Report directly related to violation of Financial Institution Act 1993 (reported with the respective line items)

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ToR Ref. No. (iii)

Report directly related to violation of Financial Institution Act, 1993 (reported with the respective line items)

Respective line items of financial statements	Reference No:	Section	Title	Description	Compliance Status (Complied/Non-complied) 2015	2016	2017	2018	2019	Remarks
Capital/ Shareholders' Equity	Annexure 14-A.	6	Minimum Capital	(1) The Bangladesh Bank shall prescribe the minimum capital of every financial institution. (2) No financial institution shall be granted a licence under this Act, if the amount of its issued capital and paid-up capital is less than the minimum capital prescribed under sub-section (1) and existing licences, if any, shall be cancelled. ii) Minimum Paid up Capital and Reserve	Complied	Non-complied	Non-complied	Non-complied	Non-complied	During our audit, we find that minimum capital as prescribed by Bangladesh Bank is not maintained from the year 2015 to onwards.
1. Loans and advances 2.Operating expenses 3. Interest paid on deposits, borrowings etc. 4. Investment	Ref: 1.4.5 Ref: 1.3.2 Ref: 1.28 Ref: 1.24	8	Cancellation of a license	The Bangladesh Bank may cancel the licence of a financial institution granted under this Act on account of the following reasons, namely:- a) if it does not carry on the business for which it had been established; b) if the financial institution goes into liquidation or if its business is closed; c) if it furnishes false or misleading informations or documents in order to receive a licence; d) if it carries on its business in a manner detrimental to the interests of the depositers; e) if its assets are not sufficient to pay the claims of its depositors; f) if it carries on business maintaining an amount of paid-up capital which is less than the amount of the minimum capital; g) if the conditions of the licence are contravened; h) if the financial institution or any of its directors is convicted for an offence under this Act.	Bangladesh Bank May Cancel it's License on the ground of Section 8 of Financial Institution Act, 1993 giving 15 days notice.					PLFSL was involved with the investment of unauthorised margin loan, investment in companies having no existance, high rated STL with related concern, Commission on TDR collection in different name or cash cheque, loans without collateral, excessive interest waive. Those are against the greater interest of the depositors.

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Respective line items of financial statements	Reference No:	Section	Title	Description	Compliance Status (Complied/Non-complied) 2015	2016	2017	2018	2019	Remarks
Paid up capital Bonus shares	Ref: 1.12	10	Restriction on the payment of dividends	No financial institution shall pay any dividend on its shares, unless all its capitalised expenses including preliminary expenses, organisation expenses, commission for share selling and brokerage, losses and other items have been completely written off.	Not Complied	Complied	Complied	Complied	Complied	PLFSL recognised "Previous years' Loss" of Taka 9,23,886,766 under the Balance Sheet head "Other Asset" for the year 2015 but if this loss charged to P&L there would not have any sufficient retained earning to distribute dividend. Where as PLFSL declared this bonus shares in 2014 and paid Taka 259,491,450 in 2015.
Loans and advances	Annexure-1	14	Restrictions regarding credit facilities, etc.	No financial institution shall- e) grant any unsecured advance, credit or credit facilities to any firm in which any of its directors, individually or jointly, is interested directors unless the total amount of such facilities does not exceed 10 per cent of its paid-up share capital and reserves; f) grant, in the manner mentioned in clause e), advances, credits or credit facilities in excess of Taka 500 000 to any person or group of persons other than those stated in the said clause. Explanation.- In this sub-section, "director" includes also the wife, husband, father, mother, son, daughter, son-in-law, daughter-in-law, father-in-law and mother-in-law of a director.	Not Complied	Not Complied	Not Complied	Not Complied	Not Complied	PLFS allowed loans to MTB marine of Tk 30 crore which is more than 10% of its paid up capital of Tk 2,854,405,970 but disbursement was made to the name of FAS finance. Aziz fiber was allowed loans of Tk 2 crore consists of 2 loan facilities without securities. Reptiles farm was allowed credit without collateral.

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Respective line items of financial statements	Reference No:	Section	Title	Description	Compliance Status (Complied/Non-complied)					Remarks
					2015	2016	2017	2018	2019	
Loans and advances (Margin Loan)	Ref: 1.4.5	15	Restrictions regarding the business of financial institutions	(1) No financial institution shall, alone or in a body, be engaged in any wholesale or retail business including export and import trade otherwise than for the purpose of carrying on its financing business. (2) No financial institution shall carry on any business other than the business of financing and such business as has been mentioned in this Act.	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	PLFS was involved in giving margin loan without being the registered stock-dealer/stock-broker by the Securities and Exchange Commission under the Bangladesh Securities and Exchange Commission (Stock-dealer, Stock-broker and Authorized Representative) Regulations, 1994. It shall be noted that only the registered stock-dealer/stock-broker of the BSEC can issue margin loan to it's customer subject to the provisions of Margin Loan Policy and Margin Rules, 1999 of Bangladesh Securities & Exchange Commission (BSEC).
1. Loans and advances (Margin Loan) 2. Investment	Annexure 14-B.	16	Restrictions on investments	No financial institution shall expend or use more than 25 per cent of its paid-up capital and reserves for the acquisition or holding of any kind of shares of financial, commercial, agricultural or industrial institutions or of any similar institution and shall, as fast as possible, sell to the institutions concerned the shares acquired in the interest of realizing the credits granted by it: Provided that any financial institution may, subject to its application and on consent of the Bank, expend or use up to 50 per cent of its paid-up capital and reserves for the acquisition and holding of the abovementioned kind of shares.	Non-complied	Non-Complied	Non-complied	Non-complied	Non-complied	PLFSL given margin loan facilities and opened join BO accounts in securities house with own name and client and traded shares where the 1st holder is PLFSL. Details are given in Annexure-B
1. Property, Plant & Equipment 2. Other Assets	Annexure 14-C.	17	Restriction on the possession of immovable property	No financial institution may acquire or possess immovable properties exceeding in value 25 per cent of its paid-up capital and reserves	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	It become non-complied in 2017, 2018 and 2019 because of negative Share Holders' Equity. The balance of Tk 1,236,640,000 was shown in balance sheet as advance for land which was settled in 2019. Details are at Annexure-C.

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Respective line items of financial statements	Reference No:	Section	Title	Description	Compliance Status (Complied/Non-complied)					Remarks
					2015	2016	2017	2018	2019	
1. Cash & Cash Equivalents 2. Balance with other Banks and Financial Institutions 3. Loans and Advances	Annexure-9 & Annexure 14-D(a)	19	Maintenance of liquid assets	(1) Every financial institution shall maintain such liquid assets as the Bangladesh Bank may determine from time to time.	Partly Complied	Partly Complied	Partly Complied	Non-complied	Non-complied	Though having shortage in CRR from the year 2015 to 2019, PLFS sanctioned new loan amounting Taka 126 core during the same period. Most of the loans sanctioned were given to the related parties of the Director of the company. Details of such director loan is given in Annexure 9.
				i) Cash reserve ratio (CRR)						Details are given in Annexure 14-D(a).
1. Term Deposits 2. Cash & Cash Equivalents 3. Balance with other Banks and Financial Institutions	Ref:1.1, 1.2, Ref. 1.9.1 & Ref. 1.9.2	21	Inform Bangladesh Bank about Financial institution's inability to pay off its liabilities	If any financial institution has reason to be doubtful about its ability to meet the demands of its customers or if any financial institution is forced to suspend the demands of any of its customers, it shall inform the Bangladesh Bank about the matter.	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	PLFSL had liquidity crisis from 2015 to 2019 for this reason they were unable to payoff the TDR and renewed fully or partially. During our audit, we did not find any correspondance issued to Bangladesh Bank from PLFSL regarding it's inability to payoff its liabilities to it's customers which includes liabilities against Term Deposit Receipt.
1. Loans and advances 2. Term Deposits 3. Borrowings from Other Banks, Financial Institutions & Agents 4. Other assets	Ref:1.4.1, Ref. 1.9.1 & Ref. 1.9.2, Ref: 1.2, Ref: 1.6.1	24 (6)	Appointment of an auditor and duties of the auditor	Every financial institution shall annually, subject to the consent of the Bangladesh Bank, appoint one auditor.						
				Where an auditor discharging his duty as an auditor of a financial institution is satisfied to the effect that- a) the provisions of this Act have been seriously contravened or have not been complied with or that a financial institution has committed a criminal offense of fraud or dishonesty; b) on account of losses the capital of a financial institution has fallen under fifty per cent; c) there has occurred any serious irregularity including that the payment of the creditors' demands is no longer guaranteed; or d) that there exists any doubt as to the sufficiency of the assets to meet the demands of the creditors; The auditor shall without any delay inform the Bangladesh Bank on the said matters.	Non-complied	Non-complied	Non-complied	Complied	Not applicable	Though the auditor found material irregularities in 2015, 2016 and 2017, it did not bring the reflection in financial statements and it's audit report on the ground of material uncertainty regarding going concern where PLFS was facing serious going concern threat. Taken high eate STL and TDR but did nto invested further. TDR repayment was not done. Auditor did not inform any irregularities to BB.

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People's Leasing and Financial Services Limited
Minimum Capital

As per section 4(GHA) of the Financial Institution Rule 1994, the minimum paid up capital of the Financial Institution (FI) shall be Tk. 100 crore; Provided that the sum of paid up capital and reserves shall not be less than the minimum capital determined by the Bangladesh Bank under the Risk-Based Assets of the Company. Every Financial Institution is required to maintain Capital Adequacy ratio of 10% of risk weighted asset of that institute.

The capital adequacy ratio (CAR) of People's Leasing and Financial Services Limited is given below:

Amount in Taka (Crore)

Particulars	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Sep-16	31-Dec-16
Paid up Capital	285	285	285	285	285	285
Total Eligible Capital	459	486	420	415	290	318
Total Risk Weighted Assets (RWA)	2,015	1,982	2,608	2,744	3,191	3,138
Capital Adequacy Ratio (CAR)	22.79%	24.51%	16.11%	15.12%	9.09%	10.12%
Compliance						
Minimum Paid up capital	Complied	Complied	Complied	Complied	Complied	Complied
Sum of paid up capital and reserves	Complied	Complied	Complied	Complied	Non-complied	Complied

Amount in Taka (Crore)

Particulars	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18
Paid up Capital	285	285	285	285	285	285
Total Eligible Capital	254	335	356	(1,713)	333	341
Total Risk Weighted Assets (RWA)	3,169	3,154	3,206	1,719	3,266	3,208
Capital Adequacy Ratio (CAR)	8.03%	10.62%	11.10%	-99.64%	10.20%	10.62%
Compliance						
Minimum Paid up capital	Complied	Complied	Complied	Complied	Complied	Complied
Sum of paid up capital and reserves	Non-complied	Complied	Complied	Non-complied	Complied	Complied

Amount in Taka (Crore)

Particulars	30-Sep-18	31-Dec-18	31-Mar-19
Paid up Capital	285	285	285
Total Eligible Capital	79	(1,863)	(1,914)
Total Risk Weighted Assets (RWA)	3,217	1,576	1,406
Capital Adequacy Ratio (CAR)	2.46%	-118.16%	-136.18%
Compliance			
Minimum Paid up capital	Complied	Complied	Complied
Sum of paid up capital and reserves	Non-complied	Non-complied	Non-complied

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People's Leasing and Financial Services Limited
Restrictions on investments

No financial institution shall expend or use more than 25 per cent of its paid-up capital and reserves for the acquisition or holding of any kind of shares of financial, commercial, agricultural or industrial institutions or of any similar institution and shall, as fast as possible, sell to the institutions concerned the shares acquired in the interest of realizing the credits granted by it.

Provided that any financial institution may, subject to its application and on consent of the Bank, expend or use up to 50 per cent of its paid-up capital and reserves for the acquisition and holding of the abovementioned kind of shares.

(Amount in BDT)

Particulars	2015	2016	2017	2018
Investment in Subsidiary	160,597,500	160,597,500	200,445,000	200,445,000
Investment in other shares	2,120,998,077	1,346,411,633	1,017,458,206	271,275,830
Investment in Shares (A)	2,281,595,577	1,507,009,133	1,217,903,206	471,720,830
Paid up Capital and Reserves (B)	3,706,098,151	3,209,222,456	(17,131,203,578)	(18,627,027,083)
Percentage of investment in terms of paid up capital and reserve C= A/B	61.6%	47.0%	-7.1%	-2.5%
Limit for Investment	From 25% to Max 50% upon Bangladesh Bank Approval.			
Compliance	Non-Complied	Non-Complied	Non-Complied	Non-Complied

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People's Leasing and Financial Services Limited
Restriction on the possession of immovable property

No financial institution may acquire or possess immovable properties exceeding in value 25 per cent of its paid-up capital and reserves.

Provided that nothing contained in this section shall be applicable in the case of immovable property required for the granting of facilities to employees of the financial institution and in the case of property acquired in the interest of realizing unrealized credits granted by it.

Particulars	2015	2016	2017	2018
Fixed Assets/Immovable properties(A)	1,298,770,176	1,301,114,588	1,302,174,024	1,320,662,110
Paid up Capital and Reserves (B)	3,706,098,151	3,209,222,456	(17,131,203,578)	(18,627,027,083)
Percentage of investment in terms of paid up capital and reserve C= A/B	35.0%	40.5%	-7.6%	-7.1%
Limit for Investment	Maximum 25% of Paid of capital and reserve.			
Compliance	Complied	Complied	Non-Complied	Non-Complied

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People's Leasing and Financial Services Limited
Cash Reserve Ratio (CRR)

Cash Reserve Requirement (CRR) has been calculated at the rate of 2.5% on 'Total Term Deposits' Term or Fixed Deposit, Security Deposit against Lease/Loan and other Term Deposits, received from individuals and institutions (except banks and financial institutions).

(Amount in Taka)

Particulars	2015			
	September	October	November	December
Required Reserve (1st fortnight)	67,204	67,806	68,788	69,028
Actual Reserve (1st fortnight)	66,157	69,709	71,002	71,015
Surplus/(deficit)	(1,047)	1,903	2,214	1,987
Compliance	Non-complied	Complied	Complied	Complied
Required Reserve (2nd fortnight)	67,204	67,806	68,788	69,028
Actual Reserve (2nd fortnight)	67,390	69,086	68,984	74,027
Surplus/(deficit)	186	1,280	196	4,999
Compliance	Complied	Complied	Complied	Complied

(Amount in Taka)

Particulars	2016											
	January	February	March	April	May	June	July	August	September	October	November	December
Required Reserve (1st fortnight)	74,782	76,364	80,772	87,674	95,043	123,282	124,576	146,772	159,072	125,053	108,945	110,087,850
Actual Reserve (1st fortnight)	77,201	78,001	80,915	87,740	97,818	128,684	124,632	159,999	168,331	155,242	124,646	53,655,760
Surplus/(deficit)	2,419	1,637	143	66	2,775	5,402	56	13,227	9,259	30,189	15,701	(56,432,091)
Compliance	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Non-complied
Required Reserve (2nd fortnight)	74,782	76,364	80,772	87,674	95,043	123,282	124,576	146,772	159,072	125,053	108,945	110,087,850
Actual Reserve (2nd fortnight)	76,503	81,136	87,634	90,299	96,080	137,844	145,966	156,571	159,300	144,559	83,760	50,906,941
Surplus/(deficit)	1,721	4,772	6,862	2,625	1,037	14,562	21,390	9,799	228	19,506	(25,185)	(59,180,909)
Compliance	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Non-complied	Non-complied

(Amount in Taka)

Particulars	2017											
	January	February	March	April	May	June	July	August	September	October	November	December
Required Reserve (1st fortnight)	119,042,676	129,014,775	129,459,231	133,191,031	157,691,518	144,002,001	148,672,746	151,008,547	159,229,371	147,506,201	151,170,415	156,403,310
Actual Reserve (1st fortnight)	186,364,522	135,049,044	136,169,941	133,592,417	137,056,581	9,679,552	23,584,759	76,636,435	22,657,533	48,535,163	111,083,162	17,277,299
Surplus/(deficit)	140,009,539	139,408,263	136,375,634	136,763,927	100,151,850	63,935,124	37,173,432	24,731,361	20,049,408	33,552,565	35,689,687	7,464,632
Compliance	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied	Complied
Required Reserve (2nd fortnight)	119,042,676	129,014,775	129,459,231	133,191,031	157,691,518	144,002,001	148,672,746	151,008,547	159,229,371	147,506,201	151,170,415	156,403,310
Actual Reserve (2nd fortnight)	140,009,539	139,408,263	136,375,634	136,763,927	100,151,850	63,935,124	37,173,432	24,731,361	20,049,408	33,552,565	35,689,687	7,464,632
Surplus/(deficit)	20,966,862	10,393,488	6,916,403	3,572,896	(57,539,667)	(80,066,877)	(111,499,314)	(126,277,186)	(139,179,963)	(113,953,636)	(115,480,728)	(148,938,678)
Compliance	Complied	Complied	Complied	Complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied

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(Amount in Taka)

Particulars	2018											
	January	February	March	April	May	June	July	August	September	October	November	December
Required Reserve (1st fortnight)	266,436,576	285,833,859	262,348,500	266,846,059	267,419,985	267,768,737	274,581,828	295,627,702	299,282,584	303,049,337	304,315,620	304,255,561
Actual Reserve (1st fortnight)	17,214,150	9,943,315	17,973,323	2,435,178	1,468,218	1,203,751	1,230,808	2,334,214	2,550,745	2,661,950	2,341,274	1,638,403
Surplus/(deficit)	(249,222,426)	(275,890,543)	(244,375,177)	(264,410,882)	(265,951,767)	(266,564,986)	(273,351,020)	(293,293,488)	(296,731,839)	(300,387,387)	(301,974,346)	(302,617,157)
Compliance	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied
Required Reserve (2nd fortnight)	266,436,576	285,833,859	262,348,500	266,846,059	267,419,985	267,768,737	274,581,828	295,627,702	299,282,584	303,049,337	304,315,620	304,255,561
Actual Reserve (2nd fortnight)	2,741,467	22,325,519	8,370,789	3,809,390	6,326,006	1,776,822	1,434,840	1,812,986	1,349,623	3,205,162	3,043,989	2,130,538
Surplus/(deficit)	(263,695,109)	(263,508,340)	(253,977,711)	(263,036,669)	(261,093,979)	(265,991,916)	(273,146,988)	(293,814,717)	(297,932,961)	(299,844,174)	(301,271,631)	(302,125,023)
Compliance	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied

(Amount in Taka)

Particulars	2019					
	January	February	March	April	May	June
Required Reserve (1st fortnight)	303,678,964	304,868,701	303,118,322	301,808,370	303,006,210	303,961,494
Actual Reserve (1st fortnight)	1,186,118	881,326	1,052,251	685,870	425,843	203,421
Surplus/(deficit)	(302,492,845)	(303,987,375)	(302,066,071)	(301,122,500)	(302,580,368)	(303,758,073)
Compliance	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied
Required Reserve (2nd fortnight)	303,678,964	304,868,701	303,118,322	301,808,370	303,006,210	303,961,494
Actual Reserve (2nd fortnight)	1,076,895	1,621,743	652,388	916,555	134,795	298,839
Surplus/(deficit)	(302,602,069)	(303,246,958)	(302,465,935)	(300,891,816)	(302,871,415)	(303,662,656)
Compliance	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied	Non-complied

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