

CORPORATE LAWS & PRACTICES

Suggested Answers
July-August 2024

Answer to the Question# 1 (a) (i & ii):

Under the Companies Act, 1994, a private limited company is defined and regulated by certain key provisions, particularly regarding the number of members it can have. Here's a detailed look at whether a private limited company with 56 members, including 5 employees, can exist under this Act.

Key Provisions and Definitions

Private Limited Company

Section 2(1)(q) of the Companies Act, 1994 defines a private limited company which by its articles:

- Restricts the right to transfer its shares, if any;
- Limits the number of its members to 50, excluding persons who are in its employment.
- Prohibits any invitation to the public to subscribe for any shares or debentures of the company.

Specific Case: Private Limited Company with 56 Members Including 5 Employees

To determine whether such a company can exist, we need to break down the key points:

- **Member Limit Exclusion:** The Act specifies that the limit of 50 members does not include employees who are members of the company.
- **Calculation of Members:**
Total members: 56
Members who are employees: 5
Therefore, the number of non-employee members are:
 $56 - 5 = 51$

Compliance Analysis

According to the Companies Act, 1994, a private limited company must limit its number of members to 50, excluding employees. In this case, the company has 51 non-employee members, which exceeds the maximum allowable number of 50 members for a private limited company.

Conclusion

A private limited company with 56 members, where 5 members are employees, cannot exist under the Companies Act, 1994 because it exceeds the limit of 50 non-employee members. The effective count of non-employee members is 51, which exceeds the statutory limit set for private limited companies. To comply with the Act, the company would need to reduce its non-employee members to 50. If maintaining a larger membership is necessary, the company might be converted to a public limited company, which does not have such a member limit.

Answer to the Question# 1 (b):

Yes, the auditors' observation is correct on account of dividend declaration. Dividend should be paid based on the existing paid-up capital of the company.

The board has decided earlier to issue Rights and deposited the required fund in company account. But return of allotment was not filed with RJSC. Hence, as per Schedule X, the existing shares will continue to show against the name of the directors, although they deposited the Rights offer contributions.

To establish the payment of dividend based on revised paid-up capital, the company need to file Return on Allotment against the Rights offer. Since, the return has not been filed yet (required to file the return within 60 days from the board approval U/s 151), permission from the High Court will be required.

Alternatively, to avoid the permission requirement from the High Court, the company can take resolution of issuing Rights in the current date and continue to show the amount 'loan from directors' till the date of executing the Rights in current date.

To ratify the dividend payment amount, shareholders in the AGM cannot increase the rate of dividend as per regulation 96 of Schedule 1 of Companies Act 1994 (from 30% to match paid dividend with existing paid-up capital).

Answer to the Question# 1 (c) (i):

Fate of the meeting held by Aspiration PLC:

Every company may hold its first annual general meeting within a period of not more than eighteen months from the date of its incorporation, and if such general meeting is held within that period, it shall not be necessary for the company to hold any annual general meeting in the year of its incorporation or in the following year as per Proviso of sec 81(1) of the Companies Act 1994.

In this instant case, Aspiration PLC held its first Annual General Meeting on 1st October 2023, a day after the statutory period, that is delayed by one day. Hence, holding such meeting after delaying even if by one day only from the statutory period, cannot be deemed or held to be a valid meeting under the law.

Answer to the Question# 1 (c) (ii):

Remedy for Moonlight PLC:

Every company shall in each year of the Gregorian calendar hold in addition to any other meetings a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it and not more than fifteen months shall elapse between the date of one annual general meeting of a company and that of the next [Ref. of sec 81(1) of the Companies Act 1994]

In this case, it's apparent that Moonlight PLC failed to hold its AGM within the due time and even further failed to hold the AGM within the 90 days extended time as allowed by the Registrar. In this circumstances the remedy is as follows:

If a company defaults in complying with the provisions of sub-section (1), the Court may, on the application of any member of the company, call or direct the calling of a general meeting of the company and give such ancillary or consequential direction as the Court thinks expedient in relation to the calling holding and conducting of the meeting [Ref. of sec 81(2) of the Companies Act 1994].

Answer to the Question# 1 (d):

Under the Companies Act, 1994, the conversion of a public limited company into a private limited company involves several steps and adherence to specific provisions. Below is an enumeration of the key steps and provisions:

1. Board Meeting

Convene a Board Meeting: The board of directors of the public limited company must convene a board meeting to discuss and approve the proposal for conversion into a private limited company.

Pass a Board Resolution: The board must pass a resolution to approve the conversion and authorize a director or company secretary to take necessary steps.

2. Alteration of Memorandum and Articles of Association

Alteration of Articles of Association: The company must amend its Articles of Association to incorporate the restrictive conditions applicable to a private limited company (e.g., limiting the number of shareholders to 50, restricting the right to transfer shares, and prohibiting any invitation to the public to subscribe for shares).

Alteration of Memorandum of Association: If necessary, the Memorandum of Association should also be altered to reflect the changes in the company's status.

3. Special Resolution

Convene an Extraordinary General Meeting (EGM): A notice must be sent to all shareholders to convene an EGM for passing a special resolution regarding the conversion.

Pass Special Resolution: A special resolution must be passed by at least three-fourths of the shareholders present and voting at the EGM to approve the conversion and the amendments to the Articles and Memorandum of Association.

4. Approval from the Registrar of Joint Stock Companies and Firms (RJSC)

Application to RJSC: An application must be submitted to the Registrar of Joint Stock Companies and Firms (RJSC) for approval of the conversion. The application should include:

1. A copy of the special resolution.
2. The amended Articles of Association.
3. The amended Memorandum of Association, if applicable.
4. Necessary forms and to pay requisite fees.

5. Certification of Incorporation

Upon satisfaction with the documents and compliance with the necessary provisions, the RJSC will issue a new Certificate of Incorporation reflecting the change in status from a public limited company to a private limited company.

6. Compliance with Statutory Requirements

Update Statutory Records: The company must update its statutory registers, including the register of members, register of directors, and other statutory records, to reflect the change in status.

Inform Stakeholders: The company must inform all relevant stakeholders, including regulatory authorities, banks, creditors, and others, about the change in its status.

Answer to the Question# 2 (a) (i):

Lock-in refers to the restriction period during which certain shares of a company cannot be sold or transferred. This measure is intended to ensure stability and confidence in the market by preventing major shareholders from selling their shares immediately after a public issue, which could negatively impact the stock price and market stability.

Answer to the Question# 2 (a) (ii):

According to the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015:

- **Promoters:** The lock-in period is generally 3 years from the date of the IPO approval.
- **Institutional Investors:** Typically, these investors are subject to a 1-year lock-in period from the date of the IPO approval.
- **Employees (via ESOPs):** Employees are often subject to a lock-in period of 1 year from the date of the IPO approval.
- **Individual Investors (Pre-IPO):** Shares held by the general public from a previous private placement are usually subject to a 6-month lock-in period post-IPO approval.

Answer to the Question# 2 (a) (iii):

The implications of these lock-in periods can be significant:

- **Liquidity:** The restricted liquidity due to lock-in periods can lead to reduced trading volumes, potentially resulting in higher volatility once the lock-in periods expired, as large quantities of shares might be traded.
- **Stock Price Stability:** The lock-in period helps maintain price stability immediately following the IPO. Once the lock-in periods end, there could be downward pressure on the stock price if a significant number of shares are sold.
- **Investor Confidence:** The staggered release of shares into the market helps in managing the supply of shares, which can sustain investor confidence in the company's stock price in the short term.

These lock-in periods are designed to balance the interests of early investors with those of new public shareholders, ensuring an orderly market for the company's shares. To prevent manipulation by the insider.

Answer to the Question# 2 (b) (i):

As per BSEC directives the independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM);

Provided that the Board shall appoint the independent director, subject to prior consent of the Commission, after the consideration of recommendation of the Nomination and Remuneration Commission (NRC) of the company;

On the other hand, Bangladesh Bank has advised to obtain prior approval in written from Bangladesh Bank in appointing independent director. An interview board headed by the Deputy Governor may take interview in selecting independent director.

As the Audit Committee shall perform the role of NRC, with the recommendation from Audit Committee, the board shall appoint independent director.

Moreover, for removing any independent director, prior approval from Bangladesh Bank will also be required.

Answer to the Question# 2 (b) (ii):

Apparently, there will be no conflict if the both regulators have given their consent in appointing the same person as independent director.

Without the consent of the both, no independent director can be appointed.

Further, BSEC has not given any directive in removing any independent director, only approval from Bangladesh Bank will be required.

Bangladesh Bank has also fixed maximum ceiling of the remuneration of independent directors of banks and Finance company. BSEC has not given any directives in this regard.

Answer to the Question# 2 (c) (i):

As the company has not yet been listed in 2023, the regulation of Companies Act, 1994 will apply. As per the Section 183, Companies Act, 1994, the company is required submit it audited financials of a date within 9(nine) months preceding the meeting. In that case, based on 30 June 2023 financials, the AGM shall be held latest 31 March 2024. Moreover, as per the section 81, Companies Act, 1994 the meeting shall be held by 31 March 2024, within 15(fifteen) months from the date of last AGM, based on 30 June 2023 Financials.

And audit of the said financials shall be completed before serving the notice for the AGM so that the notice is accompanied by the audited financial Statements.

Yes, the deadline would be changed if the company got listed by the year 2023.

As per clause 18, Listing Regulations, 2015 of Dhaka Stock Exchange Limited, audit of the said financials shall be completed within 120 (one hundred and twenty) days from the date of end of the financial year and a copy of the said audited financials shall be submitted to the commission and exchange within 14(Fourteen) days thereof.

Answer to the Question# 2 (c) (ii):

As per section 190, Companies Act, 1994, the financial statements laid before the AGM shall be filed with the Registrar within 30(thirty) days from the date of holding of the AGM.

Yes, where the annual general meeting of a company for any year has not been held, there shall be filed with the Registrar within thirty days from the last day on which that meeting should have been held in accordance with the provisions of this Act.

If the annual general meeting of a company before which a balance sheet is laid as aforesaid does not adopt the balance-sheet or, if the annual general meeting of a company for any year has not been held, a statement of that fact and of the reasons therefor shall be annexed to the balance-sheet and to the copies thereof required to be filed with the Registrar.

If a company makes default in complying with the requirements of this section, it shall be liable to a fine not exceeding one hundred Taka for every day during which the default continues, and every officer of the company who knowingly and willfully authorizes or permits the default shall be liable to the like penalty.

Answer to the Question# 2 (c) (iii):

As per the rule 14(4) & 15 of the Securities and Exchange Rules, 2020 and the conditions No. 4 & 5 of the Commission's notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018, the followings are the deadlines for audit and submission of financial statements-

Particulars	Financial year ended 31 December	Financial year ended 31 March
Q1 financials	15 th May	14 th August
Q2 Financials	31 st July	31 st October
Q3 Financials	31 st October	31 st January
Audit of annual financials	30 th April 29 th April (in case of leap year)	29 th July
Submission of annual financials	14 th May 13 th May (in case of leap year)	12 th August

However, such deadline may be extended by applying for time extension with a reasonable cause before the deadline.

Answer to the Question# 3 (a) (i):

Public interest entity means the entity which will satisfy anyone of the following determinants:

- Bank Companies established under sec 5 (Na) of the Banking Companies Act 1991;
- Organization which has issued Securities and has the obligation to submit report to the Bangladesh Securities & Exchange Commission under Sec 15 of the Bangladesh Securities & Exchange Commission Act 1993;
- Financial Institution as defined in Sec 2 (Kha) of the Financial Institution Act 1993;
- Micro-credit Organization as defined in Sec 2(21) of Microcredit Regulatory Authority Act 2006;
- Insurer as defined in Sec 2 (25) of the Insurance Act 2010;
- Any organization's yearly revenue has exceeded Tk. 50 crore;
- Any organization which has fulfilled any two of the following conditions:
 - It has recruited at least 50 people, including permanent, temporary, casual, contractual, and outsourcing employees;
 - Total asset of this has exceeded Tk. 30 crore;
 - Total liabilities excluding shareholders' equity has exceeded Tk. 10 crore.
- The following organizations fulfilling the above conditions will also include in the definition:
 - Company or commercial organizations under the ownership of Government;
 - Statutory authorities;
 - Non-Govt. organizations operated by individuals; and
 - Any other organizations.

Answer to the Question# 3 (a) (ii):

JKL Limited qualifies as a public interest entity (PIE) based on the following rationale:

- **Listed on the Dhaka Stock Exchange (DSE):** Being listed on a stock exchange is a primary criterion for being classified as a PIE, as it implies that the company has a broad base of public shareholders and a significant impact on public investors.
- **Size and Scale:** With revenue of Tk. 2,000 million, net profit of Tk. 250 million, and total assets of Tk. 5,000 million, JKL Limited is a large company, which adds to its significance from a public interest perspective.

- **Public Debt:** The issuance of corporate bonds worth Tk. 500 million to the public indicates that JKL Limited holds significant public funds, which is another criterion for being classified as a PIE.
- **Number of Employees:** Employing 800 people contributes to the company's economic impact, although the primary factors for PIE classification are its public listing and public debt.

Answer to the Question# 3 (b) (i):

Steps that the Audit Practice Review Division (APRD) would take to address the issues identified in the audit of MNO PLC include:

- **Investigation:** Initiating a thorough investigation into the identified issues, including significant errors, internal control deficiencies, non-compliance with IFRS, and auditor independence concerns.
- **Request for Documentation:** Requesting detailed documentation from XYZ & Co. and MNO PLC to understand the extent of the issues and the audit procedures followed.
- **Interviews and Inquiries:** Conducting interviews with key personnel from XYZ & Co. and MNO PLC to gather insights and explanations regarding the identified issues.
- **Audit Review:** Reviewing the audit work papers and procedures performed by XYZ & Co. to assess the quality and compliance with auditing standards.
- **Recommendations:** Providing recommendations to XYZ & Co. for correcting deficiencies in their audit practices and ensuring future compliance with auditing standards.
- **Compliance Enforcement:** Enforcing compliance by requiring MNO PLC to correct the financial statement errors, address internal control deficiencies, and ensure full compliance with IFRS.
- **Disciplinary Actions:** If significant non-compliance is found, taking appropriate disciplinary actions against XYZ & Co., this could include fines, suspension, or revocation of their audit registration.
- **Public Disclosure:** Reporting the findings and actions taken to the Financial Reporting Council (FRC) and considering public disclosure if the non-compliance significantly impacts public interest.

Answer to the Question# 3 (b) (ii):

Potential outcomes for both MNO PLC and XYZ & Co. if the APRD finds significant non-compliance with audit standards and financial reporting requirements include:

For MNO PLC:

- **Restatement of Financial Statements:** MNO PLC may be required to restate its financial statements to correct the identified errors and ensure compliance with IFRS.
- **Enhanced Internal Controls:** The Company may need to implement significant improvements in its internal controls over financial reporting.
- **Regulatory Penalties:** MNO PLC could face penalties from the FRC for non-compliance with financial reporting standards.
- **Reputational Damage:** The Company may suffer reputational damage, leading to a potential loss of investor confidence and a decline in stock price.

For XYZ & Co.:

- **Disciplinary Actions:** XYZ & Co. may face disciplinary actions, including fines, suspension, or revocation of their certificate of practice as auditors.
- **Remediation Requirements:** The firm may be required to undertake specific remediation measures to improve audit quality and ensure future compliance.
- **Loss of Clients:** The firm may lose current and potential clients due to the damage to its professional reputation.
- **Mandatory Training:** XYZ & Co. may be required to undergo additional training and education to address deficiencies in audit practices.

Answer to the Question# 4 (a):

As per BRPD Circular No.:01, dated 06 February 2019 on master circular on loan write-off, based on the following criteria, a loan can be written-off:

- ✓ Loan should be categories as 'Bad/ Doubtful' consecutively for 3 years;
- ✓ There is no possibility that the amount will be recovered in near future;

- ✓ Legal procedure is going on for recovery of loan amount with an exception that loan up to BDT 2 lac and incase of small loan under CSME category loan up to BDT 5 lac can be written off without applying legal proceedings.
- ✓ Full provision shall be kept against the amount, any shortfall in provision shall be provided before writing off;
- ✓ Outstanding amount cannot be partially written off; and
- ✓ Approval from the board must be taken for written off.

Assuming that the loan is under small CSME category, and since the recovery form the client in near future is remote and the outstanding loan amount is below BDT 5 lac, the bank without executing any legal proceeding with approval from the board may go for written off the loan.

Answer to the Question# 4 (b) (i):

The classification of loans and the maintenance of provisions are critical aspects of banking regulations, ensuring the stability and solvency of financial institutions. In Bangladesh, the central bank, Bangladesh Bank, has implemented several changes to enhance the robustness of the banking sector. These changes impact how banks classify loans and maintain provisions.

Recent Changes in Regulations

In recent years, Bangladesh Bank has introduced new guidelines and amendments to existing regulations aimed at:

- **Strengthening the classification criteria:** Introducing stricter criteria for classifying loans into different categories, such as Standard, Special Mention Account (SMA), Sub-standard, Doubtful, and Bad/Loss.
- **Adjusting provisioning requirements:** Modifying the percentage of provisions banks need to maintain for different types of classified loans to better reflect the risk of default.
- **Incorporating additional factors:** Considering factors like economic conditions, sector-specific risks, and the borrower's financial health in the classification and provisioning process.

Loan Classification Criteria

The classification of loans typically follows these categories:

- **Standard (Unclassified):** Loans with no overdue or minimal overdue.
- **Special mention account (SMA):** Loans overdue for 1-90 days.
- **Sub-standard (SS):** Loans overdue for 91-180 days.
- **Doubtful:** Loans overdue for 181-365 days.
- **Bad/loss:** Loans overdue for more than 365 days.

Provisioning Requirements

Based on the classification, banks must maintain specific provisions as follows:

- **Standard loans:** 1-2% provision.
- **SMA loans:** 5% provision.
- **SS loans:** 20% provision.
- **Doubtful loans:** 50% provision.
- **Bad/loss loans:** 100% provision.

Answer to the Question# 4 (b) (ii):

XYZ Bank has a loan portfolio with the following details:

- **Loan A:** Tk. 10 million, overdue by 45 days.
- **Loan B:** Tk. 20 million, overdue by 150 days.
- **Loan C:** Tk. 30 million, overdue by 200 days.
- **Loan D:** Tk. 40 million, overdue by 400 days.

Classification:

- **Loan A:** Classified as SMA (overdue 1-90 days).
- **Loan B:** Classified as Sub-standard (overdue 91-180 days).
- **Loan C:** Classified as Doubtful (overdue 181-365 days).
- **Loan D:** Classified as Bad/Loss (overdue >365 days).

Provisions:

- **Loan A:**
Amount: Tk. 10 million
Provision: 5% of Tk. 10 million = Tk. 0.5 million
- **Loan B:**
Amount: Tk. 20 million
Provision: 20% of Tk. 20 million = Tk. 4 million
- **Loan C:**
Amount: Tk. 30 million
Provision: 50% of Tk. 30 million = Tk. 15 million
- **Loan D:**
Amount: Tk. 40 million
Provision: 100% of Tk. 40 million = Tk. 40 million

Total Provisions Required:

- **Loan A:** Tk. 0.5 million
- **Loan B:** Tk. 4 million
- **Loan C:** Tk. 15 million
- **Loan D:** Tk. 40 million

Total Provisions = Tk. 0.5 million + Tk. 4 million + Tk. 15 million + Tk. 40 million = Tk. 59.5 million

Conclusion

The recent changes in the banking regulations of Bangladesh mandate more stringent classification and higher provisions to safeguard against potential loan defaults. This approach ensures that banks are better prepared to handle non-performing loans (NPLs) and maintain financial stability. By adhering to these revised guidelines, banks like XYZ Bank PLC can more accurately reflect their financial health and mitigate risks associated with their loan portfolios.

Answer to the Question# 5 (a):

(i) As per the section 10, The Finance Company Act, 2023, share of any Finance Company shall not be concentrated over 15% (fifteen percent) to any person, to his interested concern or to his family members.

Further, for holding of significant shares (more than 5%) of any finance company, prior permission from Bangladesh Bank shall be obtained.

In this case, Mr. AM Bhuiya and his family and interested concern is holding more than 15% shares of AFL Finance PLC.

(ii) As per the section 15(1), the Finance Company Act, 2023, if any family holding more than 5(five) % of shares of any Finance Company, can nominate not more than 2(two) directors against their family holdings. If they hold from 2% to up to 5%, then they can nominate only 1(one) director from their family.

Further, as per the section 15(1), the Finance Company Act, 2023, if any natural person represents any directorship in the Finance Company, then no more directors can be nominated from his/her interested concern.

Here, the AM Bhuiyan family can nominate only 2(two) directors against their holdings. Moreover, M/s. Puma Marketing International cannot nominate any directors in the company.

(iii) As per the section 16(1), The Finance Company Act, 2023, the tenure of directorship in the finance company shall be 3(three) years. Directors can hold the directorship for a consecutive 3 terms. After the consecutive 3 terms, he/she can be reappointed after a cooling period one term i.e 3(three) years.

Directorship of Mr. AM Bhuiyan is non-compliant in this regard.

(iv) As per the section 14, the Finance Company Act, 2023, maximum no. of directors in the Finance Company shall be 15(fifteen) including at least 2(two) independent directors.

Here, the company is non-compliant with regard to no. of independent director.

Answer to the Question# 5 (b):

In compliance with the Finance Company Act, the above non-compliance can be resolved as follows-

- i. **Holding of shares by the group-** as per the section 10(5), The Finance Company Act, 2023, the excess holding of shares by the family shall be offloaded within 2(two) years from the date of implementation of this Act. Moreover, the excess no. of shares shall be transferred to a person other than his family members and holder of shareholders of the company holding the maximum limit.
- ii. **No. of directors nominated by the group-** Maximum no. of directors from the AM Bhuyan family shall be 2(two). Moreover, M/s. Puma Marketing International cannot nominate any directors in the company.
- iii. **Tenure of directorship in the company-** Mr. AM Bhuyan shall retire from the Board with the expiry of his running directorship period.
- iv. **Requirement of independent director in the company-** with the prior approval from Bangladesh Bank another independent director shall be appointed by the Board.

Answer to the Question# 5 (c):

Consequences of such non-compliances-

Holding of shares by the group- as per the section 10(6), the Finance Company Act, 2023 the excess no. of shares shall be forfeited in favor of the government.

Moreover, as per the section 55(14), any person convicted for any non-compliances with the law, shall be fined not less than 3(three) lac taka to not more than 15(fifteen) lac taka.

Answer to the Question# 6 (a) (i):

Group Insurance Premium matter:

Comparative position:

Particulars	Ref.	Company P (Rate/000) Tk.	Company Q (Rate/000) Tk.
Gross premium	A	9.50	8.75
Retention (A: 35%; B: 35%)	B	3.33	3.06
Net premium after retention	C	6.17	5.69
Profit bonus after retention (A: 80%; B: 65%)	D	4.94	3.70
Effective premium rate	E=A-D	4.56	5.05

Based on the above calculation, it is clear that Welfare PLC should go for company P, as effective premium cost is lower Tk. 4.56/000 compared to Tk. 5.0f/000 calculated for company Q.

Answer to the Question# 6 (a) (ii):

As per Section 99 of the Bangladesh Labour Act 2006 and Rule 98 of the Bangladesh Labour Rules 2015, it is mandatory for establishments with a minimum of 200 permanent workers to introduce group insurance.

Answer to the Question# 6 (b):

Converting a life insurance company into a non-life insurance company in Bangladesh would involve several key steps, including regulatory approval, legal restructuring, and operational changes. While the process may vary depending on specific regulatory requirements and circumstances, here is a general outline of how it might happen:

- **Regulatory Approval:** The life insurance company's board of directors initiates discussions about the conversion and seeks approval from the regulatory authority, the Insurance Development and Regulatory Authority (IDRA), for the proposed conversion.
- **Feasibility Study:** The company conducts a comprehensive feasibility study to assess the viability of converting from life insurance to non-life insurance operations. This study includes financial

projections, market analysis, regulatory compliance requirements, and potential operational challenges.

- **Proposal Submission:** The company submits a formal proposal to the IDRA outlining the reasons for the conversion, the proposed timeline, the expected impact on policyholders, and the regulatory compliance measures that will be implemented.
- **Legal Restructuring:** If the proposal is approved by the IDRA, the company undergoes legal restructuring to accommodate the new non-life insurance operations. This may involve amending the company's memorandum and articles of association, updating registration documents, and obtaining necessary approvals from relevant authorities.
- **Capital Adequacy:** The company ensures that it meets the minimum capital requirements specified by the IDRA for non-life insurance companies. Additional capital may need to be raised through equity issuance or internal restructuring to support the expanded operations.
- **Obtaining License:** The company applies for a new license specifically for non-life insurance operations from the IDRA. This involves submitting detailed documentation, financial statements, business plans, and compliance assurances to demonstrate readiness and capability to operate as a non-life insurer.
- **Operational Changes:** The company implements operational changes to support non-life insurance operations, including hiring new staff with expertise in non-life insurance underwriting, claims processing, risk management, and product development.
- **Compliance and Oversight:** Throughout the conversion process, the company ensures strict compliance with regulatory guidelines and oversight from the IDRA to maintain transparency, financial stability, and consumer protection.
- **Communication with Stakeholders:** The company communicates with policyholders, shareholders, employees, and other stakeholders to inform them about the conversion process, address concerns, and provide updates on the transition.
- **Launch of Non-Life Insurance Operations:** Once all regulatory approvals are obtained, legal restructuring is completed, and operational changes are in place, the company officially launches its non-life insurance operations, offering a range of insurance products and services tailored to the needs of the market.

Overall, the conversion process from a life insurance company to a non-life insurance company in Bangladesh requires careful planning, regulatory compliance, and stakeholder engagement to ensure a smooth transition and successful operation in the non-life insurance segment.

Legal requirements for paid-up capital and minimum deposit in the light of the Insurance Act, 2010

As per section 21 of the Insurance Act, 2010 Insurance company of different natures are required minimum paid up capital as follows:

For life insurance business

- **For companies incorporated in Bangladesh:** Minimum 30 (thirty) crore taka of which 60% (sixty) shall be subscribed by the sponsors and the balance 40% (forty) shall be open for public subscription. Currently, YKZ Life Insurance Limited has Tk. 35 crore as paid-up capital.
- **For companies incorporated outside Bangladesh:** Minimum 30 (thirty) crore taka which shall be brought to Bangladesh through remittance from abroad and be kept deposited into Bank.

For non-life insurance business

- **For companies incorporated in Bangladesh:** Minimum 40 (forty) crore taka of which 60% (sixty) shall be subscribed by the sponsors and the balance 40% (forty) shall be open for public subscription. After the conversion, the company has to inject additional 5 (five) crore taka as capital to comply with the minimum paid-up capital requirement for non-life insurance company.
- **For companies incorporated outside Bangladesh:** Minimum 40 (forty) crore taka which shall be Brought to Bangladesh through remittance from abroad and be kept deposited into bank.

As per Section 23 of the Insurance Act, 2010 insurance business require deposit to be maintained as follows:

- **For life insurance business:** 1(one) crore and 50 (fifty) lac taka. In case of a company incorporated before the commencement of this Act; such deposit shall be made within three years of giving effect of this law. Currently, YKZ Life Insurance Limited has Tk. 2 crore as minimum deposit.

- **For of non-life insurance business:** 2 (two) crore 50 (fifty) lac taka. In case of a company incorporated before the commencement of this Act; such deposit shall be made within three years of giving effect of this law. After the conversion, the company has to inject additional 50 (fifty) lac taka as deposit to comply with the minimum deposit requirement for non-life insurance company.

Answer to the Question# 7 (a):

Based on the provided information, let's compute the total amount payable to the nominees or dependents of Mr. X considering the provisions of the Bangladesh Labour Act 2006 and the rules thereon, which is in addition to other retiral benefits.

A. Group Life Insurance:

- In case of natural death: The claim amount is 24 times the gross salary.
- Claim amount = $24 * \text{Tk. } 60,000 = \text{Tk. } 1,440,000$
- In case of accidental death: The claim amount is 48 times the gross salary.
- Claim amount = $48 * \text{Tk. } 60,000 = \text{Tk. } 2,880,000$

B. (1) Gratuity:

The gratuity benefit is calculated as the latest one-month basic salary multiplied by the length of service in years.

Length of service = 30th April 2024 - 1st May 2014 = 10 years

Gratuity amount = $\text{Tk. } 36,000 * 10 = \text{Tk. } 360,000$

(2) Compensation as per Labour Act:

Section 19 of the Bangladesh Labour Act 2006 provides that for the accidental death of any employee who has served more than two years in the organization, the nominees or dependents of such an employee shall be entitled to a compensation as per law. The compensation shall be 45 days of basic salary multiplied by the length of service in years or gratuity, whichever is higher. In this case, the compensation shall be = $36,000 * 10 * 1.5 = \text{Tk. } 540,000$.

Under the above circumstances, since the compensation is higher than the gratuity amount, Tk. 540,000 shall be payable.

Therefore, the total amount payable to the nominees or dependents of Mr. X considering the provisions of the Bangladesh Labour Act 2006 and the rules thereon is as follows:

In case of accidental death:

Group Life Insurance claim amount:	Tk. 2,880,000
Compensation amount:	Tk. 540,000
Total amount payable:	Tk. 3,420,000

Answer to the Question# 7 (b) (i):

According to Section 336 of the Labour Law, the existing gratuity scheme cannot be discontinued by XYZ unless the employees agree. This is because the Labour Law protects the rights of employees to continue with the existing gratuity scheme, which is considered a more favorable provision as it existed prior to the introduction of the Labour Law. In this case, since the gratuity fund trust was formed in 1995, well before the Labour Law was introduced in 2006 and its subsequent rules in 2015, XYZ cannot discontinue the existing gratuity scheme for its current employees.

Answer to the Question# 7 (b) (ii):

The situation differs for employees who join the company on or after January 1, 2025. In this case, if the company excludes the gratuity scheme from the employment conditions, XYZ can discontinue the gratuity scheme for employees who join the company on or after January 1, 2025.

---The End---