

Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division
7th Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad

Before Rashid Sadiq, Executive Director

In the matter of

M/S ISLAMIC INVESTMENT BANK LIMITED

Number and date of notice	19(936) CF /ISS/2000 dated March 07, 2002
Date of final hearing	July 24, 2002
Present	Mr. Nadeem Anwar President and Chief Executive

Order

This order will dispose of the proceedings initiated against M/S Islamic Investment Bank Limited (the “Company”), its directors and Chief Executive for non-compliance with the mandatory provisions of the Companies Ordinance, 1984 (the “Ordinance”) pertaining to holding of Annual General Meeting (“AGM”), presentation of balance sheet and profit and loss account before the Company in AGM and preparation, transmission and filing of half yearly accounts.

02. The facts leading to this case, briefly stated, are that the Company was required to hold its AGM for the year 2000 and to lay therein its balance sheet and profit and loss

account for the year ended December 31, 2000 on or before June 30, 2001 as required under Sub-section (1) of Section 158 and Sub-section (1) of Section 233 of the Ordinance. The Company was also required to prepare and transmit to its members and the relevant stock exchanges, a profit and loss account and the balance sheet (the “half yearly accounts”) for the period ended June 30, 2001 on or before August 31, 2001 under Clause (a) of Sub-section (1) of Section 245 of the Ordinance. The Company was also required to file with the Registrar and the Commission three copies of such half yearly accounts simultaneously, with the transmission to its members.

03. The Company failed to hold its AGM for the year 2000 and to lay therein its balance sheet and profit and loss account for the year ended December 31, 2000 within the time frame prescribed by law. The Company also failed to prepare, transmit and file its half yearly accounts for the period ended June 30, 2001 within the prescribed time provided in the Ordinance. The aforesaid non-compliance of the mandatory provisions of the Ordinance called for action against the Company, its directors and Chief Executive.

04. Consequently, a notice dated March 07, 2002 was issued to the Company, its directors and Chief Executive calling upon them to show cause in writing as to why penalties as provided under Clause (a) of Sub-section (4) of Section 158 and Sub-section (3) of Section 245 read with Section 476 of the Ordinance may not be imposed and prosecution proceedings may not be initiated under Sub-section (6) of Section 233 read with Sub-section (7) of Section 230 of the Ordinance.

05. The response to the aforesaid show cause notice was received through the Company’s letter dated March 11, 2002. In order to give an opportunity of personal hearing, the case was fixed on May 06, 2002, which was adjourned. The case was re-fixed for hearing on July 24, 2002. On the date of hearing, Mr. Nadeem Anwar, Chief Executive of the Company appeared before me and argued the case.

06. At the time of hearing and also in written submissions, it was contended that the delay in approving the annual accounts for the period ended December 31, 2000 was due to pending approval of Ministry of Finance for financial restructuring of the bank which would improve the bank's financial ratios, and viability of the bank. It was also stated that half yearly accounts for the period ended June 30, 2001 could not be submitted due to late holding of Annual General Meeting in which accounts for the year ended December 31, 2000 were approved by the shareholders on February 28, 2002 and, therefore, it was not possible to issue half yearly accounts without getting the annual accounts approved by the shareholders. The Chief Executive also assured to observe the statutory requirements of law in future.

07. Having heard the arguments of the Company, I am of the view that AGM must be convened within the time prescribed under Sub-section (1) of Section 158 of the Ordinance. I have given careful consideration to the arguments advanced by him for not being able to hold AGM within the stipulated period of time, however, none of them justify the delay in holding of AGM. The contention that Annual General Meeting was not held due to pending approval with Ministry of Finance is not a valid reason for delaying the holding of Annual General Meeting. Even the said approval was still awaited after a lapse of considerable time. It appears that the directors have not taken this statutory requirement of law seriously. It is one of the statutory obligations of the directors to call AGM irrespective of whether the accounts, the consideration of which is only one of the matters to be discussed in the AGM, were ready or not. I, therefore, find no merit in the reasons advanced by the Company for delaying the holding of Annual General Meeting for the year 2000. The late holding of AGM is also not a valid reason for delaying the preparation and transmission of the half yearly accounts, which is a separate mandatory requirement under Section 245 of the Ordinance. Thus, there could be hardly any justification for postponing the preparation and circulation of half yearly accounts, which in my view, could be prepared soon after the close of first half of the year of accounts of the Company. Under the circumstances, I do not find any merit in the

contentions of the Company for delaying the holding of Annual General Meeting for the year 2000 and preparation and circulation of half-yearly accounts for the period ended on June 30, 2001. As the directors were supposed to be aware of the legal requirements and the consequences of their violations and further they were unable to give any justifiable excuse for the contraventions, therefore, it could be legitimately inferred that the default was committed willfully and deliberately for which the Company, its directors and Chief Executive have made themselves liable under the provisions of Sub-section (1) of Section 158 of the Ordinance and Sub-section (3) of Section 245 of the Ordinance.

08. For the foregoing reasons, the default under Sub-section (1) of Section 158 and Clause (a) of Sub-section (1) of Section 245 of the Ordinance is established. As the Company has convened the AGM on February 28, 2002, therefore, I take a lenient view of the default and impose a fine of Rs.20,000 (Rupees twenty thousand) on the Company and its Chief Executive who have been found mainly responsible for violation of the provisions of Sub-section (1) of Section 158 of the Ordinance and no fine is imposed on other directors of the Company. For the default under Sub-section (1) of Section 245 of the Ordinance for period ended June 30, 2001, I also take a lenient view and instead of imposing a maximum fine of Rs. 100,000 on each of the directors and Chief Executive, impose a fine of Rs. 10,000 (Rupees ten thousand) each on every director and Chief Executive of the Company. The directors of the Company are directed to circulate half yearly accounts for the period ended June 30, 2001 by August 31, 2002.

<i>Sr. #</i>	<i>NAME</i>	<i>AMOUNT OF FINE</i>		
		<i>U/S 158 Rupees</i>	<i>U/S 245 Rupees</i>	<i>TOTAL Rupees</i>
1.	M/S Islamic Investment Bank Limited	20,000	-	20,000
2.	Mr. M. Nadeem Anwar	20,000	10,000	30,000
3.	Mr. Bashir Ahmad	-	10,000	10,000
4.	Mr. Arshad Wadud Khan	-	10,000	10,000
5.	Mr. Zamiruddin Sabri	-	10,000	10,000
6.	Mr. Khalid Wadud Khan	-	10,000	10,000
7.	Mirza Khurshid Baig	-	10,000	10,000

8.	Abdul Wadud Khan	-	10,000	10,000
9.	Dr. Safdar Ali Butt	-	10,000	10,000
10.	Mr. Sajid Mumtaz Khan	-	10,000	10,000
	TOTAL		40,000	90,000
			130,000	

09. As the Company has now held the AGM for the calendar year 2000, therefore, no action is recommended under Sub-section (6) of Section 233 of the Ordinance.

10. The Company, its directors and Chief Executive are hereby directed to deposit the aggregate fine of Rs. 130,000 (Rupees one hundred and thirty thousand) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the date of this Order and furnish receipted challan to the Securities and Exchange Commission of Pakistan.

RASHID SADIQ

Executive Director (Enforcement and Monitoring)

Announced
August 06, 2002
ISLAMABAD