



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN INSURANCE DIVISION

[Karachi]

Before Nasreen Rashid, Executive Director (Insurance)

Order

In the matter of

M/s Silver Star Insurance Company Limited

Under Sub Rule (i) Of Rule 6 Of Companies (Issue Of Capital) Rules, 1996
Read With Section 476 Of The Companies Ordinance, 1984

Show Cause Notice No. and Date: EMD/233/65/2010-1-77
Dated 22.03.2010

Date of final hearing: 20-04-2010

Present: Mr. Zahir Muhammad Sadiq, CEO

Date of Order: 26.04.2010

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This Order shall dispose off the proceedings initiated against Silver Star Insurance Company Limited ("Company") vide Show Cause Notice dated 22.03.2010 under the provisions of Sub Rule (i) Of Rule 6 Of Companies (Issue Of Capital) Rules, 1996 ("Rules") Read With Section 476 Of The Companies Ordinance, 1984 ("Ordinance").

2. Brief facts leading to this case are that the Commission upon review of the website of Karachi Stock Exchange (www.kse.com.pk) dated 18.03.2010 noted that according to the financial results, the Company had announced a bonus issue of 25% for the said year.

3. The Company did not communicate the decision of the Directors to issue bonus shares to the Commission on the day of the decision along with the auditor's certificate as specified in Sub-rule (iii) of Rule 6 of the Rules.

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Insurance Division

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4. Failure of the Company to comply with the mandatory provisions of the said Rules necessitated action against the Directors of the Company in terms of Sub Rule (i) of Rule 6 of the Rules. Accordingly, a Show Cause Notice dated 22.03.2010 ("SCN") was served on the following Directors of the Company calling upon them to show cause in writing and to explain as to why penalty may not be imposed under provisions of Rule 11 of the Companies (Issue Of Capital) Rules, 1996 for contravening the provisions of Rule 6 of the Rules:

i	Mr. Chaudhry Muhammad Sadiq	Chairman
ii	Mr. Zahir Muhammad Sadiq	Chief Executive
iii	Mr. Mudassar Imran	Director
iv	Mr. Muhammad Kashif	Director
v	Mr. Munir Ahmed	Director
vi	Mr. Shahnaz Sadiq	Director
vii	Mr. Waheed Ahmed	Director
viii	Mr. Faisal Zaka Bajwa	Director

5. In response to the SCN, the Director & Chief Financial Controller, made the following submissions vide his letter dated 30.03.2010:

- (i) The Company had complied with all the related requirements of Rule 6 of the Rules including obtaining Auditor's Certificate to confirm the availability of 25% free reserves after issuance of bonus shares.
- (ii) Decision of the Board of Directors to issue bonus shares could not be communicated inadvertently to the Commission as prescribed by law.
- (iii) The Company requested that by taking a lenient view, the proceedings initiated under the provisions of Rule 11 of the Rules may be dropped.
- (iv) Assured compliance of all corporate laws in the future.

6. Section 476 (3) of the Ordinance states:

"(3) The fine as aforesaid shall be imposed after giving the person concerned an opportunity to show cause why he should not be punished for the alleged offence, contravention, default or non-compliance and, if he so requests, after giving him an opportunity of being heard personally or through such person as may be prescribed in this behalf."

In view of the above, the Chief Executive and Directors were called by the Commission for a hearing in this case and for explanation on the non-compliance consecutively for the second year.

7. I feel it appropriate to quote here the relevant provisions of the Rules. Sub-rule (i) of Rule 6 of Companies (Issue of Capital) Rules, 1996 (the "Rules") provides that the decision of the Directors to issue bonus shares shall be communicated to the Commission on the day of the decision and the intimation letter shall be accompanied by the auditor's certificate as specified in Sub-rule (iii) of Rule 6 of the Rules.

8. I have analyzed the aforesaid written and verbal submissions and the record of the Company available with the Commission and my observations on the issue are as follows:

- (i) The Company did not communicate to the Commission, the decision of the Directors to issue bonus shares on the day of the decision along with auditor's certificate as per Rule 6 of the Rules.
- (ii) However, the decision of the Board of Directors to issue 25% bonus shares was duly communicated to the Karachi Stock Exchange (KSE) in the manner as prescribed by KSE to protect the interest of the shareholders. (Copy of letter sent to KSE by the Company was submitted during the hearing).
- (iii) The non-compliance did not cause any loss to any shareholder, stakeholder, creditor, Government authority or SECP.
- (iv) The Company in reply to the SCN had furnished the copy of the decision of the Board of Directors of the Company along with the Auditors Certificate which has been found to be satisfactory.

9. I have given due consideration to the relevant provisions of the law and after taking care of all the facts, I am of the considered opinion that the Company has violated the mandatory provisions of law. It is the fundamental responsibility of board of Directors to comply with the statutory requirements of law while managing the affairs of the Company. Although, the Company has now furnished the documents in reply to the SCN, but there was a delay in communicating this information to the Commission on time.

10. In view of the above analysis and submissions of the Company, I am taking a lenient view and instead of imposing a penalty under Rule 11 of the Rules, hereby warn the Chief Executive and all the Directors of the Company to be careful in the future while complying with the mandatory provisions of law.



Nasreen Rashid
Executive Director (Insurance)