



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 Revised Order: July 30, 2010

ORDER

(Revision Application filed under Section 484 of the Companies Ordinance, 1984)

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This Order shall dispose of the Revision Application filed under Section 484 of the Companies Ordinance, 1984 ("the Company") by Mr. Qudrat Ali Khan, Chief Manager of the company on behalf of all the Directors against the Order dated May 28, 2010 (the "Impugned Order") passed by the Executive Director, Insurance Division under Section 158, Circular 2 of 2001, Circular No. 5 of 2002 read with Section 476 of Companies Ordinance, 1984.

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.

Hussain



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.

Plus:



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.

Impugned Order

7. The Commission passed an Order dated May 28, 2010 against the default under section 158, Circular 2 of 2001, Circular No. 5 of 2002 read with Section 476 of the Ordinance wherein the company had not published any notice in the Province of Punjab and filed the newspaper cuttings of AGM notice published in Karachi with a delay. Therefore, the minimum penalty allowed by law of Rs. 50,000 was imposed on the company.

Revision Application

8. The company had filed an application received by the Insurance Division on July 13, 2010 for revision of the previous Order dated May 28, 2010 under Section 484 of the Ordinance to either set aside the impugned Order or reduce the amount of penalty substantially. The Company further requested in its Revision Application that "Our Companies license suspended by the Security Exchange Commission of Pakistan in the year 2000, and since then we could not underwrite Insurance Business. Hence the main source of Income has been stopped. Consequently we compelled to close down all the Zonal/Branch Offices through out the Country and the entire staff resigned." The Company emphasized that it was in a financial crisis but was still trying to fulfill all legal obligations and requested that the company may be exempted from publishing AGM notices in Punjab, since it is also listed in Lahore Stock Exchange. The company further requested in its letter dated July 26, 2010 received on July 30, 2010 under the revision application that they did not want to avail a hearing opportunity in this regard but requested the Commission once again to reduce the penalty and take a lenient view in this regard.

Conclusion

9. After carefully examining the arguments with the facts and findings in the above paras, wherein, the default of Section 158(4) is already established, and having considered the Revision Application under Section 484 of the Ordinance, the provision for penalty 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"

10. Therefore the penalty imposed previously is already the bare minimum that could be imposed. It is worth noting that the license of the Company to be an insurance operator is not suspended. However, it is not allowed to underwrite any new business of Insurance. Secondly M/s Standard Insurance Company is not exempted from any requirements of the Ordinance



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Insurance Division

Continuation Sheet - 4 -

since it is registered as an insurer and it has to comply with the Insurance Ordinance 2000 as well as the Companies Ordinance at all times, failure to which punitive action will be taken in future.

Order

11. Since minimum penalty was imposed in the previous Order and the non-compliance was established, your appeal has been dismissed. In this regard the Impugned Order shall be upheld. Therefore 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 receipted vouchers issued in the name of Commission for information and record.

Tariq Hussain
Director (Insurance)