



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT
(MODARABA WING)

No. SC/M/PRDD-ADJ/FECM/2018-296

November 2, 2018

1. Mr. Aamir Iftikhar Khan,
Chief Executive,
Crescent Modaraba Management Company
Limited,
50-A, Garden Block, New Garden Town,
Lahore
2. Mr. Muneeb Ahmed Dar,
Chairman/Director,
Crescent Modaraba Management Company
Limited,
50-A, Garden Block, New Garden Town,
Lahore
3. Dr. Sardaar Ahmed Khan,
Director,
Crescent Modaraba Management Company
Limited,
50-A, Garden Block, New Garden Town,
Lahore
4. Mr. Ghazanfar Farrokh,
Director,
Crescent Modaraba Management Company
Limited,
50-A, Garden Block, New Garden Town,
Lahore
5. Mr. Muhammad Javed Amin,
Director,
Crescent Modaraba Management Company
Limited,
50-A, Garden Block, New Garden Town,
Lahore
6. Ms. Rukhsana Javed Amin,
Director,
Crescent Modaraba Management Company
Limited,
50-A, Garden Block, New Garden Town,
Lahore
7. Ms. Shahana Javed Amin,
Director,
Crescent Modaraba Management Company
Limited,
50-A, Garden Block, New Garden Town,
Lahore
8. Crescent Modaraba Management Company
Limited,
50-A, Garden Block, New Garden Town,
Lahore

Subject: Order passed by Registrar Modaraba into the affairs of First Elite Capital Modaraba

Dear Sir,

I am directed to forward herewith a copy of the order dated 1.11.2018 passed by Registrar Modaraba for information and compliance.

Yours truly,

(Seema Saud)
Management Executive



No. SC/M/PRDD-ADJ/FECM/2018- 295
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION
POLICY, REGULATION AND DEVELOPMENT DEPARTMENT
MODARABA WING

ORDER
In the matter of

First Elite Capital Modaraba
Managed by Crescent Modaraba Management Company Limited

Show Cause Notices No.

- (1) SC/M/PRDD-ADJ/FECM/2018-283
(2) SC/M/PRDD-ADJ/FECM/2018-284

Dated:

October 17, 2018

Submissions by:

1. Mr. Aamir Iftikhar Khan,

Chief Executive in person and on behalf of:

- (i) Crescent Modaraba Management Company Limited
(ii) Mr. Muneeb Ahmed Dar, Director
(iii) Dr. Sardar Ahmed Khan, Director
(iv) Mr. Ghazanfar Farrokh, Director
(v) Mr. Muhammad Javed Amin, Director
(vi) Ms. Rukhsana Javed Amin Director
(vii) Ms. Shahana Javed Amin Director

ORDER UNDER SECTION 17, 31 & 32 OF THE MODARABA COMPANIES AND MODARABA
(FLOTATION AND CONTROL) ORDINANCE, 1980

This Order shall dispose of the proceedings against Crescent Modaraba Management Company Limited ("Modaraba Company"), the managers of First Elite Capital Modaraba ("the Modaraba") and its Directors, initiated vide show-cause notices both dated October 17, 2018 ("the Notices") under section 17, 31 and 32 of the Modaraba Companies and Modaraba (Flotation & Control) Ordinance, 1980 ("the Modaraba Ordinance").



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2. An enquiry into the affairs of Modaraba was conducted under section 21 of the Modaraba Ordinance, 1980. In the enquiry report dated June 06, 2018, the inspectors had reported various violations of law committed by the Modaraba Company while managing the affairs of the Modaraba. On the basis of the findings of the inspectors, two notices dated October 17, 2018 were issued to the Modaraba Company, its chief executive and directors.

3. As per the Notice issued under section 17 & 31, the Modaraba Company extended one *Murabaha* and two *Ijarah* facilities, amounting to Rs.17.04 million to Ms. Maliha Arshad, the sister of Mr. Muneed Ahmed Dar, Chairman/Director of the Modaraba Company. The grant of such facilities is restricted under section 17 of the Modaraba Ordinance, 1980 and constitutes an offence, punishable under section 31 of the Modaraba Ordinance.

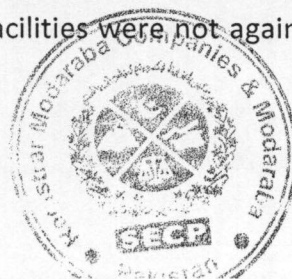
4. In terms of the notice issued under section 32, the Modaraba Company extended nine *Ijarah* facilities to Tez Gas (Pvt.) Limited ("TGL"), amounting to Rs.20.06 million. As per Form-A TGL was mainly owned by the close relatives of Mr. Aamir Iftikhar Khan, the Chief Executive of the Modaraba Company. Rule 31 of the Modaraba Companies and Modaraba Rules, 1981 and sub-regulation (3) of regulation 7 of Part-II of the Prudential Regulations for Modarabas ("PRs") restrict the Modaraba Company to grant facilities to an associated undertaking of the Modaraba Company.

5. On the basis of the aforementioned violations of the law, the above mentioned Notices were issued to the Modaraba Company, its above named chief executive and Directors under section 17, 31 and 32 of the Modaraba Ordinance. They were required to submit written response to the Notices within 10 days from the date of receipt of the Notices. They were also required to appear before the Registrar Modaraba on October 30, 2018 for a personal hearing in the matter. The Modaraba Company vide letters dated October 26, 2018 submitted the requisite responses to both the notices. On October 30, 2018 the chief executive appeared in person and on behalf of the Modaraba Company and its above mentioned directors.

6. The written response to the Notices and submissions made in the hearing have been taken into account and my findings on the same are given below:

Notice issued under section 17 read with section 31 of the Modaraba Ordinance

The Modaraba Company in its written reply dated October 26, 2018 and the chief executive in the hearing admitted that the facilities amounting to Rs.17.04 million were extended by the Modaraba Company to Ms. Maliha Arshad. However, while granting the said facilities, they were of the view that the facilities were not against the parameters



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prescribed under section 17 of the Modaraba Ordinance. The facilities were extended in good faith and they remained regular till December, 2017. Moreover, upon pointing out about the violation by the inspectors, the total amount was paid back to the Modaraba by the customer and account has been fully settled. Subsequent to the hearing, the chief executive vide email dated October 31, 2018 submitted the details of full settlement of the facilities to TGL.

Notice issued under section 32 of the Modaraba Ordinance

The Modaraba Company in its written reply dated October 26, 2018 and the chief executive in the hearing admitted that the facilities were extended by the Modaraba Company to TGL. Due to oversight, the restrictions prescribed under sub-regulation (3) of regulation 7 of the PRs were overlooked by the management company. The default was unintentional and upon pointing out the same by the inspectors, the facilities granted to TGL were called off and entire financing was paid back to the Modaraba. Subsequent to the hearing, the chief executive vide email dated October 31, 2018 submitted the details of full settlement of facilities to TGL.

7. In view of the fact that the facilities extended to Ms. Maliha Arshad and TGL did not cost any loss to the Modaraba fund and keeping in view their full settlement by the clients, I am not inclined to initiate further action under section 17, read with section 31 and section 32 of the Modaraba Ordinance. However, the Modaraba Company is warned to be careful in future. The Modaraba Company is also directed to abide by the law while granting facilities in future. No such contravention of the law shall be overlooked in future.
8. Nothing in this Order may be deemed to prejudice operation of any other provision of the Modaraba Ordinance providing for the prosecution or imposition of further penalties on the Directors and the Modaraba Company in respect of any default, omission, violation of the Modaraba Ordinance, 1980 and Modaraba Rules, 1981 committed by them.
9. Issued under my hand and seal this 1st day of November, 2018.



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(Bushra Aslam)
Registrar
Modaraba Companies and Modaraba