

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
INSURANCE DIVISION**

[Karachi]

Before Tariq Hussain, Director (Insurance)

In the matter of

Standard Insurance Company Limited

Date of Show Cause Notice: April 27, 2010  
Date of Hearing: May 17, 2010  
Attended by: Syed Qudrat Ali, Chief Manager- Standard Insurance Company Ltd.  
Date of Order: May 28, 2010

**ORDER**

(Under Section 158, Circular 2 of 2001, Circular No. 5 of 2002 read with Section 476 of Companies Ordinance, 1984)

.....  
.....  
This Order shall dispose of the proceedings initiated against Standard Company Limited (hereinafter referred to as ("the Company")) for making default in complying with the provisions of Section 158 of the Companies Ordinance, 1984 ("the Ordinance"), Circular 2 of 2001, Circular No. 5 of 2002 read with Section 476 of the Ordinance.

**Background Facts**

2. The relevant facts for disposal of this case, briefly stated that while examining the Annual Accounts and relevant documents of the Company it was revealed that the Company had failed to provide the Commission with newspaper cuttings of the Notice of AGM and it was believed that the Company, while being listed in Karachi Stock Exchange and Lahore Stock Exchange, had failed to publish the Notice of AGM in the newspapers of the provinces where the company was listed.

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3. In pursuance of Section 158 of the Ordinance, states that:

*"(2) An annual general meeting shall, in the case of a listed company, be held in the town in which the registered office of the company is situate: Provided that the Commission, for any special reason, may, on the application of such company, allow the company to hold a particular meeting at any other place.*

*(3) The notice of an annual general meeting shall be sent to the shareholders at least twenty-one days before the date fixed for the meeting and, in the case of a listed company, such notice, in addition to its being dispatched in the normal course, shall also be published at least in one issue each of a daily newspaper in English language and a daily newspaper in Urdu language having circulation in the Province in which the stock exchange on which the company is listed is situate."*

Further to the aforesaid provision, Circular No. 5 of 2002 dated March 14, 2002 clearly states that:

*"(2)(ii) Copies of the newspaper in which the notices of AGM or EOGM are published may be sent to the Commission within 07-days of their publication."*

Further to the aforesaid provision, Circular 2 of 2001 clearly states that:

*"(2) To keep a watch on the timely issuance and publication of notices of the meetings, all listed companies are once again directed to transmit the copies of notices of AGM/EOGM to the Commission at fax No. 051-9204915 (attention Commissioner Enforcement) on the same date on which the notices are issued to the shareholders."*

#### Show Cause Notice

4. It was observed that the company was in default with regard to the aforesaid provisions of the Ordinance and therefore a Show Cause Notice ("SCN") dated April 27, 2010 under Section 158(4) read with Circular 2 of 2001, Circular No.5 of 2002 and Section 476 of the Ordinance was served to the Chief Executive and Directors of the Company, calling upon them to explain in writing as to why appropriate action may not be taken against the Company under the law for the aforesaid contravention.

#### Company Reply and Hearing Proceedings

5. Vide their letter dated April 28, 2010, the Company, in response to the SCN, requested that the SCN may be withdrawn since while transmitting the printed copies of Annual Accounts to SECP, the photocopies of published notices were not attached by mistake which occurred due to an oversight. Therefore a hearing was called at 3:00 p.m. on May 17, 2010 and a hearing notice was sent to the Chief Executive and Directors of the Company to explain the circumstances which had led to such non-compliance.



6. The said hearing was attended by Syed Qudrat Ali, Chief Accountant of the Company on behalf of the Chief Executive and Directors of the Company. He accepted default in submitting the Notice of AGM copies published in the Daily AMN Karachi and Financial Post with a delay of 11 days and it was also accepted that the Company did not publish any AGM notice in any newspaper with circulation in the Province of Punjab where it is listed with the Lahore Stock Exchange. He assured of compliance in the future and requested the Commission to condone the penalty in this instance.

#### Consideration of the Submissions

7. Before proceeding further, I find it relevant to discuss the duties of the Directors. The directors, in addition to the day to day running of the company and the management of its business, also have some 'fiduciary' duties i.e. duties held in trust and some wider duties imposed by statute and breach of these statutory duties will usually be a criminal offence, punishable by fine or imprisonment. Hence the directors are gauged against a higher standard of accountability which requires them to be vigilant and perform their duties and obligations with due care. In the instant case, however, the directors have failed to perform their duties with due care and prudence. As the directors are supposed to be well aware of their legal obligations in connection with aforesaid statutory requirement and consequences of the said default, therefore, it could be legitimately inferred that the default was committed knowingly and willfully.

#### Conclusion

8. After carefully examining the arguments and studying the facts and findings of the case as mentioned in the above paras of this Order, the default of Section 158(4) read with Section 476 of the Ordinance has been established. Therefore action against the Company may be taken by imposing a fine under Section 158(4) of the Ordinance which states that:

*"(4) If default is made in complying with any provision of this section, the company and every officer of the company who is knowingly and willfully a party to the default shall be liable,-*

*(a) if the default relates to a listed company, to a fine not less than [fifty] thousand rupees and not exceeding [five hundred] thousand rupees and to a further fine not exceeding two thousand rupees for every day after the first during which the default continues; and*

*(b) if the default relates to any other company, to a fine not exceeding [one hundred] thousand rupees and to a further fine not exceeding [five] hundred rupees for every day after the first during which the default continues."*

#### Order

9. In exercise of powers conferred on me under section 476 of the Ordinance, I, instead of imposing a maximum fine of Rs. 500,000 and to a further fine not exceeding two thousand rupees for every day till the default continues, hereby, take a lenient view and impose the minimum fine of Rs. 50,000 (Fifty Thousand Only) on the Company in consideration of its financial position and its business, having been ceased. Hence the amount is the minimum which is being imposed of the said penalty.



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*Insurance Division*

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10. The Company, *M/s. Standard Insurance Company Limited* is hereby directed to deposit the aforesaid fine aggregating to ~~Rs 50,000/-~~ (Rupees fifty thousand only) 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 receipt of this Order and furnish receipts issued in the name of Commission for information and record.

**Tariq Hussain**  
**Director (Insurance)**