



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
SPECIALIZED COMPANIES DIVISION

BEFORE COMMISSIONER (SPECIALIZED COMPANIES DIVISION)

IN THE MATTER OF SHOW CAUSE NOTICE ISSUED TO TRUST INVESTMENT BANK LIMITED, THROUGH ITS CHIEF EXECUTIVE OFFICER UNDER SECTION 282 J (1), J (2) & J (3) OF THE COMPANIES ORDINANCE, 1984

Date of hearing

May 15, 2018

Present on behalf of

Trust Investment Limited

(i) *Mr. Mumtaz Chaudhary, Authorized Representative*

Assisting the Commissioner (SCD)

(i) *Mr. Imran Inayat Butt-Executive Director*

(ii) *Mr. Nasir Askar- Director*

(iii) *Ms. Saima Ahrar-Joint Director*

(iv) *Mr. Rizwan-Ul-Haq-Additional Joint Director*

ORDER

This order shall dispose of the proceedings initiated against Trust Investment Bank Limited (“TIBL”) through its Chief Executive Officer (“CEO”) vide Show Cause Notice (hereinafter referred to as the “SCN”) dated January 15, 2018 issued under section 282J (1), J (2) & J(3) of the Companies Ordinance, 1984 (the “Ordinance”) for violation of rule 7(3) of the Non-Banking Finance Companies (Establishment & Regulation) Rules, 2003 (the “NBFC Rules”) and regulation 4 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the “NBFC Regulations”).

2. The brief facts of the case are as follows:

- (i) TIBL was licensed by the Securities & Exchange Commission of Pakistan (the “Commission”) to provide investment finance services. The license expired in 2011 and was not renewed owing to non-compliance with minimum equity requirement (“MER”).
- (ii) TIBL being a deposit-taking NBFC was required to maintain minimum equity of Rs. 750 million. The sponsors of TIBL arranged injection of properties/ assets valuing Rs. 2.7 billion by way of subordinated loan from 2013 to 2015. However, pursuant to amendments in the NBFC Rules, sub-ordinated loans in the form of properties became ineligible for MER purposes. Resultantly, TIBL became non-compliant with MER.
- (iii) As per audited accounts of June 30, 2017, TIBL had reported negative equity by Rs. 957 million. TIBL has also taken net exposure of Rs. 65 million in its wholly owned

subsidiary, therefore, net equity arrives negative by Rs. 1,022 million resulting in equity shortfall of Rs 1,772 million.

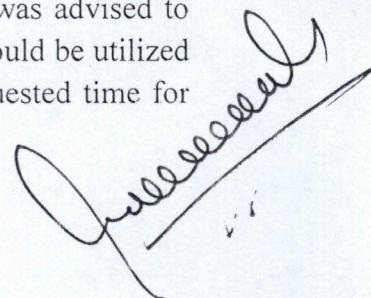
(iv) The auditors of TIBL (M/s. Tariq Abdul Ghani Maqbool & Company, Chartered Accountants) have given a qualified opinion on the accounts of the company for the year ended June 30, 2017.

3. Keeping in view the weak operational position, deteriorating financial performance, non-compliance with MER, no injection of fresh funds by the sponsors/directors, absence of concrete, viable, time bound plan for its revival and adverse remarks by its statutory auditors, the Commission took cognizance of the matter and SCN was issued to TIBL through its chief executive officer (“**CEO**”) on January 15, 2018.

4. The dates for submission of written reply to the SCN and hearing were January 22, 2018 and January 30, 2018 respectively. TIBL vide its letter dated January 19, 2018 requested for extension in filing of response till February 6, 2018 and hearing date till February 20, 2018. The request was acceded to and the hearing was fixed for February 28, 2018. TIBL submitted its written reply to SCN vide letter dated February 21, 2018. However, TIBL again requested to extend date of hearing till March 15, 2018 due to the reason that the half year audit is underway and is likely to be concluded in first week of March 2018. The request was again accepted and the hearing was rescheduled for March 15, 2018.

5. TIBL vide email dated March 12, 2018 once again requested to extend the date of hearing till April 02, 2018 as it was to appear through its authorized representative who was not available till March 30, 2018. Resultantly, the hearing was re-fixed for April 20, 2018; however, due to emergent official commitment of the adjudicating authority, the same was postponed and rescheduled for May 15, 2018. On the given date, Mr. Mumtaz Chaudhary - Consultant TIBL (“**Authorized Representative**”) attended the hearing.

6. During the hearing, the Authorized Representative claimed that no inquiry is pending against TIBL. The Authorized Representative informed that that since 2011, TIBL has repaid/ settled deposits of Rs. 1,406 million (most of the individual depositors repaid/ settled) and deposits amounting to Rs. 870 million are still outstanding. He further informed that the management of TIBL is exerting pressure on the sponsors to inject further funds to make the entity compliant with the MER. The Authorized Representative claimed that the sponsor of TIBL, Mr. Asif Kamal, injected Rs. 250 million last year and is expected to inject further funds of Rs. 500 million in the second half of calendar year 2018. The Authorized Representative claimed that TIBL would become compliant with the MER by June 30, 2019. He requested SECP not to initiate any adverse action against TIBL as any adverse action by SECP would have negative impact on the process initiated for the revival of the entity. The Authorized Representative requested that TIBL may be given time till June 30, 2019 for compliance with MER. During the hearing, the Authorized Representative was advised to submit an undertaking that injection of funds of Rs. 500 million into TIBL would be utilized for paying off the outstanding deposits. The Authorized Representative requested time for providing the same.



7. Subsequent to the hearing, the chief executive of TIBL, vide email dated May 21, 2018, requested to submit further facts. Thereafter, TIBL vide its letter dated May 31, 2018 submitted the following plan for compliance with MER:

- a. TIBL is negotiating with its customers for "Debt to Equity Swap" arrangements and it is expected that at least Rs. 300 million will be converted into shares in the first half of financial year 2018-2019;
- b. The sponsor of TIBL, Mr. Asif Kamal is expected to inject Rs 400 million in cash in TIBL. The funds would be used for settlement of deposits of public sector entities. Personal assets of Mr. Kamal worth Rs. 500 million have been earmarked and blocked and it is anticipated that this transaction would be concluded during the second quarter of financial year 2018-2019.
- c. Injection of Rs. 400 million in tranches until June 2019 by a new investor. The equity participation agreement would be entered based on results for the financial year ended June 30, 2018.

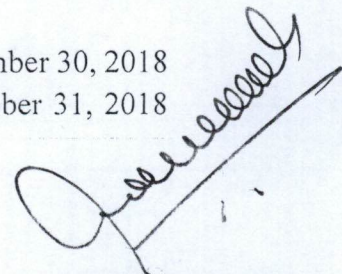
8. I have heard the arguments presented by the Authorized Representative at length during the hearing. Additionally, I have perused the available record, financial statements of TIBL and written response and equity enhancement plans filed by TIBL before and after the hearing.

9. The equity of TIBL as per the audited accounts of June 30, 2017 is negative Rs. 1,022 million. If all the above anticipated funds are injected and the debt to equity conversion process is completed, the expected equity of TIBL would be Rs. 143 million. Although, the expected equity of TIBL would be compliant with the MER for non-deposit taking NBFCs, however, in order to be eligible for being classified as a non-deposit taking NBFC, TIBL shall have to repay/ settle all its deposits.

10. Considering all the record and latest plan submitted by TIBL, it is established that TIBL is non-compliant with the MER since long. Therefore, cancellation of license under section 282J (2) of the Ordinance and winding up of TIBL under section 282 J (3) of the Ordinance can be immediately initiated. However, I am providing one final opportunity to TIBL to comply with the MER in two phases as follows:

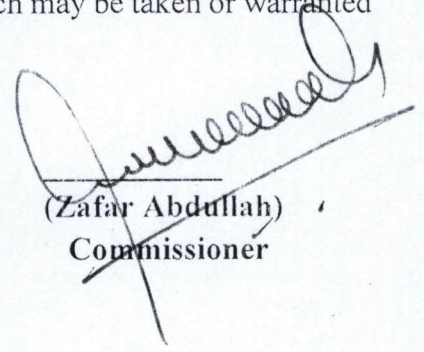
- a) In the first phase, TIBL is advised to inject new funds and raise its equity by Rs. 700 million as anticipated in its letter dated May 31, 2018 by September 30, 2018 through debt equity swap and injection of further funds from its sponsor. TIBL shall use the funds injected by the sponsor for repayment/ settlement of deposits.
- b) In the second phase, TIBL is advised to complete the process of cash injection by the new sponsor by December 31, 2018. Further, TIBL shall ensure that the remaining deposits are settled by December 31, 2018.

11. TIBL is further directed to submit the statement of its equity as of September 30, 2018 duly accompanied by a certificate from its statutory auditor on or before October 31, 2018



and after completion of second phase by January 31, 2019 for the period ended on December 31, 2018. In case TIBL fails to comply with any of the steps mentioned in Para 10, its license to undertake investment finance services shall stand cancelled under section 282J (2) of the Ordinance and the department shall initiate proceedings for its winding-up under section 282J (3) of the Ordinance.

12. This Order is issued without prejudice to any action, which may be taken or warranted for the above said defaults under any other provision of the law.



(Zafar Abdullah)
Commissioner

Announced: July 9, 2018
Islamabad