lahore High Court accepts the plea of SECP for winding up of
Capital Bank Limited

Company Law Division of the SECP had filed a petition under section 305 read with section 309 of the Companies Ordinance, 1984 in Lahore High Court on 25,1999 for winding up the Capital Bank. The Honourable Court vide its Order dated March 17, 1999 accepted the petition and appointed Mr. Irtiza Hussain (Ex-Chairman, CLA) as Official Liquidator of the bank. All concerned and interested parties are advised to approach the Liquidator on the following address:-

Mr. Irtiza Hussain
Official Liquidator,
Capital Bank Ltd. (under liquidation)
Kasuri Tower,
4- Mr. Justice M.R. Kayani Road,
Lahore-54000.

It may be recalled that the Government of Pakistan had granted permission for establishment of Capital Bank, Limited on August 26, 1991. The bank made public offer of its capital on June 14, 1994. The allotment of shares was required to be made by July 07, 1994 and share certificates to be issued latest by the August 08, 1994.

The need to file petition under section 305 read with section 309 of the Companies Ordinance, 1984 in the High Court had arisen due to failure of the bank to adhere to the conditions prescribed by the Government at the time of allowing establishment of the bank and consequent measures taken by the Corporate Law Authority (now restructured as SECP). One of the conditions of registration was that "Sponsors-Directors of the bank shall not dispose off their shares in any manner whatsoever for an initial period of three years and thereafter only with the specific written approval of the State Bank of Pakistan."

On August 16, it came to the notice of the Corporate Law Authority (CLA) that an amount of Rs. 60 million was allegedly withdrawn from the subscription account of the bank to pay-off loans acquired by two of the Sponsors-Directors of the bank which was in violation of the condition imposed by the Government at the time of allowing establishment of bank. The CLA brought this fact to the notice of Ministry of Finance and requested for immediate cognizance of the violation regarding of transfer of Rs. 60 million from the subscription account. It also advised bankers to the issue, namely Allied Bank of Pakistan, Limited (ABL) and Muslim Commercial Bank, Limited, to apply a hold on the withdrawal of any amount from the subscription account. Karachi Stock Exchange (KSE) was also advised to suspend trading of shares of the bank on the provisional counter.

The bank had also failed to issue share certificates to successful subscribers within the prescribed time limit of 30-days. On October 13, 1994, Finance Division conveyed its decision not to allow any further extension in the time limit for commencement of business, by the bank. As a result, the permission granted by the Government for establishment of a bank stood revoked. On the basis of this decision, KSE as well as LSE refused listing of the bank. The SECP, being alive to the situation, advised ABL to refund subscription money to the successful applicants because the stock exchanges had refused listing and allotment of shares had become void.

M/s. Yaqub Ali and others (Sponsors / Directors) filed a writ petition under section 290, 291, and 292 of the Ordinance in Lahore High Court against the orders of Ministry of Finance and CLA. While admitting the petition, the Honourable Court issued an Order to maintain status- In order to vacate the said Order, Counsel of the CLA filed an application requesting the Court to allow refund of the amount to the subscribers. The case was heard by the Court on November 15, 1998 but no one appeared on behalf of the petitioners. The court, therefore, dismissed the petition for non-prosecution. The CLA immediately, issued necessary directions to the concerned banks for refund of subscription money to the applicants. The CLA also moved an application in the High Court on November 11, 1998 praying therein for the appointment of Provisional Manager to manage affairs of the bank. The Honourable court appointed Mr. Irtiza Hussain as Provisional Manager directing him to invite claims from concerned parties and to submit report to the Court. Since majority of the subscribers and received back their money, the SECP filed a winding up petition under section 305 read with section 309 of the Ordinance in the Lahore High Court on January 25, 1999. The honourable Court vide Order dated March 17, 1999 accepted the petition and appointed Mr. Irtiza Hussain (the Provisional Manager) as Official Liquidator of the Bank.

PUBLIC NOTICE

Text of the advertisement published in urdu dailies on 13 March 1999

It has come to the notice of Securities and Exchange Commission of Pakistan that Pakland Housing (Pvt.) Limited, Karachi have launched intensive media campaign inviting the public to deposit Rs.2,000/- per applicant to take part in their lottery scheme named as “Inam Ghar Scheme” promising different prizes including plots of land. The public is warned through this advertisement that:-

Invitation and acceptance of deposits is unlawful because the lottery business being carried out by the company is ultra vires of the objects of the company.

The company failed to provide details of deposits accepted from the public.

The company also failed to provide satisfactory information on other related matters hence legal proceedings are being initiated against Pakland Housing (Pvt.) Limited.

The public is, therefore, warned to desist from depositing money in such schemes. The Commission will not be responsible for the deposits made in response to advertisements of such unlawful schemes.

(Securities and Exchange Commission of Pakistan)