



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

[Islamabad]

Before Ali Azeem Ikram, Director (Enforcement)

In the matter of

M/s. Progressive Insurance Company Limited

Number and date of show cause notice	No. EMD/233/701/2008-1928-34 dated January 27, 2009
Date of Final Hearing	April 1, 2009
Present	No one appeared on behalf of M/s. Progressive Insurance Company Limited
Date of Order	April 30, 2009

ORDER

(under Section 193(3)(a) of the Companies Ordinance, 1984)

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This order shall dispose of the proceedings initiated against the Chief Executive and directors of M/s. Progressive Insurance Company Limited (hereinafter referred to as "the Company") for making default in complying with provisions of Sub-Section (2) of Section 193 of the Companies Ordinance, 1984 ("the Ordinance").

2. The relevant facts for disposal of this case, briefly stated, are that in pursuance of Sub-Section (2) of Section 193 of the Ordinance, directors of Progressive Insurance Company Limited (a public company) are required to hold their meeting at least once in each quarter of year. However, during the proceedings of inspection of the Company under Section 231 of the Ordinance held from December 29 to December 31, 2008, responding to a query of inspection team, Mr. Ali Sarwar (Chief Internal Auditor & Company's Coordinator for inspection) informed that no meeting of directors of the Company has been held ever since his joining in September 2008. Upon further enquiry into matter, he was called upon to produce the Minutes Book used for recording the proceedings of meetings of Directors but it was not provided at all. The failure of the directors to comply with the aforesaid mandatory requirement necessitated action against the Chief Executive and directors of the Company as provided under the Ordinance.

3. Show Cause Notice dated January 27, 2009 under Sub-Section (2) of Section 193 of the Ordinance was served on the Chief Executive and directors of the Company, calling upon them to explain as to why appropriate action may not be taken against them under the law for aforesaid contravention. The Company vide its letter dated January 30, 2009 requested for grant of an extension of 30 days in time in order to submit reply to show cause notice after seeking expert opinion and directions on the issue.

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Enforcement Department

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4. In order to provide an opportunity to the Chief Executive and Directors of the Company or their authorized representatives for appearing in person to explain the circumstances which led to non-compliance with said provisions of the Ordinance, a number of hearings in this matter were scheduled on dated 11th March 2009 and 19th March 2009 but every time it was adjourned on the Company's request.

5. The final hearing of the case was fixed for April 1, 2009 and hearing notices were sent to the Chief Executive and directors of the Company wherein it was mentioned that this was final hearing opportunity and if no one appears therein on behalf of the Company, the matter would be decided ex-parte on the merits of the case. However, none of the directors or their authorized representative appeared in the final hearing of the case.

6. It has been observed that directors of the Company have not only missed out three consecutive opportunities of appearing in hearings of the case but they also failed to submit written reply to answer the queries raised in show cause notice. However, the Company kept on seeking further extension in time to defer show cause proceedings for indefinite period.

7. In the absence of Mr. Sabur Rehman (the Major Shareholder) from the country, Chief Executive, any one of the directors of the Company or their authorized representative might have appeared in the hearings for pleading their case. Progressive Insurance Company Limited, being a public listed company, is expected to exhibit more responsible and compliant corporate behaviour but facts of the case show that the Company did not comply with provisions of Sub-Section (2) Section 193 of the Ordinance. The aforesaid provisions of law have been framed in this manner to safeguard the interest of all of shareholders and to ensure that the affairs of the company are managed by the board in a transparent manner after thorough deliberation for the benefit of all shareholders. The directors are, therefore, assumed to be aware of mandatory provisions of the law and ensure compliance thereof.

8. In view of findings of the inspection as mentioned in para 2 of this Order and facts of the case, the default under Sub-Section (2) of Section 193 of the Ordinance is established and the Chief Executive and directors of the Company have made themselves liable for fine under Section 193(3)(a) of the Ordinance. I, in exercise of powers conferred on me under Section 193(3)(a) read with Section 476 of the Ordinance, instead of imposing maximum penalties, impose a fine of only Rs. 5,000/- (Rupees five thousand only) on the Chief Executive of the Company only. The Chief Executive and other directors are however strictly warned to be careful in future to ensure compliance with the mandatory provisions of the Ordinance.

9. The Chief Executive of M/s. Progressive Insurance Company Limited is hereby directed to deposit the aforesaid fine of Rs.5,000/- (Rupees five 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, failing which proceedings under the Land Revenue Act, 1967 shall be initiated. It may please be noted that the said fine is imposed on the Chief Executive in his personal capacity and he is required to pay the said amount from his personal resources.

(Ali Azeem Ikram)
Director (Enforcement)