

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Security Investment Bank Limited

Dates of Hearing

January 14, 2022

Order-Redacted Version

Order dated May 23, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Security Investment Bank Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated November 22, 2021.
2. Name of Company	Security Investment Bank Limited (the Respondent and/ or the Company)
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	Alleged contraventions of <u>Regulation 28(b) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (Regulations)</u> read with Section 282J of the Companies Ordinance, 1984 (the Ordinance).
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the facts of the case in light of the applicable provisions of the law, the written submissions of the Company and verbal arguments of its Representatives and observed that although the Respondent had settled its financing facility from the group companies in April 2020, but it failed to maintain MIL at the required limit of 70%. As of June 30, 2021, its MIL was 23% which was too low than the requirement of 70%. It was also observed that this shortfall was continued since August 2019.</p> <p>As far as submission of the Respondent regarding COVID-19 Pandemic and its adverse impact on capital market are concerned, it is stated that the Respondent had decided the modus operandi to settle its financing facility with its group companies that included settlement of Rs.314 million out of an aggregate of Rs.718 million (43.73%) in terms of securities, therefore, outbreak of COVID-19 and performance of the capital market index cannot be</p>

	<p>considered as plausible justifications. Despite submission of the Respondent that it has off loaded securities amounting to Rs.200 million between January 2021 & October 2021, the factual position remains the same means that the Respondent was still non-compliant with regulation 28(b) of the Regulations as on June 30, 2021. Moreover, the Representatives, during the hearing proceedings, not only conceded the non-compliance on part of the Respondent but also requested for grant of additional six (6) month time for rectification of the aforesaid non-compliance.</p> <p>Keeping in view the above, I am of the considered view that non-compliance of regulation 28(b) of the Regulations is established, which attracts applicability of Section 282J of the Ordinance. Considering the Respondent's submission that the management has re-launched car/ bike financing in addition to its existing and future portfolios to diversify investments and has also taken decision to off load the existing portfolio investment in gradual manner, a lenient view is being taken. Therefore, in exercise of the powers conferred under Section 282J of the Ordinance, I hereby, impose a penalty of Rs.100,000/- (Rupees; <u>One Hundred Thousand Only</u>) on the Company on account of the aforesaid established and conceded non-compliance.</p>
6. Penalty Imposed	Rs. 100,000/-
7. Current Status of Order	No Appeal has been filed by the respondents.