

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Fair Water Risk Consultants & Insurance Brokers (Pvt.) Limited

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Dates of Hearing

May 18, 2022

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**Order-Redacted Version**

Order dated June 14, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Fair Water Risk Consultants & Insurance Brokers (Pvt.) Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated March 30, 2022.
2. Name of Respondent	Fair Water Risk Consultants & Insurance Brokers (Pvt.) Limited (the Company and/ or the Respondent).
3. Nature of Offence	Alleged contraventions of <u>Section 199(2) of the Companies Act 2017 (the Act) read with Section 199(6) thereof.</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the written as well as verbal submissions and arguments of the Respondent and its Representatives in light of the applicable provisions of the law and observed that the Respondent Company (a private limited company) was required to obtain approval for the loan agreement through a Board's Resolution in order to comply with the provisions of Section 199(2) of the Act. Further, the loan agreement must, inter alia, incorporate the terms and conditions specifying the nature, purpose, period of the loan rate of return, fees or commission, repayment schedule for principal and return, penalty clause in case of default or late repayments and security, if any, for the loan in accordance with the approval. The first provision to Section 199(2) of the Act requires that the return on a loan must not be less than the borrowing cost of the Respondent company and it must be recovered on regular basis in accordance with the terms of the agreement failing which the directors would be personally liable to make the payment. Pursuant to the second proviso to Section</p>

	<p>199(2) of the Act. the directors of the investing company are required to certify that the loan is made after due diligence and that financial health of the borrowing company is such that it has the ability to repay the loan as per the agreement. In the instant matter, it has, however, been noted that admittedly, the said provisions of Section 199(2) of the Act were not complied With by the Respondent.</p> <p>Keeping in view the facts that the aforesaid non-compliance was observed for the first time and that the Respondent which is a private limited company, has admitted the non-compliance and assure to rectify the said non-compliance, I, while taking lenient, view, impose, in exercise of the powers conferred under Section 199(6) read with Section 479 of the Act, a nominal penalty of Rs.30,000/- ( Rupees Thirty Thousand only) on the Company on account of the aforesaid conceded and established non-compliance</p>
5. Penalty Imposed	Rs. 30,000/-
6. Current Status of Order	Penalty deposited and No Appeal has been filed by the respondents.