

INSURANCE DIVISION  
Islamabad

Before Hasnat Ahmad, Director (Insurance)

*In the matter of*

Silver Star Insurance Company Limited

Show Cause Number and Date: ID/Enf/SSICL/2017/8118, January 17, 2017

Date of Hearing: March 7, 2017

Attended By: Mr. Jawwad Khan Lodhi,  
Advocate High Court,  
M/s. Mazhar Law Associates, Advocates &  
Solicitors.

Date of Order: March 24, 2017

**ORDER**

Under Section 171 of the Companies Ordinance, 1984

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This Order shall dispose of the proceedings initiated against the Board of Directors of M/s. Silver Star Insurance Company Limited (the "Company") for alleged contravention of Section 170 of the Companies Ordinance, 1984 (the "Ordinance"). The Company, its Chief Executive and directors shall be collectively referred to as the "Respondents" hereinafter.

2. The facts of the matter are that the Commission gave a Direction to the Company on September 22, 2016 under Section 170 of the Ordinance, whereby the Company was directed as under:

*"The Company is hereby directed under Section 170 of the Ordinance to convene its overdue Annual General Meetings for the calendar year ended December 31, 2014 and December 31, 2015 so as to lay therein the audited accounts 2014 and 2015, transact other business including overdue election of directors of the Company as required under the law and thereafter submit, within a week of the date of meeting so held, a compliance report along with attested copies of the minutes and the audited accounts so approved."*

3. The Commission vide its letter No. ID/OSM/Silver Star/2016-7215 dated October 27, 2016, advised the Company to apprise about compliance status of the

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order dated May 9, 2016 and Direction dated September 22, 2016. However, the Company did not respond despite repeated reminders by the Commission.

4. It appeared that the Company failed to comply with the Commission's aforesaid Direction dated September 22, 2016 under Section 170 of the Ordinance. Therefore, a Show Cause Notice (SCN) bearing number ID/Enf/SSICL/2017/8118 dated January 17, 2017 was issued to the Respondents, calling upon them to show cause as to why fine as provided under Section 171 of the Ordinance should not be imposed on them for the aforementioned alleged contraventions of the law.

5. Section 171 of the Ordinance states that:

*"171. Penalty for default in complying with the directions of the Commission for holding the meeting. - If default is made in complying with any directions of the Commission under section 170, the company and every officer of the company who is in default shall be liable to a fine which may extend to ten thousand rupees and in the case of a continuing default to a further fine which may extend to two hundred rupees for every day after the first during which the default continues."*

6. In response to the said SCN, M/s. Mazhar Law Associates vide letter dated January 31, 2017 sought additional time to submit reply on behalf of the Respondents. The Commission acceded to the request and accordingly, the Respondents were allowed to submit the response before February 18, 2017. Subsequently, the response of the Respondents was received vide letter dated February 14, 2017.

7. Thereafter, the Commission vide letter no. ID/Enf/SSICL/2017/8606 dated February 24, 2017, scheduled a hearing for March 7, 2017 at 03:00 p.m. The said hearing was held through video link connecting Head Office of the Commission with CRO Lahore. The hearing was attended by Muhammad Jawwad Khan Lodhi, Advocate High Court, M/s. Mazhar Law Associates, Advocates & Solicitors, for and behalf of the Respondents., hereinafter referred to as the "Representative".

8. Submission of the Respondents both at the time of hearing and vide letter dated February 14, 2017, are summarized as under:

- i. Extraordinary General Meeting of the Company was convened on November 5, 2016 at the registered Head Office, wherein the election of the new Board of Directors was conducted and the new Board of Directors was formulated through election of seven new directors. Thus the basic bone of contention necessitating the instant Show Cause Notice was addressed by the Respondents;
- ii. The Commission misconstrued the notice dated October 15, 2016 issued by the Company, calling for the Extraordinary General Meeting of the members of the Company, wherein, agenda, inter alia, included the election





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of the directors, pursuant to their removal, and a list of the "Previous Board" was also provided by the Company. The Commission vide letter dated October 27, 2016, took the previous directors as the finalized list of the Board so formed by the Company, and subsequently the said confusion resulted in the instant Show Cause Notice. The Representative clarified that no such contravention was committed by the Company, and the directors removed by the Commission were not included in the newly elected Board of Directors;

- iii. The new Board of Directors clearly demonstrates that no illegality or contravention of the provisions of the statute were committed;
- iv. Appointment of the newly constituted Board of Directors was duly notified to the Company Registration Office (CRO), Lahore for entries thereto and confirmation of the same, subsequent to which the Company may file the Forms 27, 28 and 29, however the same is pending confirmation from the CRO. The Representative assured, that the said Forms shall be filed upon receipt of confirmation of the newly constituted Board;
- v. The Representative stated that the Company was incapacitated by seizure of accounts and records by FIA. He maintained that only accounts of subsequent years were affected as the Company was regularly filing its regulatory returns before FIA's raid. The Representative was clarified that seizure of record by the FIA is not tenable, as the Company was required to comply with the requirements under the Ordinance at all times. Furthermore, the Representative was also informed that convening of Extraordinary General Meeting cannot be construed as holding of the Annual General Meetings as required under Section 158 of the Ordinance.

9. The Company was required to comply with the Direction dated September 22, 2016 issued under Section 170 of the Ordinance to convene Annual General Meetings for the year ended December 31, 2014 and December 31, 2015, to hold overdue election of directors and lay its audited accounts for the years 2014 & 2015 before the Board for its approval. Furthermore, Section 158 of the Ordinance requires the Company to hold AGM once at least in every calendar year within a period of four months following the close of its financial year and not more than fifteen months after holding of its last preceding Annual General Meeting

10. The Company has partially complied with the Direction by holding election of the directors through Extraordinary General Meeting dated November 5, 2016. However, the Company neither convened the AGMs as required under Section 158 of the Ordinance nor presented audited accounts for the year 2014 and 2015 before the Board for its approval.

11. The Ordinance provides distinction between AGM and EOGM. Section 159(1) of the Ordinance provides that:

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Insurance Division

Continuation Sheet 3

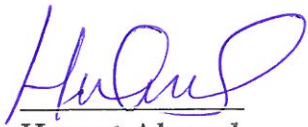
(1) All general meetings of a company, other than the annual general meeting referred to in section 158 and the statutory meeting mentioned in section 157, shall be called extraordinary general meetings.

12. I have carefully examined and given due consideration to the written and verbal submissions of the Respondents, and have referred to the provisions of the Ordinance and other legal references. The Company convened Extraordinary General Meeting on November 5, 2016 wherein the election of the new Board of Directors was conducted and the new Board of Directors was formulated through election of seven new directors to the requisite posts. The Company however failed to convene its overdue Annual General Meetings for the calendar year ended December 31, 2014 and December 31, 2015 so as to lay therein the audited accounts 2014 and 2015.

13. In exercise of the powers conferred on me under Section 171 of the Ordinance read with S.R.O. 122(I)/2016 dated February 12, 2016, I, impose a fine of Rs. 10,000/- (Rupees Ten Thousand Only) on the Company, due to the default of Section 170 of the Ordinance, as mentioned hereinabove. Further, the Company is directed to exercise due prudence and caution in the future whilst complying with requirements of the Ordinance.

14. Hence, the Company is hereby directed to deposit the applicable fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the date of this Order and furnish receipted vouchers issued in the name of the Commission for information and record.

15. This Order is issued without prejudice to any other action that the Commission may initiate against the Company and / or its management (including the Chief Executive Officer of the Company) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

  
Hasnat Ahmad  
Director (Insurance)

