



Corporate Supervision Department  
Company Law Division

Before Amina Aziz – Director

*In the matter of*

**KASB Securities Limited**

Number and date of notice: No. CSD/ARN/379/2016-1559-65 dated November 10, 2016  
Date of hearing: December 13, 2016  
Present: Mr. Nadir Rehman, Ex-Director  
Mr. Tahir Iqbal, Ex-Director

**ORDER**

**Under Section 193 read with Section 476 of the Companies Ordinance, 1984**

This order shall dispose of the proceedings initiated against the directors including Chief Executive of KASB Securities Limited (*the "Company"*), through show cause notice ("*SCN*") dated November 10, 2016 under the provisions of Section 193 read with Section 476 of the Companies Ordinance 1984 (*the "Ordinance"*).

2. Brief facts of the case are that review of the audited financial statements of the Company for the period ended June 30, 2015 (*the "Accounts"*) of Company and information provided by the Company through letter dated June 2, 2016 and September 5, 2016, revealed that the Company obtained a loan of Rs. 100 million from its parent company i.e. KASB Bank Ltd, which subsequently was enhanced to Rs. 150 million, through a BOD resolution passed in the BOD meeting held on April 23, 2014. However, the certified copy of extracts and attendance sheet of the BOD meeting held on April 23, 2014 transpires that only three out of seven directors participated in the BOD meeting where the approval for enhancement of loan was granted.

Sub-section (1) of section 193 of the Ordinance requires that the quorum for a meeting of directors of a listed company shall not be less than one-third of their number or four, whichever is greater.

The directors of the Company have, *prima facie*, contravened the provisions of sub-section (1) of section 193 of the Ordinance as they accorded approvals for agreements in the absence of a quorum prescribed therein. Consequently, an SCN was issued to the directors of the Company for contravention of requirements of Section 193.



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3. Mr. Nadir Rehman, Mr. Asad Mustafa, among other respondents informed that they are no more the directors of the Company and submitted response to the contents of SCN through letter / email, which is summarized as under;

- a. Mr. Nadir Rehman, ex-director and chief executive officer of the Company submitted vide his letter dated November 24, 2016 that he has left the Company and has sought the corporate record concerning the BOD meeting dated April 23, 2014. The minutes of the meeting revealed presence of the five directors whereas the attendance sheet exhibits signatures of only three directors record, which is a case of incomplete documentation. The missing signatures pertains to Mr. Nadir Rahman and himself, which could not be affixed. Mr. Nadir Rehman, vide his email dated November 24, 2016 conveyed that Mr. Mr. Saeed Yousuf chinory and Mr. Mr. Salman Naqvi (i.e. the ex-directors and respondents), also requested him to submit similar response to the Commission on their behalf. Mr. Nadir Salman copied them the email addressed to the Commission.
- b. Syed Asad Mustafa Shafqat, ex-director and chief financial officer of the Company submitted vide his letter dated November 23, 2016 that he has left the Company and has sought the corporate record concerning the BOD meeting dated April 23, 2014. The minutes of the meeting revealed presence of the five directors whereas the attendance sheet exhibits signatures of only three directors record, which is a case of incomplete documentation. The missing signatures pertains to Mr. Nadir Rahman and himself, which could not be affixed.
- c. Mr. Tahir Iqbal and Mr. Irfan Nadeem, submitted vide their letter dated November 24, 2016 that based on review of relevant record of the BOD meeting held on April 23, 2014 and discussions held with the former BOD members / Company Secretary, they are of the view that this appears to be a case of incomplete documentation. The minutes of the meeting revealed presence of the five directors whereas the attendance sheet exhibits signatures of only three directors record, which is a case of incomplete documentation. The missing signatures pertains to Mr. Nadir Rahman and himself, which could not be affixed.



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- d. Mr. Mahmood Ali Shah Bukhari, ex-director informed vide his letter dated November 23, 2016, that although he was not present however the minutes and the attendance sheet of the subject meeting reveal that five out of seven directors participated in the meeting and that quorum was complete.
- e. The respondents requested a lenient view as the matter is a simple procedural / typographical lapse without any deliberate intention.
4. Before proceeding further, it is necessary to advert to the following relevant provisions of Ordinance:

*Sub-section (1) of section 193 of the Ordinance requires that the quorum for a meeting of directors of a listed company shall not be less than one-third of their number or four, whichever is greater.*

*Sub-section (3) of section 193 of the Ordinance, inter alia, provides that if a meeting of directors is conducted in the absence of a quorum specified in sub-section (1), the chairman of the directors and the directors of a listed company shall be liable to a fine not exceeding ten thousand rupees and in the case of a continuing default to a further fine not exceeding one hundred rupees for every day after the first during which the default continues.*

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 259 have been delegated to the Director (Corporate Supervision Department).

It is important to highlight here that the Ordinance has been repealed while promulgating Companies Ordinance, 2016 ("Ordinance 2016"). However, provisions of Section 509(1)(f) of the Ordinance 2016 clearly provides that pending proceedings shall be concluded as provided in the Ordinance :

**"509. Repeal and savings.—** (1) The Companies Ordinance, 1984 (XLVII of 1984), hereinafter called as repealed Ordinance, shall stand repealed, except Part VIIIA consisting of sections 282A to 282N, from the date of coming into force of this Ordinance and the provisions of the said Part VIIIA along with all related or connected provisions of the repealed Ordinance shall be applicable *mutatis mutandis* to Non-banking Finance Companies in a manner as if the repealed Ordinance has not been repealed:



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Provided that repeal of the repealed Ordinance shall not-

- (f) affect any inspection, investigation, prosecution, legal proceeding or remedy in respect of any obligation, liability, penalty, forfeiture or punishment as aforesaid, and any such inspection, investigation, prosecution, legal proceedings or remedy may be made, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if this Ordinance has not been passed".

5. As regards the matter at hand, I have analyzed the facts of the case, relevant provisions of the Ordinance, representations submitted by the respondents in response to the contents of the SCN during hearing. The purpose of maintaining complete corporate record of meetings of board of directors (the "BOD") is to provide a record of the actions taken by the board and evidence that the actions were taken according to proper procedures and that those granting the decision are competent to do so. This includes not only the minutes of the meeting but the attendance as well, which shall reinforce the evidential value of the minutes of the meeting. The attendance sheet is a formal evidence of the presence of the directors signing the attendance. In the instant case, I however noted that the respondents failed to take reasonable care to record the attendance of directors participating in the BOD meeting by ensuring the completion of attendance sheet. As majority of the directors have vacated the office of the director of the Company and has requested for a lenient view stating that instant omission is without any deliberate intention, I in exercise of the powers conferred by the Commission, instead of imposing fines, conclude the proceedings with a stern warning to the respondents to remain careful in future and ensure meticulous compliance in future.

Amina Aziz  
Director (Corporate Supervision Department)

**Announced:**  
December 14, 2016  
Islamabad