

COMPENDIUM of CORPORATE LAWS

EDITION 2023-24

**FREE UPDATES WILL BE PROVIDED ONLY TO THOSE
SUBSCRIBERS WHO WILL RETURN BACK THIS FORM
COMPLETELY FILLED-IN**

Free Online/Printed Updates For Everyone till December 2023 Attempt
Please send an email to activate Online Updating Service

Membership No. _____

Name of Subscriber : _____

Address : _____

Ph: _____ Fax: _____

Email: _____

(compulsory for free Online/Printed updates)

Date : _____

Send this Form to:

S.A. SALAM PUBLICATION ISLAMABAD®

Islamabad Office:

Office # 8B (Hall),
Kashif Bellaire Plaza,
G-8, Markaz, Islamabad
Ph: (+92-51) 2853441;
2853437
Cell: 0333-5174977

Lahore Office:

Ground Floor, Quetta Centre,
13-Poonch Road,
Lahore-54500
Ph: (+92-42) 35244760
Cell: 0300-4217408;
0323-8401586

This book is supported by on-line and Printed updating service for latest position of law and amendments.
To Get Free Online/Printed Updates till June 2023, Please send us complete particulars (i.e. Name, Address, Contact Numbers) email from your active email address at sasalampublications@gmail.com and text message or whatsapp at 0300-4217408 Websites: www.sasalamisb.com

ISLAMABAD: Office # 8-B, Kashif Bellair Plaza, G/8, Markaz, Islamabad. Ph: 051-2853441-2853437
LAHORE: Ground Floor, Queta Centre, 13-Poonch Road, Lahore. Cell: 03004217408; 0323-8401586
KARACHI: Office # 202-203, 2nd Floor, Sport-lit Chamber, Opp. Quomi Akhbar, I.I. Chundrigar Road, Karachi
Cell #: 0333-4266004; 0333-4266003; 0305-5199004; 0333-4217408

Email: sasalampublications@gmail.com

COMPENDIUM OF CORPORATE LAWS

UPDATE No. 08, DATED JULY 25, 2024

[APPLICABLE FOR WINTER 2024 ATTEMPT]

Dear subscribers,

It is a matter of great pleasure for us to enclose herewith 34 updated pages to replace the corresponding existing pages to update your copy of *Compendium of Corporate Laws*.

Kindly remove the existing pages and insert the updated pages in the following manner:

Existing Pages to be removed	Updated Pages to be inserted	Existing Pages to be removed	Updated Pages to be inserted
363 to 382 611 to 614	363 to 382 & 382A 611 to 614		614A to 614G

- Note:** (i) Page Nos 364 to 382A contain amendments in the Companies (Further Issue of Shares) Regulations, 2020.
- (ii) Page Nos. 611 to 614G contain amendments in the Corporate Restructuring Companies Rules, 2019.

Yours sincerely,

Manager
Saleem Zahid

ISLAMABAD: Office # 8-B, Kashif Bellair Plaza, G/8, Markaz, Islamabad. Ph: 051-2853441-2853437
LAHORE: Ground Floor, Queta Centre, 13-Poonch Road, Lahore. Cell: 03004217408; 0323-8401586
KARACHI: Office # 202-203, 2nd Floor, Sport-lit Chamber, Opp. Quomi Akhbar, I.I. Chundrigar Road, Karachi
Cell #: 0333-4266004; 0333-4266003; 0305-5199004; 0333-4217408

Email: sasalampublications@gmail.com

COMPENDIUM OF CORPORATE LAWS

UPDATE No. 07, DATED JUNE 30, 2024

[APPLICABLE FOR WINTER 2024 ATTEMPT]

Dear subscribers,

It is a matter of great pleasure for us to enclose herewith **78** updated pages to replace the corresponding existing pages to update your copy of *Compendium of Corporate Laws*.

Kindly remove the existing pages and insert the updated pages in the following manner:

Existing Pages to be removed	Updated Pages to be inserted	Existing Pages to be removed	Updated Pages to be inserted
299, 300	299, 300	580A, 580B	580A, 580B
314G to 326	314G to 326	581 to 594	581 to 594
345 to 358	345 to 358	594A to 594N	594A to 594M
358A to 358G	358A to 358G	911 to 990	Omitted
561 to 580	561 to 580		

Note: (i) Page Nos 314G to 325 and 911 to 990 stand omitted due to repealed regulation, Companies (General Provisions & Forms) Regulations, 2018.

(ii) Page Nos. 346 to 358G previously containing the Companies (Incorporation) Regulations, 2017 are now replaced/updated with the Companies Regulations, 2024 because the Companies (Incorporation) Regulations, 2017 stand repealed and is not examinable.

Yours sincerely,

Manager
Saleem Zahid

Membership No. _____

COMPENDIUM OF CORPORATE LAWS

[Containing Bare-Acts only]

[EDITION 2023-24]

- Companies Act and related regulations
- Laws Related to Share Capital and Securities
- Mediation, Arbitration, Mismanagement, Restructuring and Rehabilitation
- Laws relating to Financial Institutions
- Laws relating to different Authorities

**S.A. SALAM PUBLICATION
ISLAMABAD®
&**

G.M. LAW PUBLICATIONS

Ground Floor, Quetta Centre,
13-Poonch Road, Near Chuburji, Lahore
Ph: (+92-42) 35244760; 35244977;
Cell: 0300-4217408 – 0323-8401586

Office # 8-B, Kashif Bellair Plaza,
G/8, Markaz, Islamabad
Ph: 051-2853441-2853437
Cell: 0333-5174977

This book is supported by on-line and Printed updating service for latest position of law and amendments. To Get Free Online/Printed Updates for 2022, Please send us complete particulars (i.e. Name, Address, Contact Numbers) email from your active email address at sasalampublications@gmail.com and text message or whatsapp at 0300-4217408 Websites: www.sasalamisb.com

© Copyrights with the Publisher

Disclaimer: No responsibility is taken for any error or omission. The material contained in this publication is not intended to be advice in any particular matter. No reader should act on the basis of any matter contained in this publication without considering appropriate consultant's advice. It is suggested that to avoid any doubt the reader should cross-check the text with original Government Publication in official Gazette.

The Publisher have exclusive rights of exporting this book outside Pakistan. No other person is authorized for its sale outside Pakistan without written permission by the Publisher.

Unauthorized copy or distribution of the CD version of the book or its contents and/or any part is strictly prohibited and covered under the Copyright & Intellectual Property Laws.

Price: Rs. 3500/-
[As amended up-to-date]

Subscription per Attempt
Rs. 500 (Plus delivery charges Rs. 200)

Compiled by
Sheikh Faisal Latif, FCA
Chartered Accountant

M. Tauqeer Nasir
Advocate High Court

Marium Saleem Chaudhary
Research Officer

Published by
S.A. SALAM PUBLICATIONS ISLAMABAD®
Office No. 8-B, Kashif Bellair Plaza, G/8 Markaz, Islamabad
Ph. 051-2853441 / 2853437 Cell: 0333-5174977

Printed by
Tayyab Shamshad Printing Press, Lahore

Computer Assistance & Layout Designing
Al-Fajr Printing & Allied Services
Cell: 0333-4705024

LAHORE OFFICE
Ground Floor, Quetta Centre, 13-Poonch Road, Lahore – Pakistan
Ph. 042-35244760; 35244977; Cell: 0300-4217408; 0323-8401586
E-mail: sasalampublications@gmail.com

Visit us: www.sasalamisb.com

sasalamsystem.com

DIVISION OF BOOK

Sr.#	Description	Page #
	<i>Companies Act and related rules & regulations</i>	
1.	Companies Act, 2017 [Sections 1 to 302, 304 to 306, 312 to 396, 406 to 468, 471 to 473, 498, 500, 505 & 1 st & 2 nd Schedules]	1-309
2	Companies (Postal Ballot) Regulations, 2018	310-314G
3	Companies (Investment in Associated Companies and Associated Undertakings) Regulations, 2017	326-331
4	Employees' Contributory Fund (Investment in Listed Securities) Regulations, 2018	332-337
5	Companies (Related Party Transactions & Maintenance of Related Records) Regulations, 2018 [Regulation 3 to 6]	338-339
6	Companies (Distribution of Dividends) Regulations, 2017	340-345
7	Companies Regulations, 2024 [Regulations 2, 8 to 14, 19, 35 to 56]	346-358G
8	Companies (Manner and Selection of Independent Directors Regulations, 2018	358H-361
	<i>Laws Related to Share Capital and Securities</i>	
9	Private Placement of Securities Rules, 2017 [Rules 4 to 6]	362-363
10	Companies (Further Issue of Shares) Regulations, 2020	364-382A
11	Listed Companies (Buy-Back of Shares) Regulations, 2019	383-384F
12	Securities Act, 2015 [Section 2, 63-65, 87-131]	385-416
13	Public Offering Regulations, 2017	417-547
14	Rule Book of Pakistan Stock Exchange [Chapter 5]	548-580B
15	Listed Companies (Substantial Acquisition of voting shares and Takeovers) Regulations, 2017	581-594M
	<i>Mediation, Arbitration, Mismanagement, Restructuring and Rehabilitation</i>	
16	Corporate Restructuring Companies Act, 2016 [Section 1 to 6]	595-600
17	Corporate Rehabilitation Act, 2018 [Chapter I and II]	601-610

Sr.#	Description	Page #
18	Corporate Restructuring Companies Rules, 2019	611-614F
19	Corporate Rehabilitation Regulations, 2019	614G-617
	<i>Laws relating to Financial Institutions</i>	
20	Companies Ordinance, 1984 [Sections: 282A to 282N]	618-627
21	NBFC (Establishment and Regulation) Rules, 2003 [Rules 1 to 7]	628-646
22	Non-banking Finance Companies and Notified Entities Regulations, 2008 [Regulation 2, 3, 9, 10, 15B, 16-18 and 25]	647-662
23	Insurance Ordinance, 2000 [Selective Portion]	663-688
24	Banking Companies Ordinance, 1962 [Section 1, 2, 5, 6, 9, 11, 13 to 19, 21, 22, 24, 29, 34 to 38])	689-706
25	Payment Systems and Electronic Fund Transfers Act, 2007 [Section 2, 4, 5, 8 14 & 18]	707-712
	<i>Laws relating to different Authorities</i>	
26	Competition Act, 2010 [Chapter I and II]	713-720
27	Anti-Money Laundering Act, 2010	721-760
28	Anti-Money Laundering Regulations, 2015 [Rule 4, 5 7 & Appendix I &II]	761-769
29	SECP (Anti-Money Laundering and Counting Financing of Terrorism) Regulations, 2020	770-770J
30	Foreign Exchange Manual of State Bank of Pakistan [Chapter 19 and 20]	770K-805
31	Listed Companies (Code of Corporate Governance) Regulations, 2019	806-824
32	Public Sector Companies (Corporate Governance) Rules 2013	825-847
33	Important Circulars/Notifications	848-874
34	ICAP Code of ethics for Chartered Accountants	875-910

**THE COMPANIES ACT
(ACT NO. XIX OF 2017)**

CONTENTS
(Arrangement of Sections)

Section	Title/Description	Page No.
PART I PRELIMINARY		
1.	Short title, extent and commencement.....	1
2.	Definitions	1
3.	Application of Act to non-trading companies with purely provincial objects.....	11
4.	Act to override.....	11
PART II JURISDICTION OF COURT		
5.	Jurisdiction of the Court and creation of Benches	12
6.	Procedure of the Court and appeal	12
PART III POWER AND FUNCTIONS OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
7.	Powers and functions of the Commission	16
8.	Reference by the Federal Government or Commission to the Court.....	16
PART IV INCORPORATION OF COMPANIES AND MATTERS INCIDENTAL THERETO		
9.	Obligation to register certain associations, partnerships as companies	17
10.	Prohibition of certain names.....	17
PROVISIONS WITH RESPECT TO NAMES OF COMPANIES		
11.	Rectification of name of a company	18
12.	Change of name by a company	19
13.	Registration of change of name and effect thereof.....	19
14.	Mode of forming a company.....	19
15.	Liability for carrying on business with less than three or, in the case of a private company, two members	20
GENERAL PROVISIONS WITH RESPECT TO REGISTRATION OF MEMORANDUM AND ARTICLES		
16.	Registration of memorandum and articles.....	20
17.	Effect of memorandum and articles.....	21
18.	Effect of registration	22
COMMENCEMENT OF BUSINESS BY A PUBLIC COMPANY		
19.	Commencement of business by a public company	22
20.	Consequences of non-compliance of section 19.....	23
REGISTERED OFFICE AND PUBLICATION OF NAME		
21.	Registered office of company.....	23
22.	Publication of name by a company	23
23.	[Omitted]	24
24.	Penalties for non-publication of name	24
25.	Publication of authorised as well as paid-up capital.....	24
26.	Business and objects of a company.....	24
27.	Memorandum of company limited by shares.....	25

Section	Title/Description	Page No.
28.	Memorandum of company limited by guarantee	26
29.	Memorandum of unlimited company	27
30.	Borrowing powers to be part of memorandum	28
31.	Memorandum to be printed, signed and dated.....	28
32.	Alteration of memorandum	28
33.	Powers of Commission when confirming alteration.....	29
34.	Exercise of discretion by Commission.....	29
35.	Effect of alteration in memorandum or articles.....	29
ARTICLES OF ASSOCIATION		
36.	Registration of articles.....	29
37.	Articles to be printed, signed and dated	30
38.	Alteration of articles.....	30
39.	Copies of memorandum and articles to be given to members	31
40.	Alteration of memorandum or articles to be noted in every copy.....	31
41.	Form of memorandum and articles	31
42.	Licencing of associations with charitable and not for profit objects	31
43.	Effect of revocation of licence	33
44.	Penalty	34
45.	Provision as to companies limited by guarantee	34
CONVERSION OF A COMPANY OF ANY CLASS INTO A COMPANY OF OTHER CLASS AND RELATED MATTERS		
46.	Conversion of public company into private company and vice-versa	34
47.	Conversion of status of private company into a single-member company and vice-versa	35
48.	Conversion of status of unlimited company as limited company and vice-versa.....	36
49.	Conversion of a company limited by guarantee to a company limited by shares and vice-versa.....	36
50.	Issue of certificate and effects of conversion	37
51.	Power of unlimited company to provide for reserve share capital on conversion of status to a limited company	37
52.	Consequence of default in complying with conditions constituting a company a private company	37
SERVICE AND AUTHENTICATION OF DOCUMENTS		
53.	Service of documents on a company	38
54.	Service of documents on Commission or the registrar.....	38
55.	Service of notice on a member.....	38
56.	Authentication of documents and proceedings	38
PART V		
PROSPECTUS, ALLOTMENT, ISSUE AND TRANSFER OF SHARES AND OTHER SECURITIES		
57.	Prospectus	39
58.	Classes and kinds of share capital.....	39
59.	Variation of shareholders' rights	39
SHARE CAPITAL AND NATURE, NUMBERING AND CERTIFICATE OF SHARES		
60.	Numbering of shares	40
60A.	Prohibition on issuance of bearer shares or bearer share warrants, etc.	40
61.	Nature of shares or other securities	40
62.	Shares certificate to be evidence	40
SPECIAL PROVISIONS AS TO DEBENTURES		
63.	Issue of debentures.....	40

Section	Title/Description	Page No.
64.	Payment of certain debts out of assets subject to floating charge in priority to claims under the charge	41
65.	Powers and liabilities of trustee.....	41
66.	Issue of securities and redeemable capital not based on interest	43
ALLOTMENT		
67.	Application for, and allotment of, shares and debentures	44
68.	Repayment of money received for shares not allotted	44
69.	Allotment of shares and other securities to be dealt in on securities exchange	44
70.	Return as to allotments	45
CERTIFICATE OF SHARES AND OTHER SECURITIES		
71.	Limitation of time for issue of certificates	47
72.	Issuance of shares in book-entry form	47
73.	Issue of duplicate certificates	47
74.	Transfer of shares and other securities	48
75.	Board not to refuse transfer of shares	49
76.	Restriction on transfer of shares by the members of a private company.....	49
77.	Notice of refusal to transfer	50
78.	Transfer to successor-in-interest.....	50
79.	Transfer to nominee of a deceased member	50
80.	Appeal against refusal for registration of transfer.....	50
COMMISSION, DISCOUNT AND PREMIUM		
81.	Application of premium received on issue of shares	51
82.	Power to issue shares at a discount.....	51
83.	Further issue of capital.....	52
83A.	Employees' stock options.....	54
INVITATION OF DEPOSITS		
84.	Prohibition on acceptance of deposits from public	55
85.	Power of company to alter its share capital.....	55
86.	Prohibition of purchase by company or giving of loans by it for purchase of its shares.....	56
87.	Subsidiary company not to hold shares in its holding company	56
88.	Power of a company to purchase its own shares	57
REDUCTION OF SHARE CAPITAL		
89.	Reduction of share capital.....	58
90.	Objection by creditors and settlement of list of objecting creditors	59
91.	Power to dispense with consent of creditor on security being given for his debt.....	59
92.	Order confirming reduction.....	59
93.	Registration of order of reduction	60
94.	Liability of members in respect of reduced shares	60
95.	Penalty on concealment of name of creditor	60
96.	Publication of reasons for reduction	60
97.	Increase and reduction of share capital in case of a company limited by guarantee having a share capital	60
UNLIMITED LIABILITY OF DIRECTORS		
98.	Limited company may have directors with unlimited liability	61
99.	Special resolution of limited company making liability of directors unlimited	61
PART VI		
REGISTRATION OF MORTGAGES, CHARGES		
100.	Requirement to register a mortgage or charge	62
101.	Particulars in case of series of debentures entitling holders <i>pari passu</i>	63
102.	Register of charges to be kept by registrar	64
103.	Index to register of mortgages and charges	64

Section	Title/Description	Page No.
104.	Endorsement of certificate of registration on debenture or certificate of debenture stock	64
105.	Duty of company and right of interested party as regards registration	64
106.	Modification in the particulars of mortgage or charge.....	64
107.	Copy of instrument creating mortgage or charge to be kept at registered office	65
108.	Rectification of register of mortgages.....	65
109.	Company to report satisfaction of charge.....	65
110.	Power of registrar to make entries of satisfaction and release in absence of intimation from company	66
111.	Punishment for contravention	66
112.	Company's register of mortgages and charges.....	66
RECEIVERS AND MANAGERS		
113.	Registration of appointment of receiver or manager	67
114.	Filing of accounts of receiver or manager	67
115.	Disqualification for appointment as receiver or manager	68
116.	Application to Court.....	68
117.	Power of Court to fix remuneration of receiver or manager.....	68
PART VII		
MANAGEMENT AND ADMINISTRATION		
118.	Members of a company.....	70
REGISTER AND INDEX OF MEMBERS		
119.	Register of members.....	70
120.	Index of members	70
121.	Trust not to be entered on register	70
122.	Register of debenture-holders.....	71
123.	Index of debenture-holders	71
123A.	Record of ultimate beneficial owner	71
124.	Rights to inspect and require copies	72
125.	Power to close register.....	72
126.	Power of Court to rectify register.....	73
127.	Punishment for fraudulent entries in and omission from register	73
128.	Notice to registrar of rectification of register.....	73
129.	Register to be evidence	73
130.	Annual return.....	73
MEETINGS AND PROCEEDINGS		
131.	Statutory meeting of company.....	74
132.	Annual general meeting	76
133.	Calling of extraordinary general meeting.....	77
134.	Provisions as to meetings and votes.....	78
135.	Quorum of general meeting	79
136.	Power of the Court to declare the proceedings of a general meeting invalid	80
137.	Proxies	80
138.	Representation of body corporate or corporation at meetings	82
139.	Representation of Federal Government at meetings of companies	82
140.	Notice of resolution	82
141.	Voting to be by show of hands in first instance	83
142.	Declaration by chairman on a show of hands	83
143.	Demand for poll.....	83
144.	Poll through secret ballot.....	83
145.	Time of taking poll	83
146.	Resolutions passed at adjourned meeting	84
147.	Power of Commission to call meeting	84

Section	Title/Description	Page No.
148.	Punishment for default in complying with provisions of section 147	84
149.	Passing of resolution by the members through circulation	84
150.	Filing of resolution	85
151.	Records of resolutions and meetings	85
152.	Inspection of records of resolutions and meetings	85
APPOINTMENT AND REMOVAL OF DIRECTORS		
153.	Ineligibility of certain persons to become director.....	86
154.	Minimum number of directors of a company	87
155.	Number of directorships	87
156.	Compliance with the Code of Corporate Governance	87
157.	First directors and their term	87
158.	Retirement of first directors	87
159.	Procedure for election of directors	88
160.	Powers of the Court to declare election of directors invalid.....	89
161.	Term of office of directors	89
162.	Fresh election of directors in case of unlisted companies	90
163.	Removal of directors	90
164.	Nominee directors	90
165.	Certain provisions not to apply to directors representing special interests	90
166.	Manner of selection of independent directors and maintenance of databank of independent directors	91
167.	Consent to act as director to be filed with company	93
168.	Validity of acts of directors	93
169.	Penalties	93
170.	Restriction on director's remuneration.....	93
171.	Vacation of office by the directors	93
DISQUALIFICATION OF DIRECTORS BY THE COMMISSION		
172.	Disqualification orders.....	94
173.	Personal liability for company's debts where person acts while disqualified	95
174.	Prohibition on assignment of office by directors	96
175.	Penalty for unqualified person acting as director.....	96
176.	Proceedings of the board	96
177.	Ineligibility of bankrupt to act as director	97
178.	Records of resolutions and meetings of board	97
179.	Passing of resolution by the directors through circulation	97
180.	Liabilities of directors and officers	98
181.	Protection to independent and non-executive directors	98
182.	Loans to directors: requirement of members' approval	98
183.	Powers of board	99
184.	Prohibition regarding making of political contributions	101
185.	Prohibition regarding distribution of gifts	101
CHIEF EXECUTIVE		
186.	Appointment of first chief executive.....	101
187.	Appointment of subsequent chief executive	102
188.	Terms of appointment of chief executive	102
189.	Restriction on appointment of chief executive	102
190.	Removal of chief executive	102
191.	Chief executive not to engage in business competing with company's business	102
192.	Chairman in a listed company	103
193.	Penalty	103
194.	Public company required to have secretary	103
195.	Listed company to have share registrar	103

Section	Title/Description	Page No.
196.	Bar on appointment of sole purchase, sales agents.....	103
REGISTER OF DIRECTORS AND OTHER OFFICERS		
197.	Register of directors, officers	104
198.	Rights to inspect.....	105
MISCELLANEOUS PROVISIONS REGARDING INVESTMENTS, CONTRACTS OFFICERS AND SHAREHOLDINGS, TRADING AND INTERESTS		
199.	Investments in associated companies and undertaking	105
200.	Investments of company to be held in its own name.....	106
201.	Method of contracting.....	107
202.	Execution of bills of exchange, promissory notes and deeds.....	108
203.	Company to have official seal for use abroad	108
204.	Duties of directors	108
205.	Disclosure of interest by director	109
206.	Interest of other officers	110
207.	Interested director not to participate or vote in proceedings of board	110
208.	Related party transactions	111
209.	Register of contracts or arrangements in which directors are interested.....	113
210.	Contract of employment with directors	114
211.	Restriction on non-cash transactions involving directors.....	114
212.	Declaring a director to be lacking fiduciary behaviour.....	115
213.	Disclosure to members of directors' interest in contract appointing chief executive or secretary	115
214.	Contracts by agents of company in which company is undisclosed principal.....	115
215.	Liability for undesired activities of the shareholders.....	115
216.	Company deemed to be a public interest company in certain circumstances	116
217.	Securities and deposits	116
218.	Employees provident funds, contributory retirement funds and securities	116
219.	Penalty for contravention of section 217 or 218A.....	117
ACCOUNTS OF COMPANIES		
220.	Books of account, to be kept by company.....	117
221.	Inspection of books of account by the Commission	119
222.	Default in compliance with provisions of section 221	119
223.	Financial Statements.....	119
224.	Classification of Companies.....	121
225.	Contents of Financial Statements	121
226.	Duty to prepare directors' report and statement of compliance	121
227.	Contents of directors' report and statement of compliance	122
228.	Consolidated financial statements.....	123
229.	Financial year of holding company and subsidiary.....	124
230.	Rights of holding company's representatives and members	124
231.	Financial Statements of modaraba company to include modaraba accounts	124
232.	Approval and authentication of Financial Statements	125
233.	Copy of Financial Statements to be forwarded to the registrar	125
234.	Filing of unaudited financial statements	126
235.	Right of member of company to copies of the Financial Statements and the auditor's report.....	126
236.	Penalty for improper issue, circulation or publication of Financial Statements	126
237.	Quarterly financial statements of listed companies	126
238.	Power of Commission to require submission of additional statements of accounts and reports	127
239.	Rights of debenture-holders to obtain copies of financial statements	127

Section	Title/Description	Page No.
DIVIDENDS AND MANNER AND TIME OF PAYMENT THEREOF		
240.	Certain restrictions on declaration of dividend	127
241.	Dividend to be paid only out of profits	127
242.	Dividend not to be paid except to registered shareholders	128
243.	Directors not to withhold declared dividend.....	128
244.	Unclaimed shares, <i>modaraba</i> certificates and dividend to vest with Federal Government.....	129
245.	Establishment of Investor Education and Awareness Fund	131
AUDIT		
246.	Appointment, removal and fee of auditors.....	132
247.	Qualification and disqualification of auditors	133
RIGHTS AND DUTIES OF AUDITOR		
248.	Auditors' right to information	135
249.	Duties of auditor	136
250.	Audit of cost accounts	138
251.	Signature of auditor's report.....	138
252.	Penalty for non-compliance with provisions by companies	138
253.	Penalty for non-compliance with provisions by auditors	138
POWER OF REGISTRAR TO CALL FOR INFORMATION		
254.	Power of registrar to call for information or explanation	138
255.	Seizure of documents by registrar, inspector or investigation officer	140
INVESTIGATION AND RELATED MATTERS		
256.	Investigation into affairs of company	142
257.	Investigation of company's affairs in other cases	142
258.	Serious Fraud Investigation	143
259.	Inspector to be a Court for certain purposes	144
260.	Power of inspectors to carry investigation into affairs of associated companies	145
261.	Duty of officers to assist the inspector.....	145
262.	Inspector's report	146
263.	Prosecution	146
264.	Power of Commission to initiate action against management	146
265.	Effect of Court's order	148
266.	No compensation to be payable for annulment or modification of contract	148
267.	No right to compensation for loss of office	148
POWERS OF COURT HEARING APPLICATION		
268.	Application for winding up of company or an order under section 286	148
269.	Proceedings for recovery of damages or property	149
270.	Expenses of investigation	149
271.	Inspector's report to be evidence	150
272.	Imposition of restrictions on shares and debentures and prohibition of transfer of shares or debentures in certain cases	150
273.	Saving for legal advisers and bankers	152
274.	Enquiries and investigation not to be affected by winding up	152
275.	Application of sections 254 to 274 to liquidators and foreign companies	152
PART VIII		
MEDIATION, ARBITRATION, ARRANGEMENTS AND RECONSTRUCTION		
276.	Mediation and Conciliation Panel	153
277.	Resolution of disputes through mediation	153
278.	Power for companies to refer matter to arbitration	153
279.	Compromise with creditors and members	153
280.	Power of Commission to enforce compromises and arrangements	154
281.	Information as to compromises or arrangements with creditors and members	155

Section	Title/Description	Page No.
282.	Persons of Commission to facilitate reconstruction or amalgamation of companies	156
283.	Notice to be given to registrar for applications under section 279 and 282	158
284.	Amalgamation of wholly owned subsidiaries in holding company	158
285.	Power to acquire shares of members dissenting from scheme or contract	159
PART IX		
PREVENTION OF OPPRESSION AND MISMANAGEMENT		
286.	Application to Court.....	162
287.	Powers of Court under section 286	163
288.	Interim order.....	163
289.	Claim for damages inadmissible	163
290.	Application of certain sections to proceedings under this Part	163
291.	Management by Administrator	163
292.	Rehabilitation of sick public sector companies	165
PART X		
WINDING UP		
PRELIMINARY		
293.	Modes of winding up	168
294.	Liability as contributories of present and past members	168
295.	Liability of directors whose liability is unlimited.....	169
296.	Definition of "contributory"	169
297.	Nature of liability of contributory	169
298.	Contributories in case of death of. member	169
299.	Contributory in case of insolvency of member	170
300.	Contributories in case of winding up of a body corporate which is a member.....	170
WINDING UP BY COURT		
301.	Circumstances in which a company may be wound up by Court	170
302.	Company when deemed unable to pay its debts.....	172
303.	[Sections 303 is not included in syllabus]	
PETITION FOR WINDING UP		
304.	Provisions as to applications for winding up.....	172
305.	Right to present winding up petition where company is being wound up voluntarily or subject to Court's supervision	173
306.	Commencement of winding up by Court	174
POWERS OF COURT HEARING APPLICATION		
307.	[Sections 307 to 311 are not included in syllabus]	
312.	Effect of winding up order	174
313.	Power of Court to stay winding up.....	174
314.	Court may ascertain wishes of creditors or contributories	174
OFFICIAL LIQUIDATORS		
315.	Appointment of official liquidator	175
316.	Removal of official liquidator	176
317.	Remuneration of official liquidator	176
318.	Style and title of official liquidator	177
319.	General provisions as to liquidators	177
320.	Statement of affairs to be made to official liquidator.....	177
321.	Report by official liquidator.....	179
322.	Court directions on report of official liquidator	180
323.	Settlement of list of contributories and application of assets	181
324.	Custody of company's properties	181
325.	Power to require delivery of property	181
326.	Power to summon persons suspected of having property of company	182
327.	Power to order public examination of promoters, directors	182

Section	Title/Description	Page No.
328.	Power to arrest absconding contributory	184
329.	Power to order payment of debts by contributory	184
330.	Power of Court to make calls	184
331.	Power to order payment into bank	184
332.	Regulation of account with Court	185
333.	Order on contributory conclusive evidence	185
334.	Power to exclude creditors not proving in time	185
335.	Adjustment of rights of contributories	185
336.	Power to order costs	185
337.	Powers and duties of official liquidator	185
338.	Liquidator to keep books containing proceedings of meetings	186
339.	Liquidator's account	186
340.	Exercise and control of liquidator's powers	187
341.	Distribution by official liquidator	188
342.	Dissolution company	188
343.	Saving of other proceedings	189
ENFORCEMENT OF ORDERS		
344.	Power to enforce orders	189
345.	Order made by any Court to be enforced by other Courts	189
346.	Mode of Dealing with Orders to be enforced by other Courts	189
347.	Circumstances in which company may be wound up voluntarily	189
348.	Commencement of voluntary winding up	189
349.	Effect of voluntary winding up on status of company	190
350.	Notice of resolution to wind up voluntarily	190
351.	Declaration of solvency in case of proposal to wind up voluntarily	190
352.	Distinction between members and creditors voluntary winding up	191
353.	Appointment of liquidator	191
354.	Power to fill vacancy in office of liquidator	192
355.	Notice by liquidator of his appointment	192
356.	Power of liquidator to accept shares as consideration for sale of property of company	192
357.	Duty of liquidator where company turns out to be insolvent	193
358.	Duty of liquidator to call general meetings	194
359.	Final meeting and dissolution	194
360.	Alternative provisions as to annual and final meetings in case of insolvency	195
PROVISIONS APPLICABLE TO CREDITORS'		
VOLUNTARY WINDING UP		
361.	Provisions applicable to creditors' voluntary winding up	195
362.	Meeting of creditors	195
363.	Appointment of liquidator	196
364.	Fixing of liquidator's remuneration	196
365.	Cessation of boards' powers	197
366.	Power to fill vacancy in office of liquidator	197
367.	Application of section 356 to a creditor's voluntary winding up	197
368.	Duty of liquidator to call meeting of company and of creditors	197
369.	Final meeting and dissolution	198
PROVISIONS APPLICABLE TO EVERY		
VOLUNTARY WINDING UP		
370.	Distribution of property of company	199
371.	Application of sections 320 and 321 to voluntary winding up	199
372.	Powers and duties of liquidator in voluntary winding up	199
373.	Power of Court to appoint and remove liquidator in voluntary winding up	201
374.	Notice by liquidator of his appointment	201
375.	Arrangement when binding on company and creditors	201

Section	Title/Description	Page No.
376.	Power to apply to Court to have questions determined or powers exercised	201
377.	Application of liquidator to Court for public examination of promoters, directors	202
378.	Costs of voluntary winding up	202
379.	Saving for right of creditors and contributories	202
380.	Power of Court to adopt proceedings of voluntary winding up	202
WINDING UP SUBJECT TO SUPERVISION OF COURT		
381.	Power to order winding up subject to supervision	203
382.	Effect of petition for winding up subject to supervision	203
383.	Court may have regard to the wishes of creditors and contributories	203
384.	Power to replace liquidator.....	203
385.	Effects of supervision order.....	203
386.	Appointment of voluntary liquidator as official liquidator in certain cases.....	204
387.	Status of companies being wound up	204
PROOF AND RANKING OF CLAIMS		
388.	Debts of all description to be proved	204
389.	Application of insolvency rules in winding up of insolvent companies	204
390.	Preferential payments	204
391.	Avoidance of transfers	206
392.	Disclaimer of onerous property	207
EFFECT OF WINDING UP ON ANTECEDENT AND OTHER TRANSACTIONS		
393.	Fraudulent preference	209
394.	Liabilities and rights of certain fraudulently preferred persons	209
395.	Avoidance of certain attachments, executions	210
396.	Effect of floating charge	210
397.	[Sections 397 to 405 are not included in syllabus]	
SUPPLEMENTARY PROVISIONS AS TO WINDING UP		
406.	Liquidator to exercise certain powers subject to sanction	210
407.	Meetings to ascertain wishes of creditors or contributories	210
408.	Documents of company to be evidence	211
409.	Summary disposal of certain suits by liquidators	211
410.	Limitation.....	211
411.	Court fees	211
412.	Inspection of documents	211
413.	Disposal of books and papers of company	212
414.	Power of Court to declare dissolution of company void.....	212
415.	Information as to pending liquidations.....	213
416.	Payments by liquidator into bank	213
417.	Unclaimed dividends and undistributed assets to be paid to the account maintained under section 244.....	214
418.	Books of accounts and other proceedings to be kept by liquidators.....	214
419.	Application of provisions relating to audit.....	215
420.	Enforcement of duty of liquidator to make return.....	215
421.	Notification that a company is in liquidation	216
422.	Court or person before whom affidavit may be sworn	216
423.	Power to make rules	216
424.	Inactive Company	217
425.	Registrar may strike defunct company off register	218
426.	Easy exit of a defunct company	219
PART XI		
WINDING UP OF UNREGISTERED COMPANIES		
427.	Meaning of "unregistered company".....	220

Section	Title/Description	Page No.
428.	Winding up of unregistered companies	220
429.	Contributories in winding up of unregistered companies	221
430.	Power to stay or restrain proceedings	222
431.	Suits stayed on winding up order	222
432.	Directions as to property in certain cases	222
433.	Provisions of this part cumulative	222
PART XII		
COMPANIES ESTABLISHED OUTSIDE PAKISTAN PROVISIONS AS TO ESTABLISHMENT OF PLACES OF BUSINESS IN PAKISTAN		
434.	Application of this Part to foreign companies	223
435.	Documents to be delivered to registrar by foreign companies	223
436.	Return to be delivered to registrar by foreign companies whose documents altered	224
437.	Accounts of foreign companies	225
438.	Certain obligations of foreign companies	225
439.	Power of the Commission to require information of beneficial owners of a foreign company	226
440.	Service on foreign company.....	226
441.	Company's failure to comply with this part not to affect its liability under contracts.....	227
442.	Provisions relating to names, inquiries to apply to foreign companies	227
443.	Intimation of ceasing to have place of business to be given	227
444.	Penalties	227
445.	Interpretation of provisions of this Part.....	227
PROSPECTUS		
446.	Issue of prospectus	228
447.	Restriction on canvassing for sale of securities.....	228
448.	Registration of charges	228
449.	Notice of appointment of receiver.....	229
450.	Notice of liquidation.....	229
PART XIII		
GENERAL		
451.	Certification of <i>Shariah</i> compliant companies and <i>Shariah</i> compliant securities	230
452.	Companies' Global Register of Beneficial Ownership	230
453.	Prevention of offences relating to fraud, money laundering and terrorist financing	231
454.	Free Zone Company	231
455.	Filing of documents through intermediaries	232
456.	Acceptance of advances by real estate companies engaged in real estate projects.....	232
457.	Agriculture Promotion Companies.....	233
458.	Power to give exemptions by the Federal Government.....	235
458A.	Measures for greater ease of doing business	235
459.	Quota for persons with disabilities in the public interest companies.....	236
460.	Valuation by registered valuers	236
461.	Security clearance of shareholder and director	237
462.	Registration offices.....	237
463.	Production of documents kept by registrar	238
464.	Registrar not to accept defective documents	238
465.	Special return to rectify the data.....	239
466.	Jurisdiction in the disputes relating to shareholding and directorship.....	239
467.	Approval of transfer of shares by the agents licenced by the Commission	239
468.	Acceptance of documents presented after prescribed time	240
469.	[Sections 469 & 470 are not included in syllabus]	
471.	Filing of documents electronically	240
472.	Destruction of physical record	241

Section	Title/Description	Page No.
473.	Supply of documents, information, notices to the members electronically	241
474.	[Sections 474 to 497 are not included in syllabus]	
498.	Liability of directors for allotment of shares for inadequate consideration	241
499.	[Section 499 is not included in syllabus]	
500.	Penalty for carrying on ultra vires business.....	242
501.	[Sections 501 to 504 are not included in syllabus]	
505.	Application of Act to companies governed by special enactments	242
506.	[Sections 506 to 515 are not included in syllabus]	

SCHEDULES**FIRST SCHEDULE**

TABLE A	Regulations for management of a company limited by shares	243
TABLE B	Memorandum of Association of company limited by shares.....	263
TABLE C	Memorandum and Articles of Association of a company limited by guarantee and not having a share capital.....	266
TABLE D	Memorandum and Articles of Association of a company limited by guarantee and having a share capital.....	276
TABLE E	Memorandum and Articles of Association of an unlimited company having a share capital.....	281
TABLE F	Memorandum and Articles of Association of a company licensed under section 42	286

SECOND SCHEDULE

SECTION 1	Form of Statement and particulars to be contained therein.....	302
SECTION 2	Reports to be sent out	307
SECTION 3	Provisions applying to Sections 1 and 2 of this statement.....	309

THIRD SCHEDULE

[Not included in syllabus]

FOURTH SCHEDULE

[Not included in syllabus]

FIFTH SCHEDULE

[Not included in syllabus]

SIXTH SCHEDULE

[Not included in syllabus]

SEVENTH SCHEDULE

[Not included in syllabus]

EIGHTH SCHEDULE

[Not included in syllabus]

THE COMPANIES ACT, 2017

ACT No. XIX of 2017

AN

ACT

*to reform and re-enact the law relating to companies
for matters connected therewith*

No. F. 22(40)/2016-Legis., Islamabad, the 30th May, 2017.- The following Act of Majlis-e-Shoora (Parliament) received the assent of the President on the 30th May, 2017 is hereby published for general information:-

WHEREAS it is expedient to reform company law with the objective of facilitating corporatization and promoting development of corporate sector, encouraging use of technology and electronic means in conduct of business and regulation thereof, regulating corporate entities for protecting interests of shareholders, creditors, other stakeholders and general public, inculcating principles of good governance and safeguarding minority interests in corporate entities and providing an alternate mechanism for expeditious resolution of corporate disputes and matters arising out of or connected therewith;

It is hereby enacted as follows:-

PART I PRELIMINARY

1. Short title, extent and commencement.-(1) This Act may be called the Companies Act, 2017.

(2) It extends to the whole of Pakistan.

(3) This Act shall come into force at once, except section 456 which shall come into force on such date as the Federal Government or an authority or person authorized by it may, by notification in the official Gazette, appoint.

2. Definitions.-(1) In this Act, unless there is anything repugnant in the subject or context,-

- (1) “advocate” shall have the same meaning as assigned to it in section 2 of the Legal Practitioners and Bar Councils Act, 1973 (XXXV of 1973);
- (2) “alter” or “alteration” includes making of additions or omissions without substituting or destroying main scheme of the document;
- (3) “articles” means the articles of association of a company framed in accordance with the company law or this Act;
- (4) “associated companies” and “associated undertakings” mean any two or more companies or undertakings, or a company and an undertaking, interconnected with each other in the following manner, namely:-

- (a) if a person who is owner or a partner or director of a company or undertaking, or who, directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in such company or undertaking, is also the owner or partner or director of another company or undertaking, or directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in that company or undertaking; or
- (b) if the companies or undertakings are under common management or control or one is the subsidiary of another; or
- (c) if the undertaking is a *modaraba* managed by the company; and a person who is the owner of or a partner or director in a company or undertaking or, who so holds or controls shares carrying not less than ten percent of the voting power in a company or undertaking, shall be deemed to be an “associated person” of every such other person and of the person who is the owner of or a partner or director in such other company or undertaking, or who so holds or controls such shares in such company or undertaking:

Provided that-

- (i) shares shall be deemed to be owned, held or controlled by a person if they are owned, held or controlled by that person or by the spouse or minor children of the person;
- (ii) directorship of a person or persons by virtue of nomination by concerned Minister-in-Charge of the Federal Government or as the case may be, a Provincial Government or a financial institution directly or indirectly owned or controlled by such Government or National Investment Trust; or
- (iii) directorship of a person appointed as an “independent director”; or
- (iv) shares owned by the National Investment Trust or a financial institution directly, or indirectly owned or controlled by the Federal Government or a Provincial Government; or shares registered in the name of a central depository, where such shares are not beneficially owned by the central depository;

shall not be taken into account for determining the status of a company, undertaking or person as an associated company, associated undertaking or associated person;

- (5) **“authorised capital”** or **“nominal capital”** means such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of the company;
- (6) **“banking company”** means a banking company as defined in clause (c) of section 5 of the Banking Companies Ordinance, 1962 (LVII of 1962);

- (7) “**beneficial ownership of shareholders or officer of a company**” means ownership of securities beneficially owned, held or controlled by any officer or substantial shareholder directly or indirectly, either by-
- (a) him or her;
 - (b) the wife or husband of an officer of a company, not being herself or himself an officer of the company;
 - (c) the minor son or daughter of an officer where “son” includes step-son and “daughter” includes step-daughter; and “minor” means a person under the age of eighteen years;
 - (d) in case of a company, where such officer or substantial shareholder is a shareholder, but to the extent of his proportionate shareholding in the company:

Provided that “**control**” in relation to securities means the power to exercise a controlling influence over the voting power attached thereto:

Provided further that in case the substantial shareholder is a non-natural person, only those securities will be treated beneficially owned by it, which are held in its name.

Explanation.-For the purpose of this Act “**substantial shareholder**”, in relation to a company, means a person who has an interest in shares of a company-

- (a) the nominal value of which is equal to or more than ten per cent of the issued share capital of the company or
- (b) which enables the person to exercise or control the exercise of ten per cent or more of the voting power at a general meeting of the company;

- (8) “**board**”, in relation to a company, means board of directors of the company;

- (9) “**body corporate**” or “**corporation**” includes-

- (a) a company incorporated under this Act or company law; or
- (b) a company incorporated outside Pakistan, or
- (c) a statutory body declared as body corporate in the relevant statute,

but does not include-

- (i) a co-operative society registered under any law relating to cooperative societies: or
- (ii) any other entity, not being a company as defined in this Act or any other law for the time being in force, which the concerned Minister-in-Charge of the Federal Government may, by notification, specify in this behalf;

- (10) “**book and paper**” and “**book or paper**” includes books of account, cost accounting records, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form;
- (11) “**books of account**” includes records maintained in respect of-
 - (a) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
 - (b) all sales and purchases of goods and services by the company;
 - (c) all assets and liabilities of the company; and
 - (d) items of cost in respect of production, processing, manufacturing or mining activities;
- (12) “**central depository**” shall have the same meaning as assigned to it under the Securities Act, 2015 (III of 2015);
- (13) “**chartered accountant**” shall have the same meaning as assigned to it under the Chartered Accountants Ordinance, 1961 (X of 1961);
- (14) “**chief executive**”, in relation to a company means an individual who, subject to control and directions of the board, is entrusted with whole, or substantially whole, of the powers of management of affairs of the company and includes a director or any other person occupying the position of a chief executive, by whatever name called, and whether under a contract of service or otherwise;
- (15) “**chief financial officer**”, means an individual appointed to perform such functions and duties as are customarily performed by a chief financial officer;
- (16) “**Commission**” shall have the same meaning as assigned to it under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (17) “**company**” means a company formed and registered under this Act or the company law;
- (18) “**company law**” means the repealed Companies Act, I913 (VII of 1913), Companies Ordinance, 1984 (XLVII of 1984), Companies Ordinance, 2016 (VI of 2016) and also includes this Act unless the context provides otherwise;
- (19) “**company limited by guarantee**” means a company having the liability of its members limited by the memorandum to such amount as the members may respectively thereby undertake to contribute to the assets of the company in the event of its being wound up;
- (20) “**company limited by shares**” means a company; having the liability of its members limited by the memorandum to the extent of amount, if any, remaining unpaid on the shares respectively held by them;

- (21) "**company secretary**" means any individual appointed to perform secretarial and other duties customarily performed by a company secretary and declared as such, having such qualifications and experience, as may be specified;
- (22) "**cost and management accountant**" shall have the same meaning as assigned to it under the Cost and Management Accountants Act, 1966 (XIV of 1966);
- (23) "**Court**" means a Company Bench of a High Court having jurisdiction under this Act;
- (24) "**debenture**" includes debenture stock, bonds, term finance certificate or any other instrument of a company evidencing a debt, whether constituting a mortgage or charge on the assets of the company or not;
- (25) "**director**" includes any person occupying the position of a director, by whatever name called;
- (26) "**document**" includes any information or data recorded in any legible form or through use of modern electronic devices or techniques whatsoever, including books and papers, returns, requisitions, notices, certificates, deeds, forms; registers, prospectus, communications, financial statements or statement of accounts or records maintained by financial institutions in respect of its customers;
- (27) "**e-service**" means any service or means provided by the Commission for the lodging or filing of electronic documents;
- (28) "**electronic document**" includes documents in any electronic form and scanned images of physical documents;
- (29) "**employees' stock option**" means the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the right to purchase or to subscribe for shares of the company at a price to be determined in the manner as may be specified;
- (30) "**expert**" includes an engineer, a valuer, an actuary, a chartered accountant or a cost and management accountant and any other person who has the power or authority to issue a certificate in pursuance of any law for the time being in force or any other person notified as such by the Commission;
- (31) "**financial institution**" includes-
 - (a) any company whether incorporated within or outside Pakistan which transacts the business of banking or any associated or ancillary business in Pakistan through its branches within or outside Pakistan and includes a government savings bank, but excludes the State Bank of Pakistan;

- (b) a *modaraba or modaraba* management company, leasing company, investment bank, venture capital company, financing company, asset management company and credit or investment institution, corporation or company, and
 - (c) any company authorised by law to carry on any similar business, as the concerned Minister-in-Charge of the Federal Government may by notification in the official Gazette, specify;
- (32) “**financial period**” in relation to a company or any other body corporate, means the period (other than financial year) in respect of which any financial statements thereof are required to be made pursuant to this Act;
- (33) “**financial statements**” in relation to a company, includes-
- (a) a statement of financial position as at the end of the period;
 - (b) a statement of profit or loss and other comprehensive income or in the case of a company carrying on, any activity not for profit, an income and expenditure statement for the period;
 - (c) a statement of changes in equity for the period;
 - (d) a statement of cash flows for the period;
 - (e) notes, comprising a summary of significant accounting policies and other explanatory information;
 - (f) comparative information in respect of the preceding period; and
 - (g) any other statement as may be prescribed;
- (34) “**financial year**” in relation to a company or any other body corporate, means the period in respect of which any financial statement of the company or the body corporate, as the case may be, laid before it in general meeting, is made up, whether that period is a year or not;
- (35) “**foreign company**” means any company or body corporate incorporated outside Pakistan, which-
- (a) has a place of business or liaison office in Pakistan whether by itself or through an agent, physically or through electronic mode; or
 - (b) conducts any business activity in Pakistan in any other manner as may be specified;
- (36) “**Government**” includes Federal Government or, as the case may be, Provincial governments unless otherwise expressly provided in this Act;
- (37) “**holding company**”, means a company which is another company’s holding company if, but only if, that other company is its subsidiary;
- (38) “**listed company**” means a public company, body corporate or any other entity whose securities are listed on securities exchange;
- (39) “**listed securities**” means securities listed on the securities exchange;

- (40) “**memorandum**” means the memorandum of association of a company as originally framed or as altered from time to time in pursuance of company law or of this Act;
- (41) “**modaraba**” and “**modaraba company**” shall have the same meaning as assigned to it in the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- (42) “**mortgage or charge**” means an interest or lien created on the property or assets of a company or any of its undertakings or both as security;
- (43) “**net worth**” means the amount by which total assets exceed total liabilities;
- (44) “**notification**” means a notification published in the official Gazette and the expression “**notify**” shall be construed accordingly;
- (45) “**officer**” includes any director, chief executive, chief financial officer, company secretary or other authorised officer of a company;
- (46) “**ordinary resolution**” means a resolution passed by a simple majority of such members of the company entitled to vote as are present in person or by proxy or exercise the option to vote through postal ballot, as provided in the articles or as may be specified, at a general meeting;
- (47) “**postal ballot**” means voting by post or through any electronic mode:

Provided that voting through postal ballot shall be subject to the provision in the articles of association of a company, save as otherwise provided in this Act;
- (48) “**prescribed**” means prescribed by rules made by the Federal Government under this Act;
- (49) “**private company**” means a company which, by its articles-
 - (a) restricts the right to transfer its shares ¹[, save as otherwise provided under this Act];
 - (b) limits the number of its members to fifty not including persons who are in the employment of the company; and
 - (c) prohibits any invitation to the public to subscribe for the shares, if any, or debentures or redeemable capital of the company:

Provided that, where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this definition, be treated as a single member;
- (50) “**promoter**” means a person-
 - (a) who is named as a subscriber to the memorandum of association of a company; or
 - (b) who has been named as such in a prospectus; or

¹ Comma and words inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

(c) who has control over affairs of the company, directly or indirectly whether as a shareholder, director or otherwise; or

(d) in accordance with whose advice, directions or instructions the board of the company is accustomed to act:

Provided that-

(i) nothing in sub-clause (d) shall apply to a person who is acting merely in a professional capacity; and

(ii) nothing contained in sub-clause (d) shall apply to the Commission, registrar or any authorised officer by virtue of enforcement or regulation of the provisions of this Act or any rules, regulations, instructions, directions, orders thereof;

(51) "**prospectus**" shall have the same meaning as assigned to it under the Securities Act, 2015 (III of 2015);

(52) "**public company**" means a company which is not a private company;

(53) "**public interest company**" means a company which falls under the criteria as laid down in the Third Schedule to this Act or deemed to be such company under section 216;

(54) "**public sector company**" means a company, whether public or private, which is directly or indirectly controlled, beneficially owned or not less than fifty-one percent of the voting securities or voting power of which are held by the Government or any agency of the Government or a statutory body, or in respect of which the Government or any agency of the Government or a statutory body, has otherwise power to elect, nominate or appoint majority of its directors and includes a public sector association not for profit, licenced under section 42:

Provided that nomination of directors by the Commission on the board of the securities exchange or any other entity or operation of any other law shall not make it a public sector company;

(55) "**redeemable capital**" includes sukuk and other forms of finances obtained on the basis of participation term certificate (PTC), musharika certificate, term finance certificate (TFC) or any other security or obligation not based on interest, representing an instrument or a certificate of specified denomination, called the face value or nominal value, evidencing investment of the holder in the capital of the company other than share capital, on terms and conditions of the agreement for the issue of such instrument or certificate or such other certificate or instrument as the concerned Minister-in-Charge of the Federal Government may, by notification in the official Gazette, specify for the purpose:

Explanation.-"**sukuk**" represents redeemable investment in certificates of equal nominal value representing undivided shares in ownership of tangible assets of a particular project or specific investment activity, usufruct and services;

- (56) “**register of companies**” means the register of companies maintained by the registrar on paper or in any electronic form under this Act;
- (57) “**registrar**” means registrar, an additional registrar, a joint registrar, a deputy registrar or an assistant registrar, or such other officer as may be designated by the Commission, performing duties and functions under this Act;
- (58) “**regulations**” means the regulations made by the Commission under this Act;
- (59) “**rules**” means rules made by the Federal Government under this Act;
- (60) “**scheduled bank**” shall have the same meaning as assigned to it under the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
- (61) “**securities**” include the securities as provided in sub-clauses (a) to (i) of clause (iii) of section 2 of the Securities Act, 2015 (III of 2015) whether listed or not;
- (62) “**securities exchange**” means a public company licenced by the Commission as a securities exchange under the Securities Act, 2015 (III of 2015);
- (63) “**share**” means a share in the share capital of a company;
- (64) “**Shariah compliant company**” means a company which is conducting its business according to the principles of *Shariah*;
- (65) “**single member company**” means a company which has only one member;
- (66) “**special resolution**” means a resolution which has been passed by a majority of not less than three-fourths of such members of the company entitled to vote as are present in person or by proxy or vote through postal ballot at a general meeting of which not less than twenty-one days’ notice specifying the intention to propose the resolution as a special resolution has been duly given:

Provided that if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days notice has been given;

- (67) “**specified**” means specified through regulations made under this Act;
- ¹[67A) “**startup company**” means a company that—
 - (a) is in existence for not more than ten years from the date of its incorporation or such other period or periods as may be specified;
 - (b) has a turnover for any of the financial years since incorporation that is not greater than five hundred million rupees or such other amount or amounts as may be specified;
 - (c) is working towards the innovation, development or improvement of products or processes or services or is a scalable business model

¹ Clause (67A) inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

with a high potential of employment generation or wealth creation or for such other purposes as may be specified; or

- (d) such other companies or classes of companies as may be notified by the Commission:

Provided that a company formed by the splitting up or reconstruction of an existing company shall not be considered as a startup company;]

- (68) “**subsidiary company**” or “**subsidiary**”, in relation to any other company (that is to say the holding company), means a company in which the holding company-

- (a) controls the composition of the board; or
(b) exercises or controls more than one-half of its voting securities either by itself or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies shall not have layers of subsidiaries beyond such numbers, as may be notified,

Explanation.-For the purposes of this clause-

- (i) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (a) or sub-clause (b) is of another subsidiary company of the holding company;
(ii) the composition of a company’s board shall be deemed to be controlled by another company if that other company by exercise of power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
(iii) the expression “company” includes any body corporate;
(iv) “**layer**” in relation to a holding company means its subsidiary or subsidiaries;

- (69) “**Table**” means Table in a Schedule to this Act;

- (70) “**turnover**” means the aggregate value of sale, supply or distribution of goods or on account of services rendered, or both, net of discounts, if any, held by the company during a financial year;

- (71) “**unlimited company**” means a company not having any limit on the liability of its members;

- (72) “**valuer**” means a valuer registered with the Commission;

- (73) “**voting right**” means the right of a member of a company to vote on any matter in a meeting of the company either present in person or through video-link or by proxy or by means of postal ballot:

Provided that attending of meeting through video-link shall be subject to such facility arranged by the company and in the manner as may be specified, save as otherwise provided in this Act; and

- (74) "**wholly owned subsidiary**" a company shall be deemed to be a wholly owned subsidiary of another company or the statutory body if all its shares are owned by that other company or the statutory body.

(2) The words and expressions used and not defined in this Act but defined in the Securities Act, 2015 (III of 2015) or the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) or the Central Depositories Act, 1997 (XIX of 1997) shall have the meanings respectively assigned to them in those Acts.

3. Application of Act to non-trading companies with purely provincial objects.-(1) The powers conferred by this Act on the concerned Minister-in-Charge of the Federal Government or the Commission, in relation to companies which are not trading corporations and the objects of which are confined to a single Province, may be exercised by the Minister-in-Charge of the Provincial Government:

Provided that where the licence is issued by the Provincial Government or, as the case may be, its concerned Minister-in-Charge, in exercise of the powers conferred by this section, the company shall mention this fact in all its documents.

(2) A non-trading corporation formed under sub-section (1) extending its operational activities beyond the territorial limits of its respective province shall be liable to a penalty of level 3 on the standard scale and be wound up on the application by the Commission.

4. Act to override.-Save as otherwise expressly provided herein-

- (a) the provisions of this Act shall have effect notwithstanding anything contained in any other law or the memorandum or articles of a company or in any contract or agreement executed by it or in any resolution passed by the company in general meeting or by its directors, whether the same be registered, executed or passed, as the case may be, before or after the coming into force of the said provisions; and
- (b) any provision contained in the memorandum, articles, contract, agreement, arrangement or resolution aforesaid shall, to the extent to which it is repugnant to the aforesaid provisions of this Act, become, or be, void, as the case may be.

PART II
JURISDICTION OF COURT

5. Jurisdiction of the Court and creation of Benches.- (1) The Court having jurisdiction under this Act shall be the High Court having jurisdiction in the place at which the registered office of the company is situate.

(2) Notwithstanding anything contained in any other law no civil court as provided in the Code of Civil Procedure, 1908 (Act V of 1908) or any other court shall have jurisdiction to entertain any suit or proceeding in respect of any matter which the Court is empowered to determine by or under this Act.

(3) For the purposes of jurisdiction to wind up companies, the expression "registered office" means the place which has longest been the registered office of the company during the one hundred and eighty days immediately preceding the presentation of the petition for winding up.

(4) There shall be, in each High Court, one or more Benches on permanent basis, each to be known as the Company Bench, to be constituted by the Chief Justice of the High Court to exercise the jurisdiction vested in the High Court under this Act:

Provided that Benches constituted under the Companies Ordinance, 1984 (XLVII of 1984), shall continue to function accordingly unless otherwise notified by the respective Chief Justice of the High Court:

Provided further that provisions of section 6 shall be effective from the date of notification by the Chief Justice of the respective High Court within one hundred and eighty days from the date of the commencement of this Act.

(5) There shall be a Registrar to be known as "Registrar of the Company Bench" duly notified by the Chief Justice of the respective High Court who shall be assisted by such other officers as may be assigned by the Chief Justice of the respective High Court.

(6) The Registrar of the Company Bench shall perform all the functions assigned to it under this Act including all ministerial and administrative business of the Company Bench such as the receipt of petitions, applications, written replies, issuance of notices, service of summons and such other functions or duties as may be prescribed under section 423.

(7) The Chief Justice of the respective High Court, if deemed appropriate, may also establish a secretariat in each Company Bench of the respective High Court in such form and manner to provide secretarial support and to perform such functions as may be prescribed under section 423.

6. Procedure of the Court and appeal.- (1) Notwithstanding anything contained in any other law for the time being in force all written submissions to the Court under this Act shall be filed with the Registrar of the Company Bench.

- (2) For the purposes of this Act, written submissions shall, inter alia, include-
- (a) a petition or application setting out a concise statement of facts, grounds and the relief claimed;
 - (b) a written reply with particulars of set off, if any;
 - (c) an affidavit of facts by the petitioner or applicant, or respondent, as the case may be, including affidavits, if required, of other persons in support of the case, duly attested by the oath commissioner or as may be provided under the rules,
 - (d) any other relevant documents in possession of the petitioner or applicant or respondent, as the case may be;
 - (e) any application for discovery of documents ¹[or any category or classes of documents] or interim injunction, if required;
 - (f) a list of any case law along with a summary of the same on which the petitioner or applicant is placing reliance;
 - (g) address for effecting service, mobile number, email and fax or any other mode notified by the Court; and
 - (h) any other document as may be required by the Registrar of the Company Bench.

(3) Where any petition or application is filed under any provision of this Act, summons may be issued by the Registrar of the Company Bench along with a copy of the petition or application and the documents annexed therewith and the same shall be served on the respondent through the bailiff or process-server of the Court, through registered post, acknowledgement due, by courier and by publication in one English language and one Urdu language daily newspaper and, in addition, if so directed by the Court through electronic modes, and the service duly effected through any one of the modes mentioned under this sub-section shall be deemed to be valid service.

Explanation.- “electronic modes” means service of summons on a party or other person by electronic transmission through devices such as, facsimile, email, or in such other form or mode as may be notified by the Court.

(4) The respondent shall file a written reply and particulars of set-off, if any, as set out in sub-section (2) of this section with the concerned Registrar of the Company Bench within thirty days from the date of first service through any of the modes as laid down in sub-section (3).

(5) Where the respondent fails to file the written reply within the time prescribed in sub-section (4), a report shall be submitted by the Registrar of the Company Bench before the Court and the Court may pass necessary orders to proceed ex parte and announce the final order on the basis of the documents available on record.

(6) The Registrar of the Company Bench, on completion of receipt of all written submissions and after ensuring that all copies of such written submissions are duly supplied to the parties as per procedure laid down by the Court, shall

¹ Words inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

present the case file to the Court on a day fixed under notice to the parties, within forty-five days of the first service of notices or such extended time as may be granted by the Court.

(7) The Court after consulting the counsel of the parties shall fix a date and allocate time for hearing of the case.

(8) No adjournment shall be granted once the Court has fixed a date of hearing under sub-section (7) and it will be duty of the parties to ensure the presence of their respective counsel or in absence of the counsel make alternate arrangements:

Provided that only in exceptional circumstances beyond control of a party, the Court may grant another opportunity of hearing subject to the payment of an amount of rupees ten thousand or such higher amount as may be determined by the Court as costs to be paid to the Court.

(9) The Court shall treat affidavits, counter affidavits and other documents filed by the parties to the proceedings as evidence and decide the matter on the basis of the documents and affidavits placed before the Court, in a summary manner and pass final orders within the time stipulated in sub-section (11).

(10) In exceptional circumstances where the Court is of the view that any issue of facts requires cross examination, the Court may order attendance of the relevant deponent or deponents for the purposes of cross examination by such opposing party or parties as the Court deems fit and for the purposes of this section the affidavit filed by such deponent shall be considered as his examination-in-chief:

Provided that-

- (i) the Court may refer the matter to the Registrar of the Company Bench or any other person for recording of cross examination of the deponent who shall complete recording of cross examination within thirty days from the date of the order of the Court, or such extended time as may be allowed by the Court which shall not be more than fifteen days on payment of rupees ten thousand or such higher amount as may be determined by the Court as costs payable to the Court and to submit a report accordingly;
- (ii) all questions and answers along with any objections raised by any party shall be duly recorded in writing; and
- (iii) the Registrar of the Company Bench shall have all the powers of the Civil Court under the Code of Civil Procedure, 1908 (V of 1908) for the purposes of execution of service and summoning of deponents and conducting cross examination in accordance with the directions of the Court.

(11) The petition presented before the Court shall be decided within a period of one hundred and twenty days from the date of presentation of the case and for this purpose the Court may, if it is in the interest of justice, conduct the proceedings on a day to day basis and if the Court deems fit it may impose costs

which may extend to one hundred thousand rupees per day or such higher amount as the Court may determine against any party to the proceeding causing the delay.

(12) The Court may, at any time, take notice of serious misstatements and material non-disclosure of facts by any party to the proceedings and dismiss the petition or application or close the right of defence of the respondent with costs of the proceedings and impose a fine which may extend to one hundred thousand rupees whichever is higher and pass a final order.

(13) Notwithstanding anything contained in this section, the Registrar of the Company Bench shall place any application for interim relief including any interlocutory order before the Court for adjudication immediately upon its filing.

(14) Any person aggrieved by any judgment or final order of the Court passed in its original jurisdiction under this Act may, within sixty days, file a petition for leave to appeal in the Supreme Court of Pakistan:

Provided that no appeal or petition shall lie against any interlocutory order of the Court.

(15) Save as otherwise expressly provided under this Act, the provisions of the Qanun-e-Shahadat (Order) 1984 (P.O. No. X of 1984) and the Code of Civil Procedure, 1908 (Act V of 1908) shall not apply to the proceedings under this section except to such extent as the Court may determine in its discretion.

PART III
POWERS AND FUNCTIONS OF THE SECURITIES
AND EXCHANGE COMMISSION OF PAKISTAN

7. Powers and functions of the Commission.- (1) The Commission shall exercise such powers and perform such functions as are conferred on it by or under this Act.

(2) The powers and functions of the Commission under this Act shall be in addition to and not in derogation to the powers and functions of the Commission under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

8. Reference by the Federal Government or Commission to the Court.- (1) Without prejudice to the powers, jurisdiction and authority exercisable by the concerned Minister-in-Charge of the Federal Government or any functionary thereof or the Commission under this Act, the concerned Minister-in-Charge of the Federal Government or the Commission, as the case may be, may make a reference to the Court, on any question or matter which is considered to be of special significance requiring orders, determination or action concerning affairs of a company or class of companies or any action of any officer thereof.

Explanation.-In this sub-section "officer" includes an auditor, liquidator or agent of the company.

(2) Where a reference is made to the Court under sub-section (1), the Court may make such order as it may deem just and equitable under the circumstances.

PART IV
INCORPORATION OF COMPANIES AND
MATTERS INCIDENTAL THERETO

9. Obligation to register certain associations, partnerships as companies.- (1) No association, partnership or entity consisting of more than twenty persons shall be formed for the purpose of carrying on any business that has for its object the acquisition of gain by the association, partnership or entity, or by the individual members thereof, unless it is registered as a company under this Act and any violation of this section shall be an offence punishable under this section.

(2) A person guilty of an offence under this section shall be liable to a penalty not exceeding of level I on the standard scale and also be personally liable for all the liabilities incurred in such business.

(3) Nothing in this section shall apply to-

- (a) any society, body or association, other than a partnership, formed or incorporated under any law for the time being in force in Pakistan; or
- (b) a joint family carrying on joint family business; or
- (c) a partnership of two or more joint families where the total number of members of such families, excluding the minor members, does not exceed twenty; or
- (d) a partnership formed to carry on practice as lawyers, accountants or any other profession where practice as a limited liability company is not permitted under the relevant laws or regulations for such practice.

PROVISIONS WITH RESPECT TO NAMES OF COMPANIES

10. Prohibition of certain names.- (1) No company shall be registered by a name which contains such word or expression, as may be notified by the Commission or in the opinion of the registrar is-

- (a) identical with or resemble or similar to the name of a company; or
- (b) inappropriate; or
- (c) undesirable; or
- (d) deceptive; or
- (e) designed to exploit or offend religious susceptibilities of the people; or
- (f) any other ground as may be specified.

(2) Except with prior approval in writing of the Commission, no company shall be registered by a name which contains any word suggesting or calculated to suggest-

- (a) the patronage of any past or present Pakistani or foreign head of state;

- (b) any connection with the Federal Government or a Provincial Government or any department or authority or statutory body of any such Government;
- (c) any connection with any corporation set up by or under any Federal or Provincial law;
- (d) the patronage of, or any connection with, any foreign Government or any international organisation;
- (e) establishing a *modaraba* management company or to float a *modaraba*; or
- (f) any other business requiring licence from the Commission.

(3) Whenever a question arises as to whether or not the name of a company is in violation of the foregoing provisions of this section, decision of the Commission shall be final.

(4) A person may make an application, in such form and manner and accompanied by such fee as may be specified, to the registrar for reservation of a name set out in the application for a period not exceeding sixty days.

(5) Where it is found that a name was reserved under sub-section (4), by furnishing false or incorrect information, such reservation shall be cancelled and in case the company has been incorporated, it shall be directed to change its name. The person making application under sub-section (4) shall be liable to a penalty not exceeding level 1 on the standard scale.

(6) If the name applied for under sub-section (4) is refused by the registrar, the aggrieved person may within thirty days of the order of refusal prefer an appeal to the Commission.

(7) An order of the Commission under sub-section (6) shall be final and shall not be called in question before any court or other authority.

11. Rectification of name of a company.- (1) A company which, through inadvertence or otherwise, is registered by a name in contravention of the provisions of section 10 or the name was obtained by furnishing false or incorrect information-

- (a) may, with approval of the registrar, change its name; and
- (b) shall, if the registrar so directs, within thirty days of receipt of such direction, change its name with approval of the registrar:

Provided that the registrar shall, before issuing a direction for change of the name, afford the company an opportunity to make representation against the proposed direction.

(2) If the company fails to report compliance with the direction issued under sub-section (1) within the specified period, the registrar may enter on the register a new name for the company selected by him, being a name under which the company may be registered under this Act and issue a certificate of incorporation on change of name for the purpose of section 13.

(3) If a company makes default in complying with the direction issued by the registrar under sub-section (1) or continue using previous name after the name has been changed by the registrar under sub-section (2), shall be liable to a penalty of level 1 on the standard scale.

12. Change of name by a company.-A company may, by special resolution and with approval of the registrar signified in writing, change its name:

Provided that no approval under this section shall be required where the change in the name of a company is only the addition thereto, or the commission therefrom, of the expression “(Private)” or “(SMC-Private)” or “(Guarantee) Limited” or “Limited” or “Unlimited”, as the case may be, consequent upon the conversion of the status of a company in accordance with the provisions of sections 46 to 49.

13. Registration of change of name and effect thereof.- (1) Where a company changes its name the registrar shall enter the new name on the register in place of the former name, and shall issue a certificate of incorporation altered to meet the circumstances of the case and, on the issue of such a certificate, the change of name shall be complete.

(2) Where a company changes its name it shall, for a period of ninety days from the date of issue of a certificate by the registrar under sub-section (1), continue to mention its former name along with its new name on the outside of every office or place in which its business is carried on and in every document or notice referred to in section 22.

(3) The change of name shall not affect any rights or obligations of the company, or render defective any legal proceedings by or against the company and any legal proceedings that might have been continued or commenced against the company by its former name may be continued by or commenced against the company by its new name.

14. Mode of forming a company.- (1) Any-

- (a) three or more persons associated for any lawful purpose may, by subscribing their names to a memorandum of association and complying with the requirements of this Act in respect of registration, form a public company; or
- (b) two or more persons so associated may in the like manner form a private company; or
- (c) one person may form a single member company by complying with the requirements in respect of registration of a private company and such other requirement as may be specified. The subscriber to the memorandum shall nominate a person who in the event of death of the sole member shall be responsible to-
 - (i) transfer the shares to the legal heirs of the deceased subject to succession to be determined under the Islamic law of inheritance

and in case of a *non-Muslim* members, as per their respective law;
and

- (ii) manage the affairs of the company as a trustee, till such time the title of shares are transferred:

Provided that where transfer by virtue of this sub-section is made to more than one legal heir, the company shall cease to be a single member company and comply with the provisions of section 47.

(2) A company formed under this section may be a company with or without limited liability, that is to say-

- (a) a company limited by shares; or
- (b) a company limited by guarantee; or
- (c) an unlimited company.

15. Liability for carrying on business with less than three or, in the case of a private company, two members.- If at any time the number of members of a company is reduced, in the case of a private company other than a single member company, below two or in the case of any other company, below three and the company carries on business for more than one hundred and eighty days while the number is so reduced, every person who is a member of the company during the time that it so carries on business after those one hundred and eighty days and is cognizant of the fact that it is carrying on business with fewer than two members or three members, as the case may be, shall be severally liable for payment of whole debts of the company contracted during that time and may be sued therefore without joinder in the suit of any other member.

GENERAL PROVISIONS WITH RESPECT TO REGISTRATION OF MEMORANDUM AND ARTICLES

16. Registration of memorandum and articles.-(1) There shall be filed with the registrar an application on the specified form containing the following information and documents for incorporation of a company, namely:-

- (a) a declaration on the specified form, by an authorized intermediary or by a person named in the articles as a director, of compliance with all or any of the requirements of this Act and the rules and regulations made thereunder in respect of registration and matters precedent or incidental thereto;
- (b) memorandum of association of the proposed company signed by all subscribers, duly witnessed and dated;
- (c) there may, in the case of a company limited by shares and there shall, in the case of a company limited by guarantee or an unlimited company, be the articles of association signed by the subscribers duly witnessed and dated;
- (d) an address for correspondence till its registered office is established and notified.

(2) Where the registrar is of the opinion that any document or information filed with him in connection with the incorporation of the company contains any matter contrary to law or does not otherwise comply with the requirements of law or is not complete owing to any defect, error or omission or is not properly authenticated, the registrar may either require the company to file a revised document or remove the defects or deficiencies within the specified period.

(3) Where the applicant fails under sub-section (2) to remove the deficiencies conveyed within the specified period, the registrar may refuse registration of the company.

(4) If the registrar is satisfied that all the requirements of this Act and the rules or regulations made thereunder have been complied with, he shall register the memorandum and other documents delivered to him.

(5) On registration of the memorandum of a company, the registrar shall issue a certificate that the company is incorporated.

(6) The certificate of incorporation shall state-

- (a) the name and registration number of the company;
- (b) the date of its incorporation;
- (c) whether it is a private or a public company;
- (d) whether it is a limited or unlimited company; and
- (e) if it is limited, whether it is limited by shares or limited by guarantee.

(7) The certificate under sub-section (5) shall be signed by the registrar or authenticated by the registrar's official seal.

(8) The certificate under sub-section (5) shall be conclusive evidence that the requirements of this Act as to registration have been complied with and that the company is duly registered under this Act.

(9) If registration of the memorandum is refused, the subscribers of the memorandum or any one of them authorised by them in writing may, within thirty days of the order of refusal, prefer an appeal to the Commission.

(10) An order of the Commission under sub-section (9) shall be final and shall not be called in question before any court or other authority.

17. Effect of memorandum and articles.- (1) The memorandum and articles shall, when registered, bind the company and the members thereof to the same extent as if they respectively had been signed by each member and contained a covenant on the part of each member, his heirs and legal representatives, to observe and be bound by all the provisions of the memorandum and of the articles, subject to the provisions of this Act.

¹[(2) All moneys payable by a subscriber in pursuance of his undertaking in the memorandum of association against the shares subscribed shall be a debt due from him and be payable in such time, manner and condition as may be notified by the Commission.]

¹ Sub-section (2) substituted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

¹[]

(4) Any violation of this section ²[direction given by the registrar] shall be an offence liable to a penalty of level 1 on the standard scale.

18. Effect of registration.- The registration of the company has the following effects, as from the date of incorporation-

- (a) the subscribers to the memorandum, together with such other persons as may from time to time become members of the company, are a body corporate by the name stated in the certificate of incorporation;
- (b) the body corporate is capable of exercising all the functions of an incorporated ³[company and having perpetual succession];
- (c) the status and registered office of the company are as stated in, or in connection with, the application for registration;
- (d) in case of a company having share capital, the subscribers to the memorandum become holders of the initial shares; and
- (e) the persons named in the articles of association as proposed directors, are deemed to have been appointed to that office.

COMMENCEMENT OF BUSINESS BY A PUBLIC COMPANY

19. Commencement of business by a public company.- (1) A public company shall not start its operations or exercise any borrowing powers unless-

- (a) shares held subject to payment of the whole amount thereof in cash have been allotted to an amount not less in the whole than the minimum subscription and the money has been received by the company;
- (b) every director of the company has paid to the company full amount on each of the shares taken or contracted to be taken by him and for which he is liable to pay in cash;
- (c) no money is or may become liable to be repaid to applicants for any shares which have been offered for public subscription;
- (d) there has been filed with the registrar a duly verified declaration by the chief executive or one of the directors and the secretary in the specified form that the aforesaid conditions have been complied with; and
- (e) in the case of a company which has not issued a prospectus inviting the public to subscribe for its shares, there has been filed with the registrar a statement in lieu of prospectus as per the Second Schedule annexed to this Act.

Explanation.-"minimum subscription" means the amount, if any, fixed by the memorandum or articles of association as minimum subscription upon which

1 Sub-section (3) omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

2 Words inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

3 Substituted for the words "company, having perpetual succession and a common seal" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

the directors may proceed to allotment or if no amount is so fixed and specified, the whole amount of the share capital other than that issued or agreed to be issued as paid up otherwise than in cash.

(2) The registrar shall, on filing of a duly verified declaration in accordance with the provisions of sub-section (1) and after making such enquiries as he may deem fit to satisfy himself that all the requirements of this Act have been complied with in respect of the commencement of business and matters precedent and incidental thereto, accept and register all the relevant documents.

(3) The acceptance and registration of documents under sub-section (2) shall be a conclusive evidence that the company is entitled to start its operations and exercise any borrowing powers.

(4) Nothing in this section shall apply-

- (a) to a company converted from private to a public;
- (b) to a company limited by guarantee and not having a share capital.

20. Consequences of non-compliance of section 19.- (1) If any company starts its business operations or exercises borrowing powers in contravention of section 19, every officer or other person who is responsible for contravention shall without prejudice to other liabilities be liable to a penalty not exceeding level 2 on the standard scale.

(2) Any contract made by a company before the date at which it is entitled to commence business shall be provisional only and shall not be binding on the company until that date and on that date it shall become binding.

REGISTERED OFFICE AND PUBLICATION OF NAME

21. Registered office of company.- (1) A company shall have a registered office to which all communications and notices shall be addressed and within a period of thirty days of its incorporation, notify to the registrar in the specified manner.

(2) Notice of any change in situation of the registered office shall be given to the registrar in a specified form within a period of fifteen days after the date of change:

Provided that the change of registered office of a company from-

- (a) one city in a Province to another; or
- (b) a city to another in any part of Pakistan not forming part of a Province; shall require approval of general meeting through special resolution.

(3) If a company fails to comply with the requirements of sub-section (1) or (2), the company and its every officer who is responsible for such non-compliance shall be liable to a penalty not exceeding of level 1 on the standard scale.

22. Publication of name by a company.- Every company shall-

- (a) display in a conspicuous position, in letters easily legible in English or Urdu characters its name and incorporation number outside the registered office and every office or the place in which its business is carried on;
- (b) display a certified copy of certificate of incorporation at every place of business of the company;
- (c) get its name, address of its registered office, telephone number, fax number, e-mail and website addresses, if any, printed on letter-head and all its documents, notices and other official publications; and
- (d) have its name mentioned in legible English or Urdu characters, in all bills of exchange, promissory notes, endorsements, cheques and orders for money or goods purporting to be signed by or on behalf of the company and in all bills of parcels, invoices, receipts and letters of credit of the company.

¹[]

24. Penalties for non-publication of name.- (1) If a company does not display its name in the manner provided for by this Act, it shall be liable to a penalty not exceeding level 1 on the standard scale and every officer of the company who authorizes or permits the default shall be liable to the like penalty.

(2) If any officer of a limited company issues or authorises the issue of any bill-head, letter paper, document, notice or other official publication of the company, or signs or authorises to be signed on behalf of the company any bill of exchange, promissory note, endorsement, cheque or order for money or goods, or issues or authorises to be issued any bill of parcels, invoice, receipt or letter of credit of the company, wherein its name is not mentioned in the manner aforesaid, he shall be liable to a penalty not exceeding of level 1 on the standard scale and shall further be personally liable to the holder of any such bill of exchange, promissory note or order for money or goods, for the amount thereof unless the same is duly paid by the company.

25. Publication of authorised as well as paid-up capital.- (1) Where any notice, advertisement or other official publication of a company contains a statement of amount of authorised capital of the company, such notice, advertisement or other official publication shall also contain a: statement in an equally prominent position and in equally conspicuous characters of amount of the paid up capital.

(2) Any company which makes default in complying with the requirements of sub-section (1) and every officer of the company who is party to the default shall be liable to a penalty not exceeding of level 1 on the standard scale.

26. Business and objects of a company.- (1) A company may carry on or undertake any lawful business or activity and do any act or enter into any

¹ Section 23 omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

transaction being incidental and ancillary thereto which is necessary in attaining its business activities:

Provided that-

- (i) the principal line of business of the company shall be mentioned in the memorandum of association of the company which shall always commensurate with name of the company; and
- (ii) any change in the principal line of business shall be reported to the registrar within thirty days from the date of change, on the form as may be specified and registrar may give direction of change of name if it is in violation of this section.

Explanation.-"principal line of business" means the business in which substantial assets are held or likely to be held or substantial revenue is earned or likely to be earned by a company, whichever is higher.

(2) A company shall not engage in a business which is-

- (a) prohibited by any law for the time being in force in Pakistan; or
- (b) restricted by any law, rules or regulations, unless necessary licence, registration, permission or approval has been obtained or compliance with any other condition has been made:

Provided nothing in sub-section (1) shall be applicable to the extent of such companies.

MEMORANDUM AND ARTICLES OF ASSOCIATION

27. Memorandum of company limited by shares.- In the case of a company limited by shares-

- (A) the memorandum shall state-
 - (i) the name of the company with the word "Limited" as last word of the name in the case of a public limited company, the parenthesis and words "(Private) Limited" as last words of the name in the case of a private limited company, and the parenthesis and words "(SMC-Private) Limited" as last words of the name in the case of a single member company;
 - (ii) the Province or the part of Pakistan not forming part of a Province, as the case may be, in which the registered office of the company is to be situate;
 - (iii) principal line of business:

Provided that-

- (a) the existing companies shall continue with their existing memorandum of association and the object stated at serial number 1 of the object clause shall be treated as the principal line of business;

- (b) if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and
 - (c) the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention the businesses as required under the respective law and the rules and regulations made thereunder;
 - (iv) an undertaking as may be specified;
 - (v) that the liability of the members is limited; and
 - (vi) the amount of share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount;
- (B) no subscriber of the memorandum shall take less than one share; and
- (C) each subscriber of the memorandum shall write opposite to his name the number of shares he agrees to take.

28. Memorandum of company limited by guarantee.- (1) In the case of a company limited by guarantee the memorandum shall state-

- (a) the name of the company with the parenthesis and words “(Guarantee) Limited” as last words of its name;
- (b) the Province or the part of Pakistan not forming part of a Province, as the case may be, in which the registered office of the company is to be situate;
- (c) principal line of business:

Provided that-

- (i) the existing companies shall continue with their existing memorandum of association and the object stated at serial number 1 of the object clause shall be treated as the principal line of business;
- (ii) if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from the commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and

- (iii) the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention the businesses as required under the respective law;
- (d) an undertaking as may be specified;
- (c) that the liability of the members is limited; and
- (f) such amount as may be required, not exceeding a specified amount that each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year afterwards for payment of the debts and liabilities of the company contracted before he ceases to be a member and of the costs, charges and expenses of winding up and for adjustment of rights of the contributories among themselves.

(2) If the company has a share capital, the memorandum shall also state the amount of share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount and the number of shares taken by each subscriber.

29. Memorandum of unlimited company.- In the case of an unlimited company the memorandum shall state-

- (a) the name of the company with the word "Unlimited" as last words of its name;
- (b) the Province or the part of Pakistan not forming part of a Province, as the case may be, in which registered office of the company is to be situate;
- (c) principal line of business:

Provided that-

- (i) the existing companies shall continue with their existing memorandum of association and the object stated at serial number 1 of the object clause shall be treated as the principal line of business;
- (ii) if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from the commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and
- (iii) the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention the businesses as required under the respective law; and
- (d) an undertaking as may be specified;

(e) that the liability of the members is unlimited.

(2) If the company has a share capital, the memorandum shall also state the amount of share capital with which the company proposes to be registered and the number of shares taken by each subscriber.

30. Borrowing powers to be part of memorandum.- Notwithstanding anything contained in this Act or in any other law for the time being in force or the memorandum and articles, the memorandum and articles of a company shall be deemed to include and always to have included the power to enter into any arrangement for obtaining loans, advances, finances or credit, as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and to issue other securities not based on interest for raising resources from a scheduled bank, a financial institution or general public.

31. Memorandum to be printed, signed and dated.-The memorandum shall be-

- (a) printed in the manner generally acceptable;
- (b) divided into paragraphs numbered consecutively;
- (c) signed by each subscriber, who shall add his present name in full, his occupation ¹[, nationality,] usual residential address and such other particulars as may be specified, in the presence of a witness who shall attest the signature and shall likewise add his particulars; and
- (d) dated.

32. Alteration of memorandum.- (1) Subject to the provisions of this Act, a company may by special resolution alter the provisions of its memorandum so as to-

- (a) change the place of its registered office from-
 - (i) one Province to another Province or Islamabad Capital Territory and vice versa; or
 - (ii) one Province or Islamabad Capital Territory to a part of Pakistan not forming part of a Province and vice versa; or
- (b) change its principal line of business; or
- (c) adopt any business activity or any change therein which is subject to licence, registration, permission or approval under any law.

(2) The alteration shall not take effect until and except in so far as it is confirmed by the Commission on petition:

Provided that an alteration so as to change its principal line of business shall not require confirmation by the Commission.

(3) A copy of the order confirming the alteration duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.

¹ Substituted for the words and commas "and father's name or, in the case of a married woman or widow, her husband's or deceased husband's name in full, his nationality and his" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

(4) A copy of the memorandum of association as altered pursuant to the order under this section shall within thirty days from the date of the order be filed by the company with the registrar, who shall register the same and issue a certificate which shall be conclusive evidence that all the requirements of this Act with respect to the alteration and the confirmation thereof have been complied with and thenceforth the memorandum so filed shall be the memorandum of the company:

Provided that the Commission may by order, at any time on an application by the company, on sufficient cause shown extend the time for the filing of memorandum with the registrar under this section for such period as it thinks proper.

(5) Where the alteration involves a transfer of registered office from the jurisdiction of one company registration office to another, physical record of the company shall be transferred to the registrar concerned of the company registration office in whose jurisdiction the registered office of the company has been shifted.

(6) Where the alteration involves change in principal line of business, the company shall file the amended memorandum of association with the registrar within thirty days, which shall be recorded for the purposes of this Act.

33. Powers of Commission when confirming alteration.- The Commission may make an order confirming the alteration and on such terms and conditions as it thinks fit and make such order as to costs as it thinks proper.

34. Exercise of discretion by Commission.- The Commission shall in exercising its discretion under sections 32 and 33 have regard to the rights and interests of the members of the company or of any class of them, as well as to the rights and interests of the creditors and may, if it thinks fit, give such directions and make such orders as it may think expedient for facilitating or carrying into effect any such arrangement.

35. Effect of alteration in memorandum or articles.- Notwithstanding anything contained in the memorandum or articles of a company, no member of the company shall be bound by an alteration made in the memorandum or articles after the date on which he became a member if and so far as the alteration requires him to take or subscribe for more shares than the number held by him at the date on which the alteration is made or in any way increases his liability as at that date to contribute to the share capital of or otherwise to pay money to the company:

Provided that this section shall not apply in any case where the member agrees in writing either before or after the alteration is made to be bound thereby.

ARTICLES OF ASSOCIATION

36. Registration of articles.- (1) There may, in the case of company limited by shares and there shall, in the case of a company limited by guarantee or an unlimited company, be registered with the memorandum, articles of association

signed by the subscribers to the memorandum and setting out regulations for the company.

(2) Articles of association of a company limited by shares may adopt all or any of the regulations contained in Table A in the First Schedule to this Act.

(3) In the case of an unlimited company or a company limited by guarantee, the articles, if the company has a share capital, shall state the amount of share capital with which the company proposes to be registered.

(4) In the case of an unlimited company or a company limited by guarantee, if the company has no share capital, the articles shall state the number of members with which the company proposes to be registered.

(5) In the case of a company limited by shares and registered after the commencement of this Act, if articles are not registered, or, if articles are registered, in so far as the articles do not exclude or modify the regulations in Table A in the First Schedule to this Act, those regulations shall, so far as applicable, be the regulations of the company in the same manner and to the same extent as if they were contained in duly registered articles.

(6) The articles of every company shall be explicit and without ambiguity and, without prejudice to the generality of the foregoing, shall list and enumerate the voting and other rights attached to the different classes of shares and other securities, if any, issued or to be issued by it.

(7) If a company contravenes the provisions of its articles of association, the company and every officer of the company shall be liable to a penalty not exceeding of level 1 on the standard scale.

37. Articles to be printed, signed and dated.- The articles shall be-

- (a) printed in the manner generally acceptable;
- (b) divided into paragraphs numbered consecutively;
- (c) signed by each subscriber, who shall add his present name in full, his occupation¹[, nationality,] usual residential address and such other particulars as may be specified, in the presence of a witness who shall attest the signature and shall likewise add his particulars; and
- (d) dated.

38. Alteration of articles.- (1) Subject to the provisions of this Act and to the conditions contained in its memorandum, a company may, by special resolution, alter its articles and any alteration so made shall be as valid as if originally contained in the articles and be subject in like manner to alteration by special resolution:

Provided that, where such alteration affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least three-fourths of the members or of the class of members

¹ Substituted for the words and commas etc. "and father's name or, in the case of a married woman or widow, her husband's or deceased husband's name in full, his nationality and his" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

affected by such alteration, as the case may be, exercise the option through vote personally or through proxy vote for such alteration.

(2) A copy of the articles of association as altered shall, within thirty days from the date of passing of the resolution, be filed by the company with the registrar and he shall register the same and thenceforth the articles so filed shall be the articles of the company.

39. Copies of memorandum and articles to be given to members. (1) Each company shall send to every member, at his request and within fourteen days thereof, on payment of such sum, as the company may fix, a copy of the memorandum and the articles, if any.

(2) If a company makes default in complying with the requirements of sub-section (1), it shall be liable to a penalty not exceeding of level 1 on the standard scale.

40. Alteration of memorandum or articles to be noted in every copy.- (1) Where an alteration is made in the memorandum or articles of a company, every copy of the memorandum or articles issued after the date of the alteration shall conform to the memorandum or articles as so altered.

(2) If, where any such alteration has been made, the company at any time after the date of the alteration issues any copies of the memorandum or articles which do not conform to the memorandum or articles as so altered it shall be liable to a penalty not exceeding of level I on the standard scale for each copy so issued and every officer of the company who is in default shall be liable to the like penalty.

41. Form of memorandum and articles.- The form of-

- (a) memorandum of association of a company limited by shares;
- (b) memorandum and articles of association of a company limited by guarantee and not having a share capital;
- (c) memorandum and articles of association of a company limited by guarantee and having a share capital; and
- (d) memorandum and articles of association of an unlimited company having a share capital,

shall be respectively in accordance with the forms set out in Tables B, C, D and E in the First Schedule or as near thereto as circumstances admit.

42. Licencing of associations with charitable and not for profit objects.- (1) Where it is proved to the satisfaction of the Commission that an association is to be formed as a limited company-

- (a) for promoting commerce, art, science, religion, health, education, research, sports, protection of environment, social welfare, charity or any other useful object;
- (b) such company-

- (i) intends to apply the company's profits and other income in promoting its objects; and
- (ii) prohibits the payment of dividends to the company's members; and
- (c) such company's objects and activities are not and shall not, at any time, be against the laws, public order, security, sovereignty and national interests of Pakistan,

the Commission may, by licence for a period to be specified, permit the association to be registered as a public limited company, without addition of the word "Limited" or the expression "(Guarantee) Limited", to its name.

(2) A licence under sub-section (1) may be granted on such conditions and subject to such regulations as the Commission thinks fit and those conditions shall be inserted in and deemed part of the memorandum and articles, or in one of those documents.

(3) Memorandum and articles of association of a company, licenced under this section, shall be in accordance with the form set out in Table F in the First Schedule or as near thereto as circumstances admit and approved by the Commission.

(4) The association on registration under this section shall enjoy all the privileges and be subject to all the obligations of a limited company.

(5) The Commission may at any time by order in writing, revoke a licence granted under sub-section (1), with such directions as it may deem fit, on being satisfied that-

- (a) the company or its management has failed to comply with any of the terms or conditions subject to which a licence is granted; or
- (b) any of the requirements specified in sub-section (1) or any regulations made under this section are not met or complied with; or
- (c) affairs of the company are conducted in a manner prejudicial to public interest; or
- (d) the company has made a default in filing with the registrar its financial statements or annual returns for immediately preceding two consecutive financial years; or
- (e) the company has acted against the interest, sovereignty and integrity of Pakistan, the security of the State and friendly relations with foreign States; or
- (f) the number of members is reduced, below three; or
- (g) the company is-
 - (i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or
 - (ii) run and managed by persons who fail to maintain proper and true accounts or they commit fraud, misfeasance or malfeasance in relation to the company; or

- (iii) run and managed by persons who are involved in terrorist financing or money laundering; or
- (iv) managed by persons who refuse to act according to the requirements of the memorandum or articles or the provisions of this Act or failed to carry out the directions or decisions of the Commission or the registrar given in exercise of the powers conferred by this Act; or
- (v) not carrying on its business or is not in operation for one year; or
- (h) it is just and equitable that the licence should be revoked:

Provided that before a licence is so revoked, the Commission shall give to the company a notice, in writing of its intention to do so, and shall afford the company an opportunity to be heard.

- (6) Notwithstanding anything contained in this Act or any other law, no association shall be registered as a company with the objects as mentioned in clause (a) and the conditions provided in clause (b) of sub-section (1) without a licence granted in pursuance of this section.

43. Effect of revocation of licence.- (1) On revocation of licence of a company under section 42, by the Commission-

- (a) the company shall stop all its activities except the recovery of money owed to it, if any;
- (b) the company shall not solicit or receive donations from any source; and
- (c) all the assets of the company after satisfaction of all debts and liabilities shall, in the manner as may be specified, be transferred to another company licenced under section 42, preferably having similar or identical objects to those of the company, within ninety days from the revocation of the licence or such extended period as may be allowed by the Commission:

Provided that a reasonable amount to meet the expenses of voluntary winding up or making an application to the registrar for striking the name of the company off the register in terms of sub-section (3), may be retained by the company.

- (2) After compliance of the requirements mentioned in sub-section (1), the board of the company shall file within fifteen days from the date of such compliance, a report to the registrar containing such information and supported with such documents as may be specified.

- (3) Within thirty days of acceptance of the report by the registrar, submitted by the company under sub-section (2), the board shall initiate necessary proceedings for winding up of the company voluntarily or where it has no assets and liabilities make an application to the registrar for striking the name of the company off the register.

- (4) If the company fails to comply with any of the requirements of this section within the period specified or such extended period as may be allowed by the Commission, the Commission may, without prejudice to any other action under

the law, appoint an administrator to manage affairs of the company subject to such terms and conditions as may be specified in the order and initiate necessary proceedings for winding up of the company.

(5) The provisions of section 291, except those of sub-section (1) thereof, shall apply *mutatis mutandis* to the administrator appointed under this section.

(6) Where any assets of the company are transferred, in consequence of revocation of licence, to another company licenced under section 42, the members and officers of the first mentioned company or any of their family members shall not be eligible to hold any office in the later company for a period of five years from the date of transfer of such assets.

(7) Where the licence of a company has been revoked before the commencement of this Act and such company is not in the process of winding up, this section shall apply as if the licence was revoked immediately after the commencement of this Act.

44. Penalty.- If a company licensed under section 42 or any of its officers makes default in complying with any of the requirements of sections 42 and 43 or the rules or regulations or the terms or conditions to which the licence is subject or any directions contained in a revocation order, it shall without prejudice to any other action be punishable by a penalty not exceeding of level 2 on the standard scale.

45. Provision as to companies limited by guarantee.- (1) A company limited by guarantee may have share capital.

(2) In the case of a company limited by guarantee and not having a share capital, every provision in the memorandum or articles or in any resolution of the company purporting to give any person a right to participate in the divisible profits of the company otherwise than as a member shall be void.

(3) For the purpose of the provisions of this Act relating to the memorandum of a company limited by guarantee and of sub-section (2), every provision in the memorandum or articles, or in any resolution, of a company limited by guarantee purporting to divide the undertaking of the company into shares or interests shall be treated as a provision for a share capital, notwithstanding that the nominal amount or number of the shares or interests is not mentioned thereby.

CONVERSION OF A COMPANY OF ANY CLASS INTO A COMPANY OF OTHER CLASS AND RELATED MATTERS

46. Conversion of public company into private company and vice-versa.-

(1) A public company may be convened into a private company with the prior approval of the Commission in writing by passing a special resolution in this behalf by the public company amending its memorandum and articles of association in such a manner that they include the provisions relating to a private company in the articles and complying with all the requirements as may be specified:

Provided that in case of conversion of a listed company into a private company, the Commission shall give notice of every application made to it, to the

securities exchange and shall take into consideration the representation if any, made to it by the securities exchange.

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.

(3) A copy of the order, confirming the conversion under sub-section (2), duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.

(4) A copy of the memorandum and articles of association as altered pursuant to the order under sub-section (2) shall, within fifteen days from the date of the order, be filed by the company with the registrar and he shall register the same and thenceforth the memorandum and articles so filed shall be the memorandum and articles of the newly converted company.

(5) If a company, being a private company, alters its articles in such a manner that they no longer include the provisions which, under sub-section (1) of section 2, are required to be included in the articles of a company in order to constitute it a private company, the company shall-

- (a) as on the date of the alteration, cease to be a private company; and
- (b) file with the registrar a copy of the memorandum and articles of association as altered along with the special resolution.

(6) If default is made in complying with the provisions of any of the preceding subsections, the company and every officer of the company who is in default shall be liable to a penalty not exceeding of level 2 on the standard scale.

47. Conversion of status of private company into a single-member company and vice-versa- (1) A private company may be converted into a single-member company with prior approval of the Commission in writing by passing a special resolution in this behalf by the private company amending its memorandum and articles of association, in such a manner that they include the provisions relating to a single-member company in the articles and complying with all the requirements as may be specified.

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.

(3) A copy of the order, confirming the conversion under sub-section (2), duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.

(4) A copy of the memorandum and articles of association as altered pursuant to the order under sub-section (2) shall, within fifteen days from the date of the order, be filed by the company with the registrar and he shall register the same and thenceforth the memorandum and articles so filed shall be the memorandum and articles of the newly converted company.

(5) If a company, being a single member company, alters its articles in such a manner that they no longer include the provisions which are required to be

included in the articles of a company in order to constitute it a single member company, the company shall-

- (a) as on the date of the alteration, cease to be a single member company; and
- (b) file with the registrar a copy of the memorandum and articles of association as altered along with the special resolution.

(6) If default is made in complying with the provisions of any of the preceding sub-sections, the company, and every officer of the company who is in default, shall be liable to a penalty not exceeding of level 2 on the standard scale.

48. Conversion of status of unlimited company as limited company and vice-versa.- (1) An unlimited company may be converted into a limited company with prior approval of the Commission in writing by passing a special resolution in this behalf by the unlimited company amending its memorandum and articles of association in such a manner that they include the provisions relating to a company limited by shares in the articles and complying with all the requirements as may be specified.

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.

(3) A copy of the order, confirming the conversion under sub-section (2) duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.

(4) If a company, being a limited company, alters its memorandum and articles in such a manner that they include the provisions which constitute it as a company having unlimited liability of its members, the company shall-

- (a) as on the date of the alteration, cease to be a limited company; and
- (b) file with the registrar a copy of the memorandum and articles of association as altered along with the special resolution.

(5) If default is made in complying with the provisions of any of the preceding subsections, the company and every officer of the company who is in default shall be liable to a penalty not exceeding of level 2 on the standard scale.

49. Conversion of a company limited by guarantee to a company limited by shares and vice-versa.- (1) A company limited by guarantee may be converted into a company limited by shares with prior approval of the Commission in writing by passing a special resolution in this behalf by the company limited by guarantee amending its memorandum and articles of association in such a manner that they include the provisions relating to a company limited by shares in the articles and complying with all the requirements as may be specified.

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.

(3) A copy of the order, confirming the conversion under sub-section (2) duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.

(4) A copy of the memorandum and articles of association as altered pursuant to the order under sub-section (2) shall within fifteen days from the date of the order be filed by the company with the registrar and he shall register the same and thenceforth the memorandum and articles so filed shall be the memorandum and articles of the newly converted company.

(5) If a company, being limited by shares, alters its memorandum and articles in such a manner that they include the provisions which constitute it a company limited by guarantee, the company shall-

- (a) as on the date of the alteration, cease to be a company limited by shares; and
- (b) file with the registrar a copy of the memorandum and articles of association as altered along with the special resolution.

(6) If default is made in complying with the provisions of any of the preceding sub-sections, the company and every officer of the company who is in default shall be liable to a penalty not exceeding of level 2 on the standard scale.

50. Issue of certificate and effects of conversion.- (1) The registrar upon registration of the memorandum and articles of association as altered by the company upon conversion under sections 46 to 49, shall issue a certificate to that effect.

(2) The conversion of status of a company under sections 46 to 49 shall not affect-

- (a) any debts, liabilities, obligations or contracts incurred or entered into, by or on behalf of the company before conversion and such debts, liabilities, obligations and contracts may be enforced in the manner as if such registration had not been done; and
- (b) any rights or obligations of the company or render defective any legal proceedings by or against the company and any legal proceedings that might have been continued or commenced against the company before conversion may be continued or commenced upon its conversion.

51. Power of unlimited company to provide for reserve share capital on conversion of status to a limited company.- An unlimited company having a share capital may, by its resolution for registration as a limited company in pursuance of this Act, increase the nominal amount of its share capital by increasing the nominal amount of each of its shares, subject to the condition that no part of the amount by which is capital is so increased shall be capable of being called up except in the event and for the purpose of the company being wound up.

52. Consequence of default in complying with conditions constituting a company a private company.- Where the articles of a company include the provisions which, under sub-section (1) of section 2, are required to be included in the articles of a company in order to constitute it as a private company, but default is made in complying with any of those provisions, the company shall cease to be entitled to the privileges and exemptions conferred on private

companies by or under this Act and this Act shall apply to the company as if it were not a private company:

Provided that the Commission, on being satisfied that the failure to comply with the conditions was accidental or due to inadvertence or to some other sufficient cause or that on other ground it is just and equitable to grant relief, may, on the application of the company or any other person interested and on such terms and conditions as seem to the Commission just and expedient, make order that the company be relieved from such consequences as aforesaid.

SERVICE AND AUTHENTICATION OF DOCUMENTS

53. Service of documents on a company.- A document or information may be served on the company or any of its officers at the registered office of the company against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified.

54. Service of documents on Commission or the registrar.- A document or information may be served on the Commission or the registrar against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified.

55. Service of notice on a member.- (1) A document or information may be served on a member at his registered address or, if he has no registered address in Pakistan, at the address supplied by him to the company for the giving of notices to him against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified.

(2) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the letter will be delivered in the ordinary course of post.

(3) A notice may be given by the company to the joint-holders of a share by giving the notice to the joint-holder named first in the register in respect of the share.

(4) A notice may, in the manner provided under sub-section (1), be given by the company to the person entitled to a share in consequence of death or insolvency of a member addressed to him by name or by the title or representatives of the deceased or assignees of the insolvent or by any like description, at the address supplied for the purpose by the person claiming to be so entitled.

56. Authentication of documents and proceedings.- Save as expressly provided in this Act, a document or proceeding requiring authentication by a company may be signed either by an officer or a representative authorized by the board.

PART V
PROSPECTUS, ALLOTMENT, ISSUE AND TRANSFER
OF SHARES AND OTHER SECURITIES

57. Prospectus.- (1) No prospectus shall be issued by or on behalf of a company unless on or before the date of its publication, a copy thereof signed by every person who is named therein as a director or proposed director of the company has been filed with the registrar.

(2) In case of any contravention of this section, the company and every person who is a party to the issue, publication or circulation of the prospectus shall be liable to a penalty not exceeding of level 2 on the standard scale-

58. Classes and kinds of share capital.- A company having share capital shall issue only fully paid shares which may be of different kinds and classes as provided by its memorandum and articles:

Provided that different rights and privileges in relation to the different kinds and classes of shares may only be conferred in such manner as may be specified.

59. Variation of shareholders' rights.- (1) The variation of the right of shareholders of any class shall be effected only in the manner laid down in section 38.

(2) Not less than ten percent of the class of shareholders who are aggrieved by the variation of their rights under sub-section (1) may, within thirty days of the date of the resolution varying their rights, apply to the Court for an order cancelling the resolution:

Provided that the Court shall not pass such an order unless it is shown to its satisfaction that some facts which would have had a bearing on the decision of the shareholders were withheld by the company in getting the aforesaid resolution passed or, having regard to all the circumstances of the case, that the variation would unfairly prejudice the shareholders of the class represented by the applicant.

(3) An application under sub-section (2) may be made on behalf of the shareholders entitled to make it by such one or more of their number as they may authorise in writing in this behalf.

(4) The company shall, within fifteen days of the service on the company of any order made on any such application forward a copy of the order to the registrar and, if default is made in complying with this provision, the person making the default shall be guilty of an offence under this section and be liable to a penalty not exceeding of level 1 on the standard scale.

(5) The expression "variation" under this section includes abrogation, revocation or enhancement.

SHARE CAPITAL AND NATURE, NUMBERING AND CERTIFICATE OF SHARES

60. Numbering of shares.- Every share in a company having a share capital shall be distinguished by its distinctive number:

Provided that nothing in this section shall apply to a share held by a person whose name is entered as holder of beneficial interest in such share in the records of a central depository system.

¹[60A. Prohibition on issuance of bearer shares or bearer share warrants, etc.]—(1) Notwithstanding anything contained in the National Investment (Unit) Trust Ordinance, 1965 (VII of 1965) or any other law for the time being in force, no company shall allot, issue, sell, transfer or assign any bearer shares, bearer share warrants or any other equity or debt security of a bearer nature, by whatever name called, and any allotment, issue, sale, transfer, assignment or other disposition of any such bearer shares or bearer share warrants or any other equity or debt security of a bearer nature, shall be void.

Explanation.---For the purpose of this section, the term “bearer shares or bearer share warrants” means a negotiable instrument that accords ownership or control in a company to the person who possess such instrument and includes any other equity or debt security of a bearer nature.

(2) All existing bearer shares or bearer share warrants, if any, shall either be registered or cancelled, in such manner and within such period, as may be specified.

(3) Any contravention or default in complying with the requirements of this section shall be liable in case of,---

- (a) a director or officer of the company or any other person, to a penalty which may extend to one million rupees; and
- (b) the company, to a penalty which may extend to ten million rupees.]

61. Nature of shares or other securities.- The shares or other securities of any member in a company shall be movable property transferable in the manner provided by the articles of the company.

62. Shares certificate to be evidence.- (1) A certificate, if issued in physical form under ²[signature of authorized officer of the company as may be specified] or issued in book-entry form, specifying the shares held by any person or shares held in central depository system shall be prima facie evidence of the title of the person to such shares.

(2) Notwithstanding anything contained in the articles of a company, the manner of issue of a certificate of shares, the form of such certificate and other matters shall be such as may be specified.

SPECIAL PROVISIONS AS TO DEBENTURES

63. Issue of debentures.- (1) A company may issue different kinds of debentures having different classes, rights and privileges as may be specified.

¹ Section 60A inserted by the Companies (Amendment) Act, 2020, dated 26th August, 2020.

² Substituted for the words “common seal of the company or under official seal, which must be facsimile of the company’s common seal,” by the Companies (Amendment) Act, 2021, dated December 3, 2021.

(2) The rights, privileges and the procedure, for securing the issue of debentures, the form of debenture trust deed, the procedure for the debenture holders to inspect the trust deed and to obtain a copy thereof shall be such as may be specified.

64. Payment of certain debts out of assets subject to floating charge in priority to claims under the charge.- (1) Where either a receiver is appointed on behalf of the holders of any debentures of a company secured by a floating charge, or possession is taken by or on behalf of these debenture holders of any property comprised in or subject to the charge, then, if the company is not at the time in course of being wound up, the debts which in every winding up are under the provisions of Part-X relating to preferential payments to be paid in priority to all other debts, shall be paid forthwith out of any assets coming to the hands of the receiver or other person taking possession as aforesaid in priority to any claim for principal or interest in respect of the debentures.

(2) The periods of time mentioned in the said provisions of Part-X shall be reckoned from the date of the appointment of the receiver or of possession being taken as aforesaid, as the case may be.

(3) Any payments made under sub-section (1) shall be recouped, as far as may be, out of the assets of the company available for payment of general creditors.

65. Powers and liabilities of trustee.-(1) The trustee nominated or appointed under the trust-deed for securing an issue of debentures shall, if so empowered by such deed, have the right to sue for all redemption monies and interest in the following cases, namely-

- (a) where the issuer of the debentures as mortgagor binds himself to repay the debenture loan or pay the accrued interest thereon, or both to repay the loan and pay the interest thereon, in the manner provided on the due date;
- (b) where by any cause other than the wrongful act or default of the issuer the mortgaged property is wholly or partially destroyed or the security is rendered insufficient within the meaning of section 66 of the Transfer of Property Act, 1882 (Act IV of 1882), and the trustee has given the issuer a reasonable opportunity of providing further security adequate to render the whole security sufficient and the issuer has failed to do so;
- (c) where the trustee is deprived of the whole or part of the security by or in consequence of any wrongful act or default on the part of the issuer; and
- (d) where the trustee is entitled to take possession of the mortgaged property and the issuer fails to deliver the same to him or to secure the possession thereof without disturbance by the issuer or any person claiming under a title superior to that of the issuer.

(2) Where a suit is brought under clause (a) or clause (b) of sub-section (1) the Court may at its discretion stay the suit and all proceedings therein notwithstanding any contract to the contrary, until the trustee has exhausted all his available remedies against the mortgaged property or what remains of it unless the trustee abandons his security and, if necessary, retransfers the mortgaged property.

(3) Notwithstanding anything contained in sub-sections (1) and (2) or any other law for the time being in force, the trustee or any person acting on his behalf shall, if so authorised by the trust-deed, sell or concur in selling, without intervention of the Court, the mortgaged property or any part thereof in default of payment according to re-payment schedule of any redemption amount or in the payment of any accrued interest on the due date by the issuer.

Explanation-- “Issuer” for the purpose of this section, shall mean the company issuing debentures and securing the same by mortgage of its properties or assets, or both its properties and assets, and appointing a trustee under a trust-deed.

(4) Subject to the provisions of this section, any provision contained in a trust-deed for securing an issue of debentures, or in any contract with the holders of debentures secured by a trust-deed, shall be void in so far as it would have the effect of exempting a trustee thereof from, or indemnifying him against, liability for breach of trust, where he fails to show the degree of care and diligence required of him as trustee, having regard to the provisions of the trust-deed conferring on him any power, authority or discretion.

(5) Sub-section (4) shall not invalidate-

- (a) any release otherwise validly given in respect of any act or omission by a trustee before the giving of the release; or
- (b) any provision enabling such a release to be given-
 - (i) on the agreement thereto of a majority of not less than three-fourths in value of the debenture-holders present and voting in person or, where proxies are permitted, by proxy, at a meeting summoned for the purpose; and
 - (ii) either with respect to specific acts or omissions or on the trustee dying or ceasing to act.

(6) Sub-section (4) shall not operate-

- (a) to invalidate any provision in force immediately before the commencement of this Act, so long as any person then entitled to the benefit of that provision or afterwards given the benefit thereof under sub-section (7) remains as trustee of the deed in question; or
- (b) to deprive any person of any exemption or right to be indemnified in respect of any act or omission by him while any such provision was in force.

(7) While any trustee of a trust-deed remains entitled to the benefit or provision saved by sub-section (6), the benefits of that provision may be given either-

- (a) to all trustees of the deed, present and future; or
- (b) to any named trustees or proposed trustees thereof;

by a resolution passed by a majority of not less than three-fourths in value of the debenture-holders present in person or, where proxies are permitted, by proxy, at a meeting called for the purpose in accordance with the provisions of the deed or, if the deed makes no provisions for calling meetings, at a meeting called for the purpose in any manner approved by the Court.

66. Issue of securities and redeemable capital not based on interest.- (1) A company may by public offer or, upon terms and conditions contained in an agreement in writing, issue to one or more scheduled banks, financial institutions or such other persons as are notified for the purpose by the Commission either severally, jointly or through their syndicate, any instrument in the nature of redeemable capital in any or several forms in consideration of funds, moneys or accommodations received or to be received by the company, whether in cash or in specie or against any promise, guarantee, undertaking or indemnity issued to or in favour of or for the benefit of the company.

(2) In particular and without prejudice to the generality of the forgoing provisions. The agreement referred to in sub-section (1) for redeemable capital may provide for, adopt or include, in addition to others, all or any of the following matters, namely-

- (a) mode and basis of repayment by the company of the amount invested in redeemable capital within a certain period of time;
- (b) arrangement for sharing of profit and loss;
- (c) creation of a special reserve called the "participation reserves" by the company in the manner provided in the agreement for the issue of participatory redeemable capital in which all providers of such capital shall participate for interim and final adjustment on the maturity date in accordance with the terms and conditions of such agreements ; and
- (d) in case of net loss on participatory redeemable capital on the date of maturity, the right of holders to convert the outstanding, balance of such capital or part thereof as provided in the agreement into ordinary shares of the company at the break-up price calculated in the specified manner.

(3) The terms and conditions for the issue of instruments or certificates of redeemable capital and the rights of their holders shall not be challenged or questioned by the company or any of its shareholders unless repugnant to any provision of this Act or any other law or the memorandum or articles or any resolution of the general meeting or directors of the company or any other document.

(4) The provision of this Act relating to the creation, issue, increase or decrease of the capital shall not apply to the redeemable capital.

ALLOTMENT

67. Application for, and allotment of, shares and debentures. (1) No application for allotment of shares in and debentures of a company in pursuance of a prospectus shall be made for shares or debentures of less than such nominal amount as the Commission may, from time to time, specify, either generally or in a particular case.

(2) The Commission may specify the form of an application for subscription to shares in or debentures of a company which may, among other matters, contain such declarations or verifications as it may, in the public interest, deem necessary; and such form then shall form part of the prospectus.

(3) All certificates, statements and declarations made by the applicant shall be binding on him.

(4) An application for shares in or debentures of a company which is made in pursuance of a prospectus shall be irrevocable.

(5) Whoever contravenes the provisions of sub-section (1) or sub-section (2), or makes an incorrect statement, declaration or verification in the application for allotment of shares, shall be liable to a penalty of level 2 on the standard scale.

68. Repayment of money received for shares not allotted.- (1) Where a company issues any invitation to the public to subscribe for its shares or other securities, the company shall refund the money in the case of the unaccepted or unsuccessful applications within the time as may be specified.

(2) If the refund required by sub-section (1) is not made within the time specified, the directors of the company shall be jointly and severally liable to repay that money with surcharge at the rate of two percent for every month or part thereof from the expiration of the fifteenth day and, in addition, shall be liable to a penalty of level 3 on the standard scale.

69. Allotment of shares and other securities to be dealt in on securities exchange.- (1) Where a prospectus, whether issued generally or not, states that application has been or will be made for permission for the shares or other securities offered thereby to be dealt in on the securities exchange, any allotment made on an application in pursuance of the prospectus shall, whenever made, be void if the permission has not been applied for before the seventh day after the first issue of the prospectus or if the permission has not been granted before the expiration of twenty-one days, from the date of the closing of the subscription lists or such longer period not exceeding forty-two days as may, within the said twenty-one days, be notified to the applicants for permission by the securities exchange.

(2) Where the permission has not been applied for or has not been granted as aforesaid, the company shall forthwith repay without surcharge all money

received from applicants in pursuance of the prospectus, end, if any such money is not repaid within eight days after the company becomes liable to repay it, the directors of the company shall be jointly and severally liable to repay that money from the expiration of the eighth day together with surcharge at the rate of two percent for every month or part thereof from the expiration of the eighth day and in addition, shall be liable to a penalty of level 3 on 1re standard scale.

(3) All moneys received as aforesaid shall be deposited and kept in a separate bank account in a scheduled bank so long as the company may become liable to repay it under sub-section (2); and, if default is made in complying with this sub-section, the company and every officer of the company who authorises or permits the default shall be liable to a penalty of level 2 on the standard scale.

(4) For the purposes of this section, permission shall not be deemed to be refused if it is intimated that the application for it, though not at present granted, will be given further consideration.

(5) This section shall have effect-

- (a) in relation to any shares or securities agreed to be taken by a person underwriting an offer thereof by a prospectus as if he had applied therefore in pursuance of the prospectus; and
- (b) in relation to a prospectus offering shares for sale with the following modifications, that is to say-
 - (i) reference to sale shall be substituted for reference to allotment;
 - (ii) the person by whom the offer is made and not the company, shall be liable under sub-section (2) to repay the money received from applicant, and reference to the company's liability under that sub-section shall be construed accordingly; and
 - (iii) for the reference in sub-section (3) to the company and every officer of the company there shall be substituted a reference to any person by or through whom the offer is made and who authorises or permits the default.

70. Return as to allotments.- (1) Whenever a company having a share capital makes any allotment of its shares, the company shall, within forty-five days thereafter-

- (a) file with the registrar a return of the allotment, stating the number and nominal amount of the shares comprised in the allotment and such particulars as may be specified, of each allottee, and the amount paid on each share; and
- (b) in the case of shares allotted as paid up in cash, submit along with the return of allotment, a report from its auditor to the effect that the amount of consideration has been received in full by the company and shares have been issued to each allottee:

- Provided that in case, the appointment of auditor is not mandatory by a company, the report for the purpose shall be obtained from a practicing chartered accountant or a cost and management accountant;
- (c) in the case of shares allotted as paid up otherwise than in cash, submit along with the return of allotment, a copy of the document evidencing the transfer of non-cash asset to the company, or a copy of the contract for technical and other services, intellectual property or other consideration, along with copy of the valuation report (verified in the specified manner) for registration in respect of which that allotment was made;
 - (d) file with the registrar-
 - (i) in the case of bonus shares, a return stating the number and nominal amount of such shares comprised in the allotment and the particulars of allottees together with a copy of the resolution authorising the issue of such shares;
 - (ii) in the case of issue of shares at a discount, a copy of the resolution passed by the company authorising such issue and where the maximum rate of discount exceeds ten per cent, a copy of the order of the Commission permitting the issue at the higher percentage.

Explanation. Shares shall not be deemed to have been paid for in cash except to the extent that the company shall actually have received cash therefore at the time of, or subsequent to, the agreement to issue the shares, and where shares are issued to a person who has sold or agreed to sell property or rendered or agreed to render services to the company, or to persons nominated by him, the amount of any payment made for the property or services shall be deducted from the amount of any cash payment made for the shares and only the balance, if any, shall be treated as having been paid in cash for such shares, notwithstanding any bill of exchange or cheques or other securities for money.

(2) If the registrar is satisfied that in the circumstances of any particular case the period of forty five days specified in sub-sections (1) for compliance with the requirements of this section is inadequate, he may extend that period as he thinks fit, and, if he does so, the provisions of sub-sections (1) shall have effect in that particular case as if for the said period of forty five days the extended period allowed by the registrar were substituted.

(3) No return of allotment shall be required to be filed for the shares taken by the subscribers to the memorandum on the formation of the company.

(4) Any violation of this section shall be an offence liable to a penalty of level I on the standard scale.

(5) This section shall apply mutatis mutandis to shares which are allotted or issued or deemed to have been issued to a scheduled bank or a financial

institution in pursuance of any obligation of a company to issue shares to such scheduled bank or financial institution:

Provided that where default is made by a company in filing a return of allotment in respect of the shares referred to in this sub-section, the scheduled bank or the financial institution to whom shares have been allotted or issued or deemed to have been issued may file a return of allotment in respect of such shares with the registrar together with such documents as may be specified by the Commission in this behalf, and such return of allotment shall be deemed to have been filed by the company itself and the scheduled bank the financial institution shall be entitled to recover from the company the amount of any fee properly paid by it to the registrar in respect of the return.

CERTIFICATE OF SHARES AND OTHER SECURITIES

71. Limitation of time for issue of certificates.- (1) Every company shall issue certificates of shares or other securities within thirty days after the allotment of any of its shares or other securities and ensure delivery of the certificates to the person entitled thereto at his registered address.

(2) Any violation of this section shall be an offence liable to a penalty of level I on the standard scale.

72. Issuance of shares in book-entry form.- (1) After the commencement of this Act from a date notified by the Commission, a company having share capital, shall have shares in book-entry form only.

(2) Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act:

Provided that the Commission may notify different dates for different classes of companies:

Provided further that the Commission may, if it deems appropriate, extend the period for another two years besides the period stated herein.

(3) Nothing contained in this section shall apply to the shares of such companies or class of companies as may be notified by the Commission.

73. Issue of duplicate certificates.- (1) A duplicate of a certificate of shares, or other securities, shall be issued by the company within thirty days from the date of application if the original-

- (a) is proved to have been lost or destroyed, or
- (b) having been defaced or mutilated or torn is surrendered to the company

(2) The company, after making such inquiry as to the loss, destruction, defacement or mutilation of the original, as it may deem fit to make, shall, subject to such terms and conditions, if any, as it may consider necessary, issue the duplicate:

Provided that the company may charge fee and the actual expenses incurred on such inquiry.

(3) If the company for any reasonable cause is unable to issue duplicate certificate, it shall notify this fact, along with the reasons within twenty days from the date of the application, to the applicant.

(4) Any violation of this section shall be an offence liable to a penalty of level I on the standard scale.

(5) If a company with intent to defraud, issues a duplicate certificate thereof the company shall be punishable with fine which may extend to one hundred thousand rupees and every officer of the company:, who is in default shall be punishable with imprisonment for a term which may extend to one hundred and eighty days, or with fine which may extend to fifty thousand rupees or with both.

TRANSFER OF SHARES AND OTHER SECURITIES

74. Transfer of shares and other securities.- (1) An application for registration of transfer of shares and other transferable securities along with proper instrument of transfer duly stamped and executed by the transferor and the transferee may be made to the company either by the transferor or the transferee, and subject to the provisions of this section, the company shall within fifteen days after the application for the registration of the transfer of any such securities, complete the process and-

- (a) ensure delivery of the certificates to the transferee at his registered address; and
- (b) enter in its register of members the name of the transferee:

Provided that in case of conversion of physical shares and other transferable securities into book-entry form, the company shall, within ten days after an application is made for the registration of the transfer of any shares or other securities to a central depository, register such transfer in the name of the central depository:

Provided further that nothing in this section shall apply to any transfer of shares or other securities pursuant to a transaction executed on the securities exchange.

(2) Where a transfer deed is lost, destroyed or mutilated before its lodgment, the company may on an application made by the transferee and bearing the stamp required by an instrument of transfer, register the transfer of shares or other securities if the transferee proves to the satisfaction of the board that the transfer deed duly executed has been lost, destroyed or mutilated:

Provided that before registering the transfer of shares or other securities, the company may demand such indemnity as it may think fit.

(3) All references to the shares or other securities in this section, shall in case of a company not having share capital, be deemed to be references to interest of the members in the company.

(4) Every company shall maintain at its registered office a register of transfers of shares and other securities and such register shall be open to inspection by the members and supply of copy thereof in the manner stated in section 124.

(5) Nothing in sub-section (1) shall prevent a company from registering as shareholder or other securities holder a person to whom the right to any share or security of the company has been transmitted by operation of law.

(6) Any violation of this section shall be an offence liable to a penalty of level 2 on the standard scale.

75. Board not to refuse transfer of shares.- The board shall not refuse to transfer any shares or securities unless the transfer deed is, for any reason, defective or invalid:

Provided that the company shall within fifteen days or, where the transferee is a central depository, within five days from the date on which the instrument of transfer was lodged with it notify the defect or invalidity to the transferee who shall, after the removal of such defect or invalidity, be entitled to re-lodge the transfer deed with the company:

Provided further that the provisions of this section shall, in relation to a private company, be subject to such limitations and restrictions as may have been imposed by the articles of such company.

76. Restriction on transfer of shares by the members of a private company.- (1) Notwithstanding anything contained in section 75, a member of a private company desirous of selling any shares held by him, shall intimate to the board of his intention through a notice.

(2) On receipt of such notice, the board shall, within a period of ten days, offer those shares for sale to the members in proportion to their existing shareholding:

Provided that a private company may transfer or sell its shares in accordance with its articles of association and agreement among the shareholders, if any, entered into prior to the commencement of this Act:

Provided further that any such agreement will be valid only if it is filed with the registrar within ninety days of the commencement of this Act.

(3) The letter of offer for sale specifying the number of shares to which the member is entitled, price per share and specifying the time limit, within which the offer, if not accepted, be deemed as declined, shall be dispatched to the members through registered post or courier or through electronic mode.

(4) If the whole or any part of the shares offered is declined or is not taken, the board may offer such shares to the other members in proportion to their shareholding.

(5) If all the members decline to accept the offer or if any shares are left over, the shares may be sold to any other person as determined by the member, who initiated the offer.

(6) For the purpose of this section, the mechanism to determine the price of shares shall be such, as may be specified.

77. Notice of refusal to transfer.- (1) If a company refuses to register a transfer of any shares or other securities, the company shall, within fifteen days after the date on which the instrument of transfer was lodged with the company, send to the transferee notice of the refusal indicating reasons for such refusal:

Provided that failure of the company to give notice of refusal after the expiry of the period mentioned in this section or section 75, shall be deemed refusal of transfer.

(2) Any violation of this section shall be an offence liable to a penalty of level 2 on the standard scale.

78. Transfer to successor-in-interest.- The shares or other securities of a deceased member shall be transferred on application duly supported by succession certificate or by lawful award, as the case may be, in favour of the successors to the extent of their interests and their names shall be entered in the register of members.

79. Transfer to nominee of a deceased member.- (1) Notwithstanding anything contained in any other law for the time being in force or in any disposition by a member of a company of his interest represented by the shares held by him as a member of the company, a person may on acquiring interest in a company as member, represented by shares, at any time after acquisition of such interest deposit with the company a nomination conferring on a person the right to protect the interest of the legal heirs in the shares of the deceased in the event of his death, as a trustee and to facilitate the transfer of shares to the legal heirs of the deceased subject to succession to be determined under the Islamic law of inheritance and in case of a non-Muslim members, as per their respective law.

(2) The person nominated under this section shall, after the death of the member, be deemed as a member of company till the shares are transferred to the legal heirs and if the deceased was a director of the company, not being a listed company, the nominee shall also act as director of the company to protect the interest of the legal heirs.

(3) The person to be nominated under this section shall not be a person other than the relatives of the member, namely, a spouse, father, mother, brother, sister and son or daughter.

(4) The nomination as aforesaid, shall in no way prejudice the right of the member making the nomination to transfer, dispose of or otherwise deal in the shares owned by him during his lifetime and, shall have effect in respect of the shares owned by the said member on the day of his death.

80. Appeal against refusal for registration of transfer.- (1) The transferor or transferee, or the person who gives intimation of the transmission by operation of law, as the case may be, aggrieved by the refusal of transfer under section 75 to

79 may appeal to the Commission within a period of sixty days of the date of refusal.

(2) The Commission shall, provide opportunity of hearing to the parties concerned and may, by an order in writing, direct that the transfer or transmission should be registered by the company and the company shall give effect to the decision within fifteen days of the receipt of the order.

(3) The Commission may, in its aforesaid order, give such incidental and consequential directions as to the payment of costs or otherwise as it deems fit.

(4) If default is made in giving effect to the order of the Commission within the period specified in sub-section (2), every director and officer of the company shall be liable to a penalty of level 3 on the standard scale.

COMMISSION, DISCOUNT AND PREMIUM

81. Application of premium received on issue of shares.- (1) If a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or the value of the premiums on those shares must be transferred to an account, called "the share premium account".

(2) Where, on issuing shares, a company has transferred a sum to the share premium account, it may use that sum to write off-

- (a) the preliminary expenses of the company;
- (b) the expenses of, or the commission paid or discount allowed on, any issue of shares of the company; and
- (c) in providing for the premium payable on the redemption of any redeemable preference shares of the company.

(3) The company may also use the share premium account to issue bonus shares to its members.

82. Power to issue shares at a discount.- (1) Subject to the provisions of this section, it shall be lawful for a company to issue shares in the company at a discount:

Provided that-

- (a) the issue of shares at a discount must be authorised by special resolution passed in the general meeting of the company;
- (b) the resolution must specify the number of shares to be issued, rate of discount, not exceeding the limits permissible under this section and price per share proposed to be issued;
- (c) in case of listed companies discount shall only be allowed if the market price is lower than the par value of the shares for a continuous period of past ninety trading days immediately preceding the date of announcement by the board; and
- (d) the issue of shares at discount must be sanctioned by the Commission:

Provided further that approval of the Commission shall not be required by a listed company for issuing shares at a discount if the discounted price is not less than ninety percent of the par value;

- (e) no such resolution for issuance of shares at discount shall be sanctioned by the Commission if the offer price per share, specified in the resolution, is less than-
 - (i) in case of listed companies, ninety percent of volume weighted average daily closing price of shares for ninety days prior to the announcement of discount issue; or
 - (ii) in case of other than listed companies, the breakup value per share based on assets (revalued not later than 3 years) or per share value based on discounted cash flow:

Provided that the calculation arrived at, for the purpose of sub-clause (i) or (ii) of clause (e) above, shall be certified by the statutory auditor;

- (f) directors and sponsors of listed companies shall be required to subscribe their portion of proposed issue at volume weighted average daily closing price of shares for ninety days prior to the announcement of discount issue;
- (g) not less than three years have elapsed since the date on which the company was entitled to commence business;
- (h) the share at a discount must be issued within sixty days after the date on which the issue is sanctioned by the Commission or within such extended time as the Commission may allow.

(2) Where a company has passed a special resolution authorising the issue of shares at a discount, it shall apply to the Commission where applicable, for an order sanctioning the issue. The Commission on such application may, if, having regard to all the circumstances of the case, thinks proper so to do, make an order sanctioning the issue of shares at discount subject to such terms and conditions as it deems fit.

(3) Issue of shares at a discount shall not be deemed to be reduction of capital.

(4) Every prospectus relating to the issue of shares, and every statement of financial position issued by the company subsequent to the issue of shares, shall contain particulars of the discount allowed on the issue of the shares.

(5) Any violation of this section shall be an offence liable to a penalty of level 3 on the standard scale.

83. Further issue of capital.- (1) Where the directors decide to increase share capital of the company by issue of ¹[further shares], such shares shall be offered:

- (a) to persons who, at the date of the offer, are members of the company in proportion to the existing shares held by ²[such members through] sending a letter of offer subject to the following conditions, namely-

¹ Substituted for the words "further share capital" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

² Words inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

- (i) the shares so offered shall be strictly in proportion to the shares already held in respective kinds and classes;
- (ii) the letter of offer shall state the number of shares offered and limiting a time not being less than fifteen days and not exceeding thirty days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined;
- (iii) in the case of a listed company any member, not interested to subscribe, may exercise the right to renounce the shares offered to him in favour of any other person, before the date of expiry stated in the letter of offer; and
- (iv) if the whole or any part of the shares offered under this section is declined or is not subscribed, the directors may allot such shares in such manner as they may deem fit within a period of thirty days from the close of the offer as provided under sub-clause (ii) above or within such extended time not exceeding thirty day with the approval of the Commission ^{1[:]}

^{2[]}

- ³[(b) in case of public company and subject to approval of the Commission, to any person on the basis of a special resolution either for cash or for consideration other than cash:

Provided that the value of any non-cash asset, net worth of undertaking, service, benefit or intellectual property shall be determined by a valuer]

- ⁴[(c) in case of a private company and subject to its articles and special resolution, to any person, either for cash or for consideration other than cash on such conditions and requirements as may be notified.]

(2) The letter of offer referred to in sub-clause (ii) of clause (a) of sub-section (1) ⁵[shall be] duly signed by at least two directors ⁶[and] dispatched through registered post or courier or through electronic mode to all the existing members, ensuring that it reaches the members before the commencement of period for the acceptance of offer.

⁷[(3) The letter of offer, referred to in sub-section (2), shall be accompanied by a circular duly signed by all directors or an officer of the company authorized by them in this behalf on such form as may be specified containing material information about the affairs of the company, latest statement of the accounts and the necessity for issue of further capital:

1 Substituted for the colon by the Companies (Amendment) Act, 2021, dated December 3, 2021.

2 Proviso omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

3 Clause (b) substituted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

4 Clause (c) inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

5 Words inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

6 Substituted for the words "shall be" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

7 Sub-section (3) substituted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

Provided that a copy of such circular shall also be filed with the registrar simultaneously at the time it is dispatched to the shareholders.]

(4) Notwithstanding anything contained in this section, where ¹[any loan or finances have] been obtained from any Government by a public sector company, and if that Government considers it necessary in the public interest so to do, it may, by order, direct that such loan or ²[finances or] any part thereof shall be converted into shares in that company, on such terms and conditions as appear to the Government to be just and reasonable in the circumstances of the case even if the terms of such loan ³[or finances] do not include the option for such conversion.

(5) In determining the terms and conditions of conversion under sub-section (4), the Government shall have due regard to the financial position of the public sector company, the terms of the rate of interest ⁴[or profit] payable thereon and such other matters as it may consider necessary.

(6) Notwithstanding anything contained in this Act or any other law for the time being in force or the memorandum and articles, where the authorised capital of a company is fully subscribed, or the un-subscribed capital is insufficient, the same shall be deemed to have been increased to the extent necessary for issue of shares to the Government, a scheduled bank or financial institution in pursuance of any obligation of the company to issue shares to such scheduled bank or financial institution.

(7) In case shares are allotted in terms of sub-section (6), the company shall be required to file the notice of increase in share capital along with the fee prescribed for such increase with the registrar within the period prescribed under this Act:

Provided that where default is made by a company in complying with the requirement of filing a notice of increase in the authorised capital under this Act as well as the fee to be deposited on the authorised capital as deemed to have been increased, the Government, scheduled bank or the financial institution to whom shares have been issued may file notice of such increase with the registrar and such notice shall be deemed to have been filed by the company itself and the Government, scheduled bank or financial institution shall be entitled to recover from the company the amount of any fee paid by it to the registrar in respect of such increase.

(8) Any violation of this section shall be an offence liable to a penalty of level 2 on the standard scale.

⁵[83A. Employees' stock options.]—Notwithstanding anything contained in section 83 or any other provision of this Act, a company may, under the authority

1 Substituted for the words "loans has" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

2 Word inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

3 Substituted for the word "does" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

4 Words inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

5 Section 83A inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

of special resolution, issue shares in accordance with its articles under employees' stock option in accordance with such procedure and subject to such conditions as may be specified.]

INVITATION OF DEPOSITS

84. Prohibition on acceptance of deposits from public.- (1) On and after the commencement of this Act, no company shall invite, accept or renew deposits from the public:

Provided that nothing in this sub-section shall apply to a banking company and such other company or class of companies or such deposits as the Commission may, notify in this behalf.

Explanation.—For the purposes of this section, "deposit" means any deposit of money with, and includes any amount borrowed by, a company, but shall not include a loan raised by issue of debentures or a loan obtained from a banking company or financial institution or an advance against sale of goods or provision of services in the ordinary course of business.

(2) Where a company accepts or invites, or allows or causes any other person to accept or invite on its behalf, any deposit, the company shall be punishable-

- (a) where such contravention relates to the acceptance of any deposit, with penalty which shall not be less than the amount of the deposit so accepted; and
- (b) where such contravention relates to the invitation for any deposit, shall be liable to a penalty of level 3 on the standard scale.

(3) In addition to the fine on the company under sub-section (2), every officer of the company which is in default shall be punishable with imprisonment for a term which may extend to two years and shall also be liable to fine which may extend to five million rupees.

85. Power of company to alter its share capital.- (1) A company having share capital may, if so authorised by its articles, alter the conditions of its memorandum through a special resolution, so as to-

- (a) increase its authorised capital by such amount as it thinks expedient;
- (b) consolidate and divide the whole or any part of its share capital into shares of larger amount than its existing shares;
- (c) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum;
- (d) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the share so cancelled:

Provided that, in the event of consolidation or sub-division of shares, the rights attaching to the new shares shall be strictly

proportional to the rights attached to the previous shares so consolidated or sub-divided:

Provided further that, where any shares issued are of a class which is the same as that of shares previously issued, the rights attaching to the new shares shall be the same as those attached to the shares previously held.

(2) The new shares issued by a company shall rank *pari passu* with the existing shares of the class to which the new shares belong in all matters, including the right to such bonus or right issue and dividend as may be declared by the company subsequent to the date of issue of such new shares.

(3) A cancellation of shares in pursuance of sub-section (1) shall not be deemed to be a reduction of share capital within the meaning of this Act.

(4) The company shall file with the registrar notice of the exercise of any power referred to in sub-section (1) within fifteen days from the exercise thereof.

(5) Any violation of this section shall be an offence liable to a penalty of level 1 on the standard scale.

86. Prohibition of purchase by company or giving of loans by it for purchase of its shares.-¹[]

(2) No public company or a private company being subsidiary of a public company shall give financial assistance whether directly or indirectly for the purpose of, or in connection with, a purchase or subscription made or to be made, by any person of any shares in the company or in its holding company.

(3) Nothing in sub-section (2) shall apply to-

- (a) the lending of money by a banking company in the ordinary course of its business;
- (b) the provision by a company of money in accordance with any scheme approved by company through special resolution and in accordance with such requirements as may be specified, for the purchase of, or subscription for shares in the company or its holding company, if the purchase of, or the subscription for, the shares held by a trust for the benefit of the employees or such shares held by the employee of the company;
- (c) the provision or securing an advance to any of its employees, including a chief executive who, before his appointment as such, was not a director of the company, but excluding all directors of the company, for purchase of shares of the company or of its subsidiary or holding company.

(4) Any violation of this section shall be an offence liable to a penalty of level 1 on the standard scale.

87. Subsidiary company not to hold shares in its holding company.- (1) No company shall, either by itself or through its nominees, hold any shares in its holding company and no holding company shall allot or transfer its shares to any

¹ Sub-section (1) omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

of its subsidiary companies and any such allotment or transfer of shares of a company to its subsidiary company shall be void:

Provided that a subsidiary shall not be barred-

- (a) from acting as a trustee unless its holding company is beneficially interested under the trust; and
- (b) from dealing in shares of its holding company in the ordinary course of its business, on behalf of its clients only subject to non-provision of any financial assistance where such subsidiary carries on a bona fide business of brokerage:

Provided further that a subsidiary dealing in shares of its holding company in the ordinary course of its brokerage business, shall not exercise the voting rights attached to such shares.

Provided also that the provisions of this section shall not be applicable where such shares are held by a company by operation of law.

(2) Any violation of this section shall be an offence liable to a penalty of level 2 on the standard scale.

88. Power of a company to purchase its own shares.- (1) Notwithstanding anything contained in this Act or any other law, for the time being in force, or the memorandum and articles, a ¹[] company may, subject to the provisions of this section and the regulations specified in this behalf, purchase its own shares.

(2) The shares purchased by the company may, in accordance with the provisions of this section and the regulations, either be cancelled or held as treasury shares ²[:]

³[Provided that shares purchased by an unlisted public company or a private company shall be cancelled and not be held as treasury shares:

Provided further that cancellation of shares under this section shall not be deemed to be a reduction of share capital within the meaning of section 89 and such shares shall be cancelled in such form and manner as may be specified.]

(3) The shares held by the company as treasury shares shall, as long as they are so held, in addition to any other conditions as may be specified, be subject to the following conditions, namely-

- (a) the voting rights of these shares shall remain suspended; and
- (b) no cash dividend shall be paid and no other distribution, whether in cash or otherwise of the company's assets, including any distribution of assets to members on a winding up shall be made to the company in respect of these shares:

Provided that nothing in this sub-section shall prevent-

- (a) an allotment of shares as fully paid bonus shares in respect of the treasury shares; and

1 Word "listed" omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

2 Substituted for the full-stop by the Companies (Amendment) Act, 2021, dated December 3, 2021.

3 Provisos inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

(b) the payment of any amount payable on the redemption of the treasury shares, if they are redeemable.

(4) The board shall recommend to the members purchase of the shares. The decision of the board shall clearly specify the number of shares proposed to be purchased, purpose of the purchase i.e. cancellation or holding the shares as treasury shares, the purchase price, period within which the purchase shall be made, source of funds, justification for the purchase and effect on the financial position of the company.

(5) The purchase of shares shall be made only under authority of a special resolution.

(6) The purchase of shares shall be made within a period as specified in the regulations.

(7) The proposal of the board to purchase shares shall, on conclusion of the board's meeting, be communicated to the Commission and to the securities exchange on which shares of the company are listed.

(8) The purchase of shares shall always be made in cash and shall be out of the distributable profits or reserves specifically maintained for the purpose.

(9) The purchase of shares shall be made ¹[] through the securities exchange as may be specified.

(10) The company may dispose of the treasury shares in a manner as may be specified.

(11) Where a purchase of shares has been made under this section, the company shall maintain a register of shares so purchased and enter therein the following particulars, namely-

- (a) number of shares purchased;
- (b) consideration paid for the shares purchased;
- (c) mode of the purchase;
- (d) the date of cancellation or re-issuance of such shares;
- (e) number of bonus shares issued in respect of treasury shares; and
- (f) number and amount of treasury shares redeemed, if redeemable.

(12) Any violation of this section shall be an offence liable to a penalty of level 3 on the standard scale and shall also be individually and severally liable for any or all losses or damages arising out of such contravention.

REDUCTION OF SHARE CAPITAL

89. Reduction of share capital.- Subject to confirmation by the Court a company limited by shares, if so authorised by its articles, may by special resolution reduce its share capital in any way, namely-

- (a) cancel any paid-up share capital which is lost or un-represented by available assets;

¹ Words "either through a tender offer or" omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

- (b) pay off any paid-up share capital which is in excess of the needs of the company.

90. Objection by creditors and settlement of list of objecting creditors.- (1)

Where the proposed reduction of share capital involves or the payment to any shareholder of any paid-up share capital, and in any other case if the Court so directs, every creditor of the company who is entitled to any debt or claim, shall be entitled to object to the reduction.

(2) The Court shall settle a list of creditors so entitled to object, and for that purpose shall ascertain, as far as possible without requiring an application from any creditor, the names of those creditors and the nature and amount of their debts or claims, and may publish notices fixing a period within which creditors not entered on the list are to claim to be so entered or are to be excluded from the right of objecting to the reduction.

91. Power to dispense with consent of creditor on security being given for his debt.- Where a creditor entered on the list of creditors whose debt or claim is not discharged or determined does not consent to the reduction, the Court may, if it thinks fit, dispense with the consent of that creditor, on the company securing payment of his debt or claim by appropriating as the Court may direct, the following amount, that is to say-

- (a) if the company admits the full amount of his debt or claim, or, though not admitting it, is willing to provide for it, then the full amount of the debt or claim; and
- (b) if the company does not admit or is not willing to provide for the full amount of the debt or claim, or if the amount is contingent or not ascertained, then an amount fixed by the Court after the like inquiry, and adjudication as if the company were being wound up by the Court.

92. Order confirming reduction.- If the Court is satisfied with respect to every creditor of the company who under this Act is entitled to object to the reduction that either his consent to the reduction has been obtained or his debt or claim has been discharged or has been determined or has been secured, the Court may make an order confirming the reduction on such terms and conditions as it thinks fit.

93. Registration of order of reduction.- (1) The registrar on the filing with him of a certified copy of order of the Court confirming the reduction of the share capital of the company, shall register the same.

(2) A resolution for reducing share capital as confirmed by an order of the Court registered under sub-section (1) shall take effect on such registration and not before.

(3) The registrar shall certify under his hand the registration of the order and his certificate shall be conclusive evidence that all the requirements of this Act with respect to reduction of share capital have been complied with, and that the share capital of the company is such as is stated in the order.

94. Liability of members in respect of reduced shares.- (1) A member of the company, past or present, shall not be liable in respect of any share to any call or contribution exceeding in amount the difference, if any, between the amount paid, or, as the case may be, the received amount, if any, which is to be deemed to have been paid, on the share and the amount of the share as fixed by the order:

Provided that, if any creditor, entitled in respect of any debt or claim to object to the reduction of share capital, is, by reason of his ignorance of the proceedings for reduction, or of their nature and effect with respect to his claim not entered on the list of creditors, and, after the reduction, the company is unable, within the meaning of the provisions of this Act with respect to winding up by the Court, to pay the amount of his debt or claim, then-

- (a) every person who was a member of the company at the date of the registration of the order for reduction shall be liable to contribute for the payment of that debt, or claim an amount not exceeding the amount which he would have been liable to contribute if the company had commenced to be wound up on the day before that registration; and
- (b) if the company is wound up, the Court on the application of any such creditor and proof of his ignorance as aforesaid, may, if it thinks fit, settle accordingly a list of persons so liable to contribute, and make and enforce calls and orders on the contributors settled on the list as if they were ordinary contributors in a winding up.

(2) Nothing in this section shall affect the rights of the contributors among themselves.

95. Penalty on concealment of name of creditor.- If any officer of the company conceals the name of any creditor entitled to object to the reduction, or willfully misrepresents the nature or amount of the debt or claim of any creditor, or if any officer of the company abets any such concealment or misrepresentation as aforesaid, every such officer shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to five million rupees, or with both.

96. Publication of reasons for reduction.- In the case of reduction of share capital, the Court may require the company to publish in the manner specified by the Court the reasons for reduction, or such other information in regard thereto as the Court may think expedient with a view to giving proper information to the public, and, if the Court thinks fit, the causes which led to the reduction.

97. Increase and reduction of share capital in case of a company limited by guarantee having a share capital.- A company limited by guarantee may, if it has a share capital and is so authorised by its articles, increase or reduce its share capital in the same manner and on the same conditions subject to which a company limited by shares may increase or reduce its share capital under the provisions of this Act.

UNLIMITED LIABILITY OF DIRECTORS

98. Limited company may have directors with unlimited liability.-(1) In a limited company, the liability of the directors or of any director may, if so provided by the memorandum, be unlimited.

(2) In a limited company in which the liability of any director is unlimited, the directors of the company, if any, and the member who proposes a person for election or appointment to the office of director, shall add to that proposal a statement that the liability of the person holding that office will be unlimited and the promoters and officers of the company, or one of them shall, before that person accepts the office or acts therein, give him notice in writing that his liability will be unlimited.

(3) Any violation of this section shall be an offence liable to a penalty of level 1 on the standard scale and shall also be liable for any damage which the person so elected or appointed may sustain from the default, but the liability of the person elected or appointed shall not be affected by the default.

99. Special resolution of limited company making liability of directors unlimited.- A limited company, if so authorised by its articles, may, by special resolution, alter its memorandum so as to render unlimited the liability of its directors or of any director:

Provided that an alteration of the memorandum making the liability of any of the directors unlimited shall not apply, without his consent, to a director who was holding the office from before the date of the alteration, until the expiry of the term for which he was holding office on that date.

PART VI
REGISTRATION OF MORTGAGES, CHARGES

100. Requirement to register a mortgage or charge.- (1) A company that creates a mortgage or charge to which this section applies must file the specified particulars of the mortgage or charge, together with a copy of the instrument, if any, verified in the specified manner, by which the mortgage or charge is created or evidenced, with the registrar for registration within a period of thirty days beginning with the day after the date of its creation:

Provided that-

- (a) in the case of a mortgage or charge created out of Pakistan comprising solely property situated outside Pakistan, thirty days after the date on which the instrument or copy could, in due course of post, and if dispatched with due diligence, have been received in Pakistan shall be substituted for thirty days after the date of the creation of the mortgage or charge as the time within which the particulars and instrument or copy are to be filed with the registrar; and
- (b) in case the mortgage or charge is created in Pakistan but comprises property outside Pakistan, a copy of the instrument creating or purporting to create the mortgage or charge verified in the specified manner may be filed for registration notwithstanding that further proceedings may be necessary to make the mortgage or charge valid or effectual according to the law of the country in which the property is situate:

Provided further that any subsequent registration of a mortgage or charge shall not prejudice any right acquired in respect of any property before the mortgage or charge is actually registered.

(2) This section applies to the following charges-

- (a) a mortgage or charge on any immovable property wherever situate, or any interest therein; or
- (b) a mortgage or charge for the purposes of securing any issue of debentures;
- (c) a mortgage or charge on book debts of the company;
- (d) a floating charge on the undertaking or property of the company, including stock-in-trade; or
- (e) a charge on a ship or aircraft, or any share in a ship or aircraft;
- (f) a charge on goodwill or on any intellectual property;
- (g) a mortgage or charge or pledge, on any movable property of the company;

- (h) a mortgage or charge or other interest, based on agreement for the issue of any instrument in the nature of redeemable capital; or
- (i) a mortgage or charge or other interest, based on conditional sale agreement, namely, lease financing, hire-purchase, sale and lease back, and retention of title, for acquisition of machinery, equipment or other goods:

Provided that where a negotiable instrument has been given to secure the payment of any book debts of a company, the deposit of the instrument for the purpose of securing an advance to the company shall not for the purpose of this sub-section be treated as a mortgage or charge on those book debts.

Explanation.— For the purposes of this Act “charge” includes mortgage or pledge.

(3) The registrar shall, on registration of a mortgage or charge under sub-section (1) issue a certificate of registration under his signatures or authenticated by his official seal in such form and in such manner as may be specified.

(4) The provisions of this section relating to registration shall apply to a company acquiring any property subject to a mortgage or charge.

(5) Notwithstanding anything contained in any other law for the time being in force, no mortgage or charge created by a company shall be taken into account by the liquidator or any other creditor unless it is duly registered under sub-section (1) and a certificate of registration of such charge is given by the registrar under sub-section (3).

(6) Nothing in sub-section (5) shall prejudice any contract or obligation for repayment of the money thereby secured.

(7) Where any mortgage or charge on any property or assets of a company or any of its undertakings is registered under this section, any person acquiring such property, assets, undertakings or part thereof or any share or interest therein shall be deemed to have notice of the mortgage or charge from the date of such registration.

101. Particulars in case of series of debentures entitling holders *pari passu*.— Where a series of debentures containing, or giving by reference to any other instrument, any charge to the benefit of which the debenture-holders of that series are entitled *pari passu* is created by a company, it shall be sufficient for the purposes of section 100 if there are filed with the registrar within thirty days after the execution of the deed containing the charge or, if there is no such deed, after the execution of any debentures of the series, the following particulars, namely—

- (a) the total amount secured by the whole series;
- (b) the dates of the resolutions authorising the issue of the series and the date of the covering deed, if any, by which the security is created or defined;

(c) a general description of the property charged; and
(d) the names of the trustees, if any, for the debenture-holders;
together with a copy of the deed verified in the specified manner containing the charge:

Provided that, where more than one issue is made of debentures in the series, there shall be filed with the registrar for entry in the register particulars of the date and amount of each issue, but an omission to do this shall not affect the validity of the debentures issued.

102. Register of charges to be kept by registrar.- (1) The registrar shall, in respect of every company, keep a register containing particulars of the charges registered under this Part in such form and in such manner as may be specified.

(2) A register kept in pursuance of this section shall be open to inspection by a person on payment of such fees as may be prescribed.

103. Index to register of mortgages and charges.- The registrar shall keep a chronological index, in the form, containing such particulars, as may be specified, of the mortgages or charges registered with him under the company law.

104. Endorsement of certificate of registration on debenture or certificate of debenture stock.- The company shall cause a copy of every certificate of registration given under section 100 to be endorsed on every debenture or certificate of debenture stock which is issued by the company and the payment of which is secured by the mortgage or charge so registered:

Provided that in case the certificate of debenture or debenture stock is issued in the book-entry form, appropriate disclosure in pursuance of this section shall be made in the manner as may be specified:

Provided further that nothing in this section shall be construed as requiring a company to cause a certificate of registration of any mortgage or charge so given, to be endorsed on any debenture or certificate of debenture stock which has been issued by the company before the mortgage or charge was created.

105. Duty of company and right of interested party as regards registration.- (1) It shall be the duty of a company to file with the registrar for registration the specified particulars of every mortgage or charge created by the company and of the issue of debentures of a series, requiring registration under section 100, but registration of any such mortgage or charge may be effected on the application of any person interested therein.

(2) Where the registration is affected on the application of some person other than the company, that person shall be entitled to recover from the company the amount of any fees properly paid by him to the registrar on the registration.

106. Modification in the particulars of mortgage or charge.- Whenever the terms or conditions or extent or operation of any mortgage or charge registered under this Part are modified, it shall be the duty of the company to send to the registrar the particulars of such modification together with a copy of the instrument evidencing

such modification verified in the specified manner, and the provisions of this Part as to registration of mortgage or charge shall apply to such modification of the mortgage or charge as aforesaid.

107. Copy of instrument creating mortgage or charge to be kept at registered office.- Every company shall cause a copy of every instrument creating any mortgage or charge requiring registration under this Part and of every instrument evidencing modification of the terms or conditions thereof, to be kept at the registered office of the company.

108. Rectification of register of mortgages.- (1) The Commission on being satisfied that-

- (a) the omission to file with the registrar the particulars of any mortgage or charge or any modification therein within the time required by section 100 or 101, as the case may be; or
- (b) the omission or misstatement of any particular with respect to any such mortgage or charge;

was accidental or due to inadvertence or to some other sufficient cause, or is not of a nature to prejudice the position of creditors or shareholders of the company, or that on other grounds it is just and equitable to grant relief, may, on the application of the company or any person interested and, on such terms and conditions as seem to the Commission just and expedient, order that the time for filing the required particulars be extended, or, as the case may be, that the omission or misstatement be rectified, and may make such order as to the costs of the application as it thinks fit.

(2) A copy of the order passed under this section duly certified by the Commission or its authorised officer shall be forwarded to the concerned registrar within seven days from the date of the order.

(3) Where the Commission extends the time for the registration of a mortgage or charge, the order shall not prejudice any rights acquired in respect of the property concerned prior to the time when the mortgage or charge is actually registered.

109. Company to report satisfaction of charge.- (1) A company shall give intimation to the registrar in the manner specified, of the payment or satisfaction, in full, of any mortgage or charge created by it and registered under this Part, within a period of thirty days from the date of such payment or satisfaction.

(2) The registrar shall, on receipt of intimation under sub-section (1), cause a notice to be sent to the holder of the mortgage or charge calling upon him to show cause within such time not exceeding fourteen days, as may be specified in such notice, as to why payment or satisfaction in full shall not be recorded as intimated to the registrar, and if no cause is shown, by such holder of the mortgage or charge, the registrar shall accept the memorandum of satisfaction and make an entry in the register of charges kept by him under section 102:

Provided that the notice referred to in this sub-section shall not be required if a no objection certificate on behalf of the holder of the mortgage or charge is furnished, along with the intimation to be submitted under sub-section (1).

(3) If any cause is shown, the registrar shall record a note to that effect in the register of charges and shall inform the company.

(4) Nothing in this section shall be deemed to affect the powers of the registrar to make an entry in the register of charges under section 102 or otherwise than on receipt of an intimation from the company.

(5) If a company fails to file the particulars of satisfaction of mortgage or charge within the period specified under this section, the required particulars may be submitted with the additional fee, as may be specified and imposing the penalty as specified in this Part.

110. Power of registrar to make entries of satisfaction and release in absence of intimation from company.- The registrar may, on evidence being given to his satisfaction with respect to any registered charge-

- (a) that the debt for which the charge was given has been paid or satisfied in whole or in part; or
- (b) that part of the property or undertaking charged has been released from the charge or has ceased to form part of the company's property or undertaking;

enter in the register of charges a memorandum of satisfaction in whole or in part, or of the fact that part of the property or undertaking has been released from the charge or has ceased to form part of the company's property or undertaking, as the case may be, and inform the parties concerned, notwithstanding the fact that no intimation has been received by him from the company.

111. Punishment for contravention.- Any violation of this Part shall be an offence liable to a penalty of level 1 on the standard scale.

112. Company's register of mortgages and charges.- (1) Every company shall maintain a register of mortgages and charges requiring registration under this Part, in such form and in such manner as may be specified and any violation under this section shall be an offence punishable under this Act.

(2) The register of charges maintained under this section and the copies of instrument creating any mortgage and charge or modification thereof, kept in pursuance of this part shall be open to inspection of-

- (a) any member or creditor of the company without fee; and
- (b) any other person on payment of such fee as may be fixed by the company for each inspection.

(3) The refusal of inspection of the said copies or the register shall be an offence under this section and any person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale, and every officer of

the company who knowingly authorises or permits the refusal shall incur the like penalty, and in addition to the above penalty, the registrar may by order compel an immediate inspection of the copies or register.

(4) If any officer of the company authorises or permits the omission of any entry required to be made in pursuance of sub-section (1), shall be liable to a penalty of level 1 on the standard scale.

RECEIVERS AND MANAGERS

113. Registration of appointment of receiver or manager.- (1) Where in order to ensure enforcement of security of a company's property, a person obtains an order for the appointment of a receiver or manager, or appoints such a receiver or manager under any powers contained in any instrument, he shall within seven days of the order or of the appointment under the powers contained in the instrument, file a notice of the fact with the registrar.

(2) Where a person appointed as a receiver or manager under this section ceases to act as such, the person who had obtained the order or appointed such a receiver or manager pursuant to the powers contained in any instrument shall on ceasing of the receiver or manager, give the registrar a notice to that effect within seven days.

(3) The registrar shall enter the fact of which he is given notice under this section in the register of mortgages and charges.

(4) Any violation of sub-sections (1) and (2) shall be an offence liable to a penalty of level 1 on the standard scale.

114. Filing of accounts of receiver or manager.- (1) Every receiver of the property of a company who has been appointed under the powers contained in any instrument, and who has taken possession, shall within thirty days of expiry of every one hundred and eighty days while he remains in possession, and also within thirty days on ceasing to act as receiver, file with the registrar an abstract in the form specified of his receipts and payments during the period to which the abstract relates, and shall also, within fifteen days of ceasing to act as receiver, file with the registrar notice to that effect, and the registrar shall enter the notice in the register of mortgages and charges.

(2) Where a receiver of the property of a company has been appointed, every invoice, order for goods, or business letter issued by or on behalf of the company or the receiver of the company, being a document on or in which the name of the company appears, shall contain a statement that a receiver has been appointed.

(3) The provisions of sub-sections (1) and (2) shall apply to any person appointed to manage the property of a company under any powers contained in an instrument in the same manner as they apply to a receiver so appointed.

(4) Any contravention or default of this section by the receiver, or person appointed to manage the property of the company referred to sub-section (3), shall be an offence liable to a penalty of level 1 on the standard scale.

115. Disqualification for appointment as receiver or manager.- The following shall not be appointed as a receiver or manager of the company's property, namely-

- (a) a minor;
- (b) a person who is of unsound mind and stands so declared by a competent court;
- (c) a body corporate;
- (d) a director of the company;
- (e) an un-discharged insolvent unless he is granted leave by the court by which he has been adjudged an insolvent; or
- (f) a person disqualified by a Court from being concerned with or taking part in the management of the company in any other way, unless he is granted leave by the Court.

116. Application to Court.- (1) A receiver or manager of the company's property appointed under the powers contained in any instrument may apply to the Court for directions in relation to any particular matter arising in connection with the performance of his functions, and on any such application the Court may give such direction, or may make such order declaring the rights of persons before the Court, or otherwise, as the Court thinks just.

(2) A receiver or manager of the company's property appointed as aforesaid shall, to the same extent as if he had been appointed by order of a Court be personally liable on any contract entered into by him in the performance of his functions, except in so far as the contract otherwise provides, and entitled in respect of that liability to indemnity out of the assets; but nothing in this sub-section shall be deemed to limit any right to indemnity which he would have apart from this sub-section, or to limit his liability on contracts entered into without authority or to confer any right to indemnity in respect of that liability.

117. Power of Court to fix remuneration of receiver or manager.- (1) The Court may, on an application made to it by the receiver or manager of the property, by order fix the amount to be paid by way of remuneration to any person who, under the power contained in an instrument, has been appointed as receiver or manager of the company's property:

Provided that the amount of remuneration shall not exceed such limits as may be specified.

(2) The power of the Court under sub-section (1) shall, where no previous order has been made with respect thereto-

- (a) extend to fixing the remuneration for any period before the making of the order or the application therefore;
- (b) be exercisable notwithstanding that the receiver or manager had died or ceased to act before the making of the order or the application therefore; and

- (c) where the receiver or manager has been paid or has retained for his remuneration for any period before the making of the order any amount in excess of that so fixed for that period, extend to requiring him or his representative to account for the excess or such part thereof as may be specified in the order:

Provided that the power conferred by clause (c) shall not be exercised as respects any period before the making of the application or the order unless in the opinion of the Court there are special circumstances making it proper for the power to be so exercised.

(3) The Court may from time to time, on an application made either by the liquidator or by the receiver or manager, or by the registrar, vary or amend an order made under sub-section (1) and issue directions to the receiver respecting his duties and functions or any other matter as it may deem expedient:

Provided that an order made under sub-section (1) shall not be varied so as to increase the amount of remuneration payable to any person.

COMPENDIUM
OF
CORPORATE LAWS

PART VII MANAGEMENT AND ADMINISTRATION

118. Members of a company.- The subscribers to the memorandum of association are deemed to have agreed to become members of the company and become members on its registration and every other person-

- (a) to whom is allotted, or who becomes the holder of any class or kind of shares; or
- (b) in relation to a company not having a share capital, any person who has agreed to become a member of the company;

and whose names are entered; in the register of members, are members of the company.

REGISTER AND INDEX OF MEMBERS

119. Register of members.- (1) Every company shall keep a register of its members and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.

(2) There must be entered in the register such particulars of each member as may be specified.

(3) In the case of joint holders of shares or stock in a company, the company's register of members shall state the names of each joint holder. In other respects joint holders shall be regarded for the purposes of this Part as a single member and the address of the person named first shall be entered in the register:

(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

120. Index of members.- (1) Every company having more than fifty members shall keep an index of the names of the members of the company, unless the register of members is in such a form as to constitute in itself an index.

(2) The company shall make any necessary alteration in the index within fourteen days after the date on which any alteration is made in the register of members.

(3) The index shall contain, in respect of each member, a sufficient indication to enable the account of that member in the register to be readily found.

(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

121. Trust not to be entered on register.- No notice of any trust, expressed, implied or constructive, shall be entered on the register of members of a company, or be receivable by the registrar.

122.Register of debenture-holders.- (1) Every company shall keep a register of its debenture-holders and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.

(2) There must be entered in the register such particulars of each debenture-holder as may be specified.

¹[]

(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

123.Index of debenture-holders.- (1) Every company having more than fifty debenture-holders shall keep an index of the names of the debenture-holders of the company, unless the register of debenture-holders is in such a form as to constitute in itself an index and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.

(2) The company shall make any necessary alteration in the index within fourteen days after the date on which any alteration is made in the register of debenture-holders.

(3) The index shall contain, in respect of each debenture-holder, a sufficient indication to enable the account of that debenture-holder in the register to be readily found.

(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

²123A. Record of ultimate beneficial owner.— (1) A company shall maintain information of its ultimate beneficial owners in such form and manner, within such period and obtain such declaration from its members as may be specified.

Explanation.—For the purpose of this section, the term “ultimate beneficial owner” means a natural person who ultimately owns or controls a company, whether directly or indirectly, through at least twenty five percent shares or voting rights, or by exercising effective control in that company through such other means, as may be specified.

(2) Every company shall, in such form and manner as may be specified, maintain a register of its ultimate beneficial owners and shall timely record their accurate and updated particulars, including any change therein, and provide a declaration to this effect to the registrar and where any government is a member of a company such particulars of the relevant government shall be entered in the register of ultimate beneficial owners in the specified manner.

(3) Any contravention or default in complying with requirement of this section shall be liable in case of,—

(a) a director or officer of the company or any other person, to a penalty which may extend to one million rupees; and

1 Sub-section (3) omitted by the Companies (Amendment) Act, 2020, dated 26th August, 2020.

2 Section 123A inserted by the Companies (Amendment) Act, 2020, dated 26th August, 2020.

(b) the company, to a penalty which may extend to ten million rupees.]

124. Rights to inspect and require copies.- (1) The registers and the index referred to in sections 119, 120, 122 and 123 shall, be open to the inspection of members or debentures-holders during business hours, subject to such reasonable restrictions, as the company may impose, so that not less than two hours in each day be allowed.

(2) Inspection by any member or debenture-holder of the company shall be without charge, and in the case of any other person on payment of such fee as may be fixed by the company for each inspection.

(3) Any person may require a certified copy of register and index or any part thereof, on payment of such fee as may be fixed by the company.

(4) The certified copies requested under this section shall be issued within a period of seven days, exclusive of the days on which the transfer book of the company is closed.

(5) A person seeking to exercise either of the rights conferred by this section must make a request to the company to that effect.

(6) The request must contain the following information-

- (a) in the case of an individual, his name and address;
- (b) in the case of an organisation, its name and address and also of the authorised person; and
- (c) the purpose for which the information is to be used.

(7) Any refusal of inspection required under sub-section (1), or if any copy required under sub-section (3) is not issued within the specified period shall be an offence and any person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale; and the registrar may by an order compel an immediate inspection of the register and index or direct that copies required shall be sent to the persons requiring them.

125. Power to close register.- (1) A company may, on giving not less than seven days' previous notice close its register of members, or the part of it relating to members holding shares of any class, for any period or periods not exceeding in the whole thirty days in each year:

Provided that the Commission may, on the application of the company extend the period mentioned in sub-section (1), for a further period of fifteen days.

(2) In the case of listed company, notice for the purposes of sub-section (1), must be given by advertisement in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation.

(3) The provision of this section shall also apply for the purpose of closure of register of debenture-holders of a company.

(4) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 2 on the standard scale.

126. Power of Court to rectify register.- (1) If-

- (a) the name of any person is fraudulently or without sufficient cause entered in or omitted from the register of members or register of debenture-holders of a company; or
- (b) default is made or unnecessary delay takes place in entering on the register of members or register of debenture-holders the fact of the person having become or ceased to be a member or debenture-holder; the person aggrieved, or any member or debenture-holder of the company, or the company, may apply to the Court for rectification of the register.

(2) The Court may either refuse the application or may order rectification of the register on payment by the company of any damages sustained by any party aggrieved, and may make such order as to costs as it in its discretion thinks fit.

(3) On any application under sub-section (1) the Court may decide any question relating to the title of any person who is a party to the application to have his name entered in or omitted from the register, whether the question arises between members or debenture-holders or alleged members or debenture-holders, or between members or alleged members, or debenture-holders or alleged debenture-holders, on the one hand and the company on the other hand; and generally may decide any question which it is necessary or expedient to decide for rectification of the register.

(4) Where the Court has passed an order under sub-section (3) that prima facie entry in or omission from, the register of members or the register of debenture-holders the name or other particulars of any person, was made fraudulently or without sufficient cause, the Court may send a reference for adjudication of offence under section 127 to the court as provided under section 482.

127. Punishment for fraudulent entries in and omission from register.- Anyone who fraudulently or without sufficient cause enters in, or omits from the register of members or the register of debenture-holders the name or other particulars of any person, shall be punishable with imprisonment for a term which may extend to three years or with fine which may extend to one million rupees, or with both.

128. Notice to registrar of rectification of register.- When it makes an order for rectification of the register of members in respect of a company which is required by this Act to file a list of its members with the registrar, the Court shall cause a copy of the order to be forwarded to the company and shall, by its order, direct the company to file notice of the rectification with the registrar within fifteen days from the receipt of the order.

129. Register to be evidence.- The registers referred to in sections 119 and 122 shall be prima facie evidence of any matter which by this Act is directed or authorised to be inserted therein.

130. Annual return.- (1) Every company having a share capital shall, once in each year, prepare and file with the registrar an annual return containing the

particulars in a specified form as on the date of the annual general meeting or, where no such meeting is held or if held is not concluded, on the last day of the calendar year.

(2) A company not having a share capital shall in each year prepare and file with the registrar a return containing the particulars in a specified form as on the date of the annual general meeting or, where no such meeting is held or if held is not concluded, on the last day of the calendar year.

(3) The return referred to in sub-section (1) or sub-section (2) shall be filed with the registrar within thirty days from the date of the annual general meeting held in the year or, when no such meeting is held or if held is not concluded, from the last day of the calendar year to which it relates:

Provided that, in the case of a listed company, the registrar may for special reasons extend the period of filing of such return by a period not exceeding fifteen days.

(4) All the particulars required to be submitted under sub-section (1) and sub-section (2) shall have been previously entered in one or more registers kept by the company for the purpose.

(5) Nothing in this section shall apply to a company, in case there is no change of particulars in the last annual return filed with the registrar:

Provided that a company, other than a single member company or a private company having paid up capital of not more than three million rupees, shall inform the registrar in a specified manner that there is no change of particulars in the last annual return filed with the registrar.

(6) Any contravention or default in complying with requirement of this section shall be an offence liable-

- (a) in case of a listed company, to a penalty of level 2 on the standard scale; and
- (b) in case of any other company, to a penalty of level 1 on the standard scale.

MEETINGS AND PROCEEDINGS

131. Statutory meeting of company.- (1) Every public company having a share capital shall, within a period of one hundred and eighty days from the date at which the company is entitled to commence business or within nine months from the date of its incorporation whichever is earlier, hold a general meeting of the members of the company, to be called the "statutory meeting":

Provided that in case first annual general meeting of a company is decided to be held earlier, no statutory meeting shall be required.

(2) The notice of a statutory meeting shall be sent to the members at least twenty-one days before the date fixed for the meeting along with a copy of statutory report.

(3) The statutory report shall state-

- (a) the total number of shares allotted, distinguishing shares allotted other than in cash, and stating the consideration for which they have been allotted;
- (b) the total amount of cash received by the company in respect of all the shares allotted;
- (c) an abstract of the receipts of the company and of the payments made there out up to a date within fifteen days of the date of the report, exhibiting under distinctive headings the receipts of the company from shares and debentures and other sources, the payments made there out, and particulars concerning the balance remaining in hand, and an account or estimate of the preliminary expenses of the company showing separately any commission or discount paid or to be paid on the issue or sale of shares or debentures;
- (d) the names, addresses and occupations of the directors, chief executive, secretary, auditors and legal advisers of the company and the changes, if any, which have occurred since the date of the incorporation;
- (e) the particulars of any contract the modification of which is to be submitted to the meeting for its approval, together with the particulars of the modification or proposed modification;
- (f) the extent to which underwriting contracts, if any, have been carried out and the extent to which such contracts have not been carried out, together with the reasons for their not having been carried out; and
- (g) the particulars of any commission or brokerage paid or to be paid in connection with the issue or sale of shares to any director, chief executive, secretary or officer or to a private company of which he is a director;

and certified by the chief executive and at least one director of the company, and in case of a listed company also by the chief financial officer.

(4) The statutory report shall also contain a brief account of the state of the company's affairs since its incorporation and the business plan, including any change or proposed change affecting the interest of shareholders and business prospects of the company.

(5) The statutory report shall, so far as it relates to the shares allotted by the company, the cash received in respect of such shares and to the receipts and payments of the company, be accompanied by a report of the auditors of the company as to the correctness of such allotment, receipt of cash, receipts and payments.

(6) The directors shall cause a copy of the statutory report, along with report of the auditors as aforesaid, to be delivered to the registrar for registration forthwith after sending the report to the members of the company.

(7) The directors shall cause a list showing the names, occupations, nationality and addresses of the members of the company, and the number of

shares held by them respectively, to be produced at the commencement of the meeting and to remain open and accessible to any member of the company during the continuance of the meeting.

(8) The members of the company present at the meeting shall be at liberty to discuss any matter relating to the formation of the company or arising out of the statutory report, whether previous notice has been given or not, but no resolution of which notice has not been given in accordance with the articles may be passed.

(9) The meeting may adjourn from time to time, and at any adjourned meeting any resolution of which notice has been given in accordance with the articles, either before or after the original meeting, may be passed, and an adjourned meeting shall have the same powers as an original meeting.

(10) The provisions of this section shall not apply to a public company which converts itself from a private company after one year of incorporation.

(11) Any contravention or default in complying with requirement of this section shall be an offence liable-

- (a) in case of a listed company, to a penalty of level 2 on the standard scale; and
- (b) in case of any other company, to a penalty of level 1 on the standard scale.

132. Annual general meeting.- (1) Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year:

Provided that, in the case of a listed company, the Commission, and, in any other case, the registrar, may for any special reason extend the time within which any annual general meeting, shall be held by a period not exceeding thirty days.

(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 or in a nearest city:

Provided that at least seven days prior to the date of meeting, on the demand of members residing in a city who hold at least ten percent of the total paid up capital or such other percentage as may be specified, a listed company must provide the facility of video-link to such members enabling them to participate in its annual general meeting.

(3) The notice of an annual general meeting shall be sent to the members and every person who is entitled to receive notice of general meetings at least twenty-one days before the date fixed for the meeting:

Provided that in case of a listed company, such notice shall be sent to the Commission, in addition to its being dispatched in the normal course to members and the notice shall also be published in English and Urdu languages at least in

one issue each of a daily newspaper of respective language having nationwide circulation.

(4) Nothing in this section shall apply to a single member company.

(5) Any contravention or default in complying with requirement of this section shall be an offence liable-

- (a) in case of a listed company, to a penalty of level 2 on the standard scale; and
- (b) in case of any other company, to a penalty of level 1 on the standard scale.

133. Calling of extraordinary general meeting.- (1) All general meetings of a company, other than the annual general meeting referred to in section 132 and the statutory meeting mentioned in section 131, shall be called extraordinary general meetings.

(2) The board may at any time call an extraordinary general meeting of the company to consider any matter which requires the approval of the company in a general meeting.

(3) The board shall, at the requisition made by the members-

- (a) in case of a company having share capital, representing not less than one-tenth of the total voting power as on the date of deposit of requisition; and
- (b) in case of a company not having share capital, not less than one-tenth of the total members;

forthwith proceed to call an extraordinary general meeting.

(4) The requisition shall state the objects of the meeting, be signed by the requisitionists and deposited at the registered office of the company.

(5) If the board does not proceed within twenty-one days from the date of the requisition being so deposited to cause a meeting to be called, the requisitionists, may themselves call the meeting, but in either case any meeting so called shall be held within ninety days from the date of the deposit of the requisition.

(6) Any meeting called under sub-section (5) by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by board.

(7) Any reasonable expenses incurred by the requisitionists in calling a meeting under sub-section (5) shall be reimbursed to the requisitionists by the company and the sums so paid shall be deducted from any fee or other remuneration payable to such of the directors who were in default in calling the meeting.

(8) Notice of an extraordinary general meeting shall be served to the members in the manner provided for in section 55:

Provided that in case of a company other than listed, if all the members entitled to attend and vote at any extraordinary general meeting so agree, a meeting may be held at a shorter notice.

(9) Any contravention or default in complying with requirement of this section shall be an offence liable-

- (a) in case of a listed company, to a penalty of level 2 on the standard scale; and
- (b) in case of any other company, to a penalty of level 1 on the standard scale.

134. Provisions as to meetings and votes.- (1) The following provisions shall apply to the general meetings of a company or meetings of a class of members of the company, namely:

- (a) notice of the meeting specifying the place and the day and hour of the meeting alongwith a statement of the business to be transacted at the meeting shall be given-
 - (i) to every member or class of the members of the company as the case may be;
 - (ii) to every director;
 - (iii) to any person who is entitled to a share in consequence of the death or bankruptcy of a member, if the company has been notified of his entitlement;
 - (iv) to the auditors of the company;in the manner in which notices are required to be served by section 55, but the accidental omission to give notice to, or the non-receipt of notice by, any member shall not invalidate the proceedings at any meeting;
 - (b) in case of a listed company, if certain members who hold ten percent of the total paid up capital or such other percentage as may be specified, reside in a city, it shall be mentioned in the notice that such members, may demand the company to provide them the facility of video-link to for attending the meeting.
- (2) For the purposes of sub-section (1), in the case of an annual general meeting, all the businesses to be transacted shall be deemed special, other than-
- (a) the consideration of financial statements and the reports of the board and auditors;
 - (b) the declaration of any dividend;
 - (c) the election and appointment of directors in place of those retiring; and
 - (d) the appointment of the auditors and fixation of their remuneration.
- (3) Where any special business is to be transacted at a general meeting, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning such business, including, in particular, the nature and extent of the interest, if any, therein of every director, whether directly or indirectly, and, where any item of business consists of the according of an

approval to any document by the meeting, the time when and the place where the document may be inspected, shall be specified in the statement.

(4) Members of a company may participate in the meeting personally, through video-link or by proxy.

(5) The chairman of the board, if any, shall preside as chairman at every general meeting of the company, but if there is no such chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairman, any one of the directors present may be elected to be chairman, and if none of the directors is present or is unwilling to act as chairman the members present shall choose one of their member to be the chairman.

(6) In the case of a company having a share capital, every member shall have votes proportionate to the paid-up value of the shares or other securities carrying voting rights held by him according to the entitlement of the class of such shares or securities, as the case may be:

Provided that, at the time of voting, fractional votes shall not be taken into account.

(7) No member holding shares or other securities carrying voting rights shall be debarred from casting his vote, nor shall anything contained in the articles have the effect of so debarring him.

(8) In the case of a company limited by guarantee and having no share capital, every member thereof shall have one vote.

(9) On a poll, votes may be given either personally or through video-link or by proxy or through postal ballot in a manner and subject to the conditions as may be specified.

(10) Notwithstanding anything contained in this Act, the Commission shall have the power to notify any business requiring the approval of the members shall only be transacted through postal ballot for any company or class of companies.

(11) All the requirements of this Act regarding calling of, holding and approval in general meeting, board meeting and election of directors in case of a single member company, shall be deemed complied with; if the decision is recorded in the relevant minutes book and signed by the sole member or sole director as the case may be.

(12) Any contravention or default in complying with requirement of this section shall be an offence liable-

- (a) in case of a listed company, to a penalty of level 3 on the standard scale; and
- (b) in case of any other company, to a penalty of level 2 on the standard scale.

135. Quorum of general meeting.- (1) The quorum of a general meeting shall be-

- (a) in the case of a public listed company, unless the articles provide for a larger number, not less than ten members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;
- (b) in the case of any other company having share capital, unless the articles provide for a larger number, two members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;
- (c) in the case of a company not having share capital, as provided in the articles:

Provided that, if within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same time and place, and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present personally or through video-link being not less than two shall be a quorum, unless the articles provide otherwise.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable-

- (a) in case of a listed company, to a penalty of level 2 on the standard scale; and
- (b) in case of any other company, to a penalty of level 1 on the standard scale.

136. Power of the Court to declare the proceedings of a general meeting invalid.- The Court may, on a petition, by members having not less than ten percent of the voting power in the company, that the proceedings of a general meeting be declared invalid by reason of a material defect or omission in the notice or irregularity in the proceedings of the meeting, which prevented members from using effectively their rights, declare such proceedings or part thereof invalid and direct holding of a fresh general meeting:

Provided that the petition shall be made within thirty days of the impugned meeting.

137. Proxies.- (1) A member of a company entitled to attend and vote at a meeting of the company may appoint another person as his proxy to exercise all or any of his rights to attend, speak and vote at a meeting:

Provided that-

- (a) unless the articles of a company otherwise provide, this sub-section shall not apply in the case of a company not having a share capital;
- (b) a member shall not be entitled to appoint more than one proxy to attend any one meeting;

- (c) if any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the company, all such instruments of proxy shall be rendered invalid; and
- (d) a proxy must be a member unless the articles of the company permit appointment of a non-member as proxy.

(2) Subject to the provisions of sub-section (1), every notice of a meeting of a company shall prominently set out the member's right to appoint a proxy and the right of such proxy to attend, speak and vote in the place of the member at the meeting and every such notice shall be accompanied by a proxy form.

(3) The instrument appointing a proxy shall-

- (a) be in writing; and
- (b) be signed by the appointer or his attorney duly authorised in writing, or if the appointer is a body corporate,¹[] be signed by an officer or an attorney duly authorised by it.

(4) An instrument appointing a proxy, if in the form set out in Regulation 43 of Table A in the First Schedule shall not be questioned on the ground that it fails to comply with any special requirements specified for such instruments by the articles.

(5) The proxies must be lodged with the company not later than forty-eight hours before the time for holding a meeting and any provision to the contrary in the company's articles shall be void.

(6) In calculating the period mentioned in sub-section (5), no account shall be taken of any part of the day that is not a working day.

(7) The members or their proxies shall be entitled to do any or all the following things in a general meeting, namely-

- (a) subject to the provisions of section 143, demand a poll on any question; and
- (b) on a question before the meeting in which poll is demanded, to abstain from voting or not to exercise their full voting rights;

and any provision to the contrary in the articles shall be void.

(8) Every member entitled to vote at a meeting of the company shall be entitled to inspect during the business hours of the company all proxies lodged with the company.

(9) The provisions of this section shall apply mutatis mutandis to the meeting of a particular class of members as they apply to a general meeting of all the members.

(10) Failure to issue notices in time or issuing notices with material defect or omission or any other contravention of this section which has the effect of preventing participation or use of full rights by a member or his proxy shall make the company and its every officer who is a party to the default or contravention liable to-

¹ Words "be under its seal or" omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

- (a) a penalty of level 2 on the standard scale if the default relates to a listed company; and
- (b) to a penalty of level 1 on the standard scale if the default relates to any other company.

138. Representation of body corporate or corporation at meetings.- (1) A body corporate or corporation (whether or not a company within the meaning of this Act) which is a member of another company may, by resolution of its board or other governing body authorise an individual to act as its representative at any meeting of that other company, and the individual so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents.

(2) A body corporate or corporation (whether or not a company within the meaning of this Act) which is a creditor of another company may, by resolution of its board or other governing body authorise an individual to act as its representative at any meeting of the creditors of that other company held in pursuance of this Act or any other meeting to which it is entitled to attend in pursuance of the provisions contained in any instrument and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents.

139. Representation of Federal Government at meetings of companies.- (1) The concerned Minister-in-Charge of the Federal Government, or as the case may be, a Provincial Government, as the case may be, if a member of a company, may appoint such individual as it thinks fit to act as its representative at any meeting of the company or at any meeting of any class of members of the company.

(2) An individual appointed to act as aforesaid shall, for the purpose of this Act, be deemed to be a member of such a company and shall be entitled to exercise the same rights and powers, including the right to appoint proxy, as the concerned Minister-in-Charge of the Federal Government or as the case may be, the Provincial Government, as the case may be, may exercise as a member of the company.

140. Notice of resolution.- (1) The notice of a general meeting of a company shall state the general nature of each business proposed to be considered and dealt with at a meeting, and in case of special resolution, accompanied by the draft resolution.

(2) The members having not less than ¹[five] percent voting power in the company may give notice of a resolution and such resolution together with the supporting statement, if any, which they propose to be considered at the meeting, shall be forwarded so as to reach the company-

- (a) in the case of a meeting requisitioned by the members, together with the requisition for the meeting;
- (b) in any other case, at least ten days before the meeting; and the company shall forthwith circulate such resolution to all the members.

¹ Substituted for the word "ten" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

(3) Any contravention or default in complying with requirement of this section shall be an offence liable-

- (a) in case of a listed company, to a penalty of level 2 on the standard scale; and
- (b) in case of any other company, to a penalty of level 1 on the standard scale.

141. Voting to be by show of hands in first instance.- At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands.

142. Declaration by chairman on a show of hands.- (1) On a vote on a resolution at a meeting on a show of hands, a declaration by the chairman that the resolution-

- (a) has or has not been passed; or
- (b) passed unanimously or by a particular majority;

is conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

(2) An entry in respect of such a declaration in minutes of the meeting recorded in accordance with section 151 is also conclusive evidence of that fact without such proof.

143. Demand for poll.- (1) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the members present in person or through video-link or by proxy, where allowed, and having not less than one-tenth of the total voting power.

(2) The demand for a poll may be withdrawn at any time by the members who made the demand.

144. Poll through secret ballot.- Notwithstanding anything contained in this Act, when a poll is demanded on any resolution, it may be ordered to be taken by the chairman of the meeting by secret ballot of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the members present in person, through video-link or by proxy, where allowed, and having not less than one-tenth of the total voting power.

145. Time of taking poll.- (1) A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken at such time, not more than fourteen days from the day on which it is demanded, as the chairman of the meeting may direct.

(2) When a poll is taken, the chairman or his nominee and a representative of the members demanding the poll shall scrutinize the votes given on the poll and the result shall be announced by the chairman.

(3) Subject to the provisions of this Act, the chairman shall have power to regulate the manner in which a poll shall be taken.

(4) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

146. Resolutions passed at adjourned meeting.- Where a resolution is passed at an adjourned meeting of-

- (a) a company;
- (b) the holders of any class of shares in a company;
- (c) the board; or
- (d) the creditors of a company;

the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed, and shall not be deemed to have been passed on any earlier date.

147. Power of Commission to call meetings.- (1) If default is made in holding the statutory meeting, annual general meeting or any extraordinary general meeting in accordance with sections 131, 132 or 133, as the case may be, the Commission may, notwithstanding anything contained in this Act or in the articles of the company, either of its own motion or on the application of any director or member of the company, call, or direct the calling of, the said meeting of the company in such manner as the Commission may think fit, and give such ancillary or consequential directions as the Commission thinks expedient in relation to the calling, holding and conducting of the meeting and preparation of any document required with respect to the meeting.

Explanation.- The directions that may be given under sub-section (1) may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

(2) Any meeting called, held and conducted in accordance with any such direction shall, for all purposes, be deemed to be a meeting of the company duly called, held and conducted, and all expenses incurred in connection thereto shall be paid by the company unless the Commission directs the same to be recovered from any officer of the company which he is hereby authorised to do.

148. Punishment for default in complying with provisions of section 147.- If any person makes default in holding a meeting of the company in accordance with section 147 or in complying with any directions of the Commission, shall be liable to a penalty of level 3 on the standard scale.

149. Passing of resolution by the members through circulation.- (1) Except for the businesses specified under sub-section (2) of section 134 to be conducted in the annual general meeting, the members of a private company or a public unlisted company (having not more than fifty members), may pass a resolution (ordinary or special) by circulation signed by all the members for the time being entitled to receive notice of a meeting.

(2) Any resolution passed under sub-section (1), shall be as valid and effectual as if it had been passed at a general meeting of the company duly convened and held.

(3) A resolution shall not be deemed to have been duly passed, unless the resolution has been circulated, together with the necessary papers, if any, to all the members.

(4) A members' agreement to a written resolution, passed by circulation, once signified, may not be revoked.

(5) A resolution under sub-section (1) shall be noted at subsequent meeting of the members and made part of the minutes of such meeting.

150.Filing of resolution.- (1) Every special resolution passed by a company shall, within fifteen days from the passing thereof, be filed with the registrar duly authenticated by a director or secretary of the company.

(2) Where articles have been registered, a copy of every special resolution for the time being in force shall be embodied in or annexed to every copy of the articles issued after the date of the resolution.

(3) A copy of every special resolution shall be forwarded to any member at his request on payment of such fee not exceeding the amount as the company may determine.

(4) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

151.Records of resolutions and meetings.- (1) Every company shall keep records of-

- (a) copies of all resolutions of members passed otherwise than at general meetings; and
- (b) minutes of all proceedings of general meetings along with the names of participants, to be entered in properly maintained books;

(2) Minutes recorded in accordance with sub-section (1), if purporting to be authenticated by the chairman of the meeting or by the chairman of the next meeting, shall be the evidence of the proceedings at the meeting.

(3) Until the contrary is proved, every general meeting of the company in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called, held and conducted.

(4) The records must be kept at the registered office of the company from the date of the resolution, meeting or decision simultaneously in physical and electronic form and it shall be preserved for at least twenty years in physical form and permanently in electronic form.

(5) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

152.Inspection of records of resolutions and meetings.- (1) The books containing the minutes of proceedings of the general meetings shall be open to inspection by members without charge during business hours, subject to such reasonable restrictions as the company may by its articles or in general meeting impose so that not less than two hours in each day be allowed for inspection.

(2) Any member shall at any time after seven days from the meeting be entitled to be furnished, within seven days after he has made a request in that behalf to the company, with a certified copy of the minutes of any general meeting at such charge not exceeding the amount as may be fixed by the company.

(3) If any inspection required under sub-section (1) is refused, or if any copy required under sub-section (2) is not furnished within the time specified therein, the person guilty of an offence shall be liable to a penalty of level 1 on the standard scale, and the registrar may direct immediate inspection or supply of copy, as the case may be.

APPOINTMENT AND REMOVAL OF DIRECTORS

153. Ineligibility of certain persons to become director.—A person shall not be eligible for appointment as a director of a company, if he—

- (a) is a minor;
- (b) is of unsound mind;
- (c) has applied to be adjudicated as an insolvent and his application is pending;
- (d) is an undischarged insolvent;
- (e) has been convicted by a court of law for an offence involving moral turpitude;
- (f) has been debarred from holding such office under any provision of this Act;
- (g) is lacking fiduciary behaviour and a declaration to this effect has been made by the Court under section 212 at any time during the preceding five years;
- (h) does not hold National Tax Number as per the provisions of Income Tax Ordinance, 2001 (XLIX of 2001):

Provided that the Commission may grant exemption from the requirement of this clause as may be notified.

- (i) is not a member:

Provided that clause (i) shall not apply in the case of,—

- (i) a person representing a member which is not a natural person;
- (ii) a whole-time director who is an employee of the company;
- (iii) a chief executive; or
- (iv) a person representing a creditor or other special interests by virtue of contractual arrangements;
- (j) has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;
- (k) is engaged in the business of brokerage, or is a spouse of such person or is a sponsor, director or officer of a corporate brokerage house:

Provided that clauses (j) and (k) shall be applicable only in case of listed companies.

154. Minimum number of directors of a company.- (1) Notwithstanding anything contained in any other law for the time being in force,

- (a) a single member company shall have at least one director;
- (b) every other private company shall have not less than two directors;
- (c) a public company other than a listed company shall have not less than three directors; and
- (d) a listed company shall have not less than seven directors:

Provided that public interest companies shall be required to have female representation on their board as may be specified by the Commission.

- (2) Only a natural person shall be a director.

155. Number of directorships.- (1) No person shall, after the commencement of this Act, hold office as a director, including as an alternate director at the same time in more than such number of companies as may be specified:

Provided that this limit shall not include the directorships in a listed subsidiary.

(2) A person holding the position of director in more than seven companies on the commencement of this Act shall ensure the compliance of this section within one year of such commencement.

(3) Any casual vacancy on the board of a listed company shall be filled up by the directors at the earliest but not later than ninety days from the date, the vacancy occurred.

156. Compliance with the Code of Corporate Governance.- The Commission may provide for framework to ensure good corporate governance practices, compliance and matters incidental and auxiliary for companies or class of companies in a manner as may be specified.

157. First directors and their term.- (1) The number of directors and the names of the first directors shall be determined by the subscribers of the memorandum and their particulars specified under section 197 shall be submitted along with the documents for the incorporation of the company.

(2) The number of first directors may be increased by appointing additional directors by the members in a general meeting. The first directors shall hold office until the election of directors in the first annual general meeting of the company.

158. Retirement of first and subsequent directors.- (1) All directors of the company-

- (a) on the date of first annual general meeting; or

- (b) in case of subsequent directors on expiry of term of office of directors mentioned in section 161,

shall stand retired from office and the directors so retiring shall continue to perform their functions until their successors are elected.

(2) The directors so continuing to perform their functions shall take immediate steps to hold the election of directors and in case of any impediment report such circumstances to the registrar within forty-five days before the due date of the annual general meeting or extra ordinary general meeting, as the case may be, in which elections are to be held:

Provided that the holding of annual general meeting or extra ordinary general meeting, as the case may be, shall not be delayed for more than ninety days from the due date of the meeting or such extended time as may be allowed by the registrar, for reasons to be recorded, only in case of exceptional circumstances beyond the control of the directors, or in compliance of any order of the court.

(3) The registrar, may on expiry of period as provided in sub-section (2), either-

- (a) on its own motion; or
- (b) on the representation of the members holding not less than one tenth of the total voting powers in a company having share capital; or
- (c) on the representation of the members holding not less than one tenth of the total members of the company not having share capital of the company,

directs the company to hold annual general meeting or extra ordinary general meeting for the election of directors on such date and time as may be specified in the order.

(4) Any officer of the company or any other person who fails to comply with the direction given under sub-section (3) shall be guilty of an offence liable to a fine of level 2 on the standard scale.

159. Procedure for election of directors.- (1) Subject to the provision of section 154, the existing directors of a company shall fix the number of directors to be elected in the general meeting, not later than thirty-five days before convening of such meeting and the number of directors so fixed shall not be changed except with the prior approval of the general meeting in which election is to be held.

(2) The notice of the meeting at which directors are proposed to be elected shall among other matters, expressly state-

- (a) the number of directors fixed under sub-section (1); and
- (b) the names of the retiring directors.

(3) Any member who seeks to contest an election to the office of director shall, whether he is a retiring director or otherwise, file with the company, not

later than fourteen days before the date of the meeting at which elections are to be held, a notice of his intention to offer himself for election as a director:

Provided that any such person may, at any time before the holding of election, withdraw such notice.

(4) All notices received by the company in pursuance of sub-section (3) shall be transmitted to the members not later than seven days before the date of the meeting, in the same manner as provided under this Act for sending of a notice of general meeting. In the case of a listed company such notice shall be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation.

(5) The directors of a company having a share capital shall, unless the number of persons who offer themselves to be elected is not more than the number of directors fixed under sub-section (1), be elected by the members of the company in general meeting in the following manner, namely-

- (a) a member shall have such number of votes as is equal to the product of the number of voting shares or securities held by him and the number of directors to be elected;
- (b) a member may give all his votes to a single candidate or divide them between more than one of the candidates in such manner as he may choose; and
- (c) the candidate who gets the highest number of votes shall be declared elected as director and then the candidate who gets the next highest number of votes shall be so declared and so on until the total number of directors to be elected has been so elected.

(6) The directors of a company limited by guarantee and not having share capital shall be elected by members of the company in general meeting in the manner as provided in articles of association of the company.

160. Powers of the Court to declare election of directors invalid.-The Court may, on the application of members holding ten percent of the voting power in the company, made within thirty days of the date of election, declare election of all directors or any one or more of them invalid if it is satisfied that there has been material irregularity in the holding of the elections and matters incidental or relating thereto.

161. Term of office of directors.- (1) A director elected under sections 159 or 162 shall hold office for a period of three years unless he earlier resigns, vacates office due to fresh election required under section 162 as the case may be, becomes disqualified from being a director or otherwise ceases to hold office:

Provided that the term of office of directors of a company limited by guarantee and not having share capital may be a period of less than three years as provided in the articles of association of a company.

(2) Any casual vacancy occurring among the directors may be filled up by the directors and the person so appointed shall hold office for the remainder of the term of the director in whose place he is appointed.

162. Fresh election of directors.- (1) Notwithstanding anything contained in this Act, a member having acquired, after the election of directors, the requisite shareholding to get him elected as a director on the board of a company, may require the company to hold fresh election of directors in accordance with the procedure laid down in section 159:

Provided that the number of directors fixed in the preceding election shall not be decreased.

Provided further that a listed company for the purpose of fresh election of directors under this section shall follow such procedure as may be specified by the Commission

(2) The board shall upon receipt of requisition under sub-section (1), as soon as practicable but not later than thirty days from the receipt of such requisition, proceed to hold fresh election of directors of the company.

163. Removal of directors.- A company may by resolution in general meeting remove a director appointed under sections 157, 161 or section 162 or elected in the manner provided for in section 159:

Provided that a resolution for removing a director shall not be deemed to have been passed if the number of votes cast against it is equal to, or exceeds-

- (a) the total number of votes for the time being computed in the manner laid down in sub-section (5) of section 159 divided by the number of directors for the time being, if the resolution relates to removal of a director appointed under sections 157, 161 or section 162 or where the directors were elected unopposed; or
- (b) the minimum number of votes that were cast for the election of a director at the immediately preceding election of directors, if the resolution relates to removal of a director elected in the manner provided in sub-section (5) of section 159.

164. Nominee directors.- (1) In addition to the directors elected or deemed to have been elected by shareholders, a company may have directors nominated by the company's creditors or other special interests by virtue of contractual arrangements.

(2) A body corporate or corporation owned or controlled by the Federal Government or as the case may be, a Provincial Government may also have directors nominated on the board to whom such corporation or company has extended credit facilities.

165. Certain provisions not to apply to directors representing special interests.- (1) Nothing in sections 158, 159, 161, 162 or 163 shall apply to-

- (a) directors nominated by a body corporate or company or any other entity owned or controlled, whether directly or indirectly, by the Federal Government or as the case may be, a Provincial Government on the board of the company in which such body corporate or company or entity has made investment;

- (b) directors nominated by virtue of investment made by the Federal Government or as the case may be, a Provincial Government or the Commission on the board; or
- (c) directors nominated by foreign equity holders on the board or any other body corporate set up under a regional co-operation or other co-operation arrangement approved by the Federal Government.

(2) For the purpose of nominating directors referred to in clause (a), (b) and (c), the number of votes computed in the manner laid down in sub-section (5) of section 159 as are proportionate to the number of votes required to elect the director if they had offered themselves for election, shall stand excluded from the total number of votes available to the nominating body at an election of directors, which may be proportionate to their voting power required to elect directors at an election of directors of a company.

(3) A director nominated under sub-section (1) shall hold office during the pleasure of the nominating body.

166. Manner of selection of independent directors and maintenance of databank of independent directors.- (1) An independent director to be appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Commission, having expertise in creation and maintenance of such data bank and post on their website for the use by the company making the appointment of such directors:

Provided that responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the company or the Government, as the case may be, making such appointment.

(2) For the purpose of this section, an independent director means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the company, its associated companies, subsidiaries, holding company or directors; and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest:

Provided that without prejudice to the generality of this sub-section no director shall be considered independent if one or more of the following circumstances exist-

- (a) he has been an employee of the company, any of its subsidiaries or holding company within the last three years;
- (b) he is or has been the chief executive officer of subsidiaries, associated company, associated undertaking or holding company in the last three years;

- (c) he has, or has had within the last three years, a material business relationship with the company either directly, or indirectly as a partner, major shareholder or director of a body that has such a relationship with the company.

Explanation: The major shareholder means a person who, individually or in concert with his family or as part of a group, holds 10% or more shares having voting rights in the paid-up capital of the company;

- (d) he has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the company apart from a director's fee or has participated in the company's stock option or a performance-related pay scheme;
- (e) he is a close relative of the company's promoters, directors or major shareholders:

Explanation: "close relative" means spouse(s), lineal ascendants and descendants and siblings;

- (f) he holds cross-directorships or has significant links with other directors through involvement in other companies or bodies not being the associations licenced under section 42;
- (g) he has served on the board for more than three consecutive terms from the date of his first appointment, and for more than two consecutive terms in case of a public sector company, provided that such person shall be deemed "independent director" after a lapse of one term;
- (h) a person nominated as a director under sections 164 and 165:

Provided further that for determining the independence of directors for the purpose of sub-clauses (a), (b) and (c) in respect of public sector companies, the time period shall be taken as two years instead of three years. Further, an independent director in case of a public sector company shall not be in the service of Pakistan or of any statutory body or any body or institution owned or controlled by the Government.

(3) The independent director of a listed company shall be elected in the same manner as other directors are elected in terms of section 159 and the statement of material facts annexed to the notice of the general meeting called for the purpose shall indicate the justification for choosing the appointee for appointment as independent director.

(4) No individual shall be selected for the data bank referred to in sub-section (1) without his consent in writing.

(5) The manner and procedure of selection of independent directors on the databank who fulfill the qualifications and other requirements shall be specified by the Commission.

- (6) The requirements of sub-section (1)-
- (a) shall be deemed relaxed till such time a notification is issued by the Commission; and
 - (b) may be relaxed by the Commission on an application made by the company supported with the sufficient justification or the practical difficulty, as the case may be.

167. Consent to act as director to be filed with company.- (1) No person shall be appointed or nominated as a director or chief executive of a company or represent as holding such office, nor shall any person describe or name any other person as a director or proposed director or chief executive or proposed chief executive of any company, unless such person or such other individual has given his consent in writing to the company for such appointment or nomination.

(2) The consent given to the company under sub-section (1) shall be filed with the registrar within fifteen days thereof.

168. Validity of acts of directors.- The acts of a person acting as a director are valid notwithstanding that it is afterwards discovered that there was a defect in his appointment; or he was disqualified from holding office; or he had ceased to hold such office:

Provided that, as soon as any such defect has come to notice, the director shall not exercise the right of his office till the defect has been removed.

169. Penalties.- Whoever contravenes or fails to comply with any of the provisions of sections 154 to 168 or is a party to the contravention of the said provisions shall be liable to a penalty of level 2 on the standard scale and may also be debarred by the authority which imposes the penalty from becoming or continuing a director of the company for a period not exceeding three years.

170. Restriction on director's remuneration.- (1) The remuneration of a director for performing extra services, including the holding of the office of chairman, shall be determined by the board or the company in general meeting, as the case may be, in accordance with the provisions in the company's articles.

(2) The remuneration to be paid to any director for attending the meetings of the board or a committee of directors shall not exceed the scale approved by the company or the board, as the case may be, in accordance with the provisions of the articles:

171. Vacation of office by the directors.- (1) A director shall ipso facto cease to hold office if—

- (a) he becomes ineligible to be appointed as a director on any one or more of the grounds enumerated in section 153;
- (b) he absents himself from three consecutive meetings of the board without seeking leave of absence;
- (c) he or any firm of which he is a partner or any private company of which he is a director-

- (i) without the sanction of the company in general meeting accepts or holds any office of profit under the company other than that of chief executive or a legal or technical adviser; or
 - (ii) accepts a loan or guarantee from the company in contravention of section 182;
- (2) Nothing contained in sub-section (1) shall be deemed to preclude a company from providing by its articles that the office of director shall be vacated on any grounds additional to those specified in that sub-section.

DISQUALIFICATION OF DIRECTORS BY THE COMMISSION

172. Disqualification orders.- (1) In any of the circumstances stated hereunder, the Commission may pass a disqualification order against a person to hold the office of a director of a company for a period up to five years beginning from the date of order-

- (a) conviction of an offence in connection with the promotion, formation, management or liquidation of a company, or with the receivership or management of a company's property;
- (b) persistent default in relation to provisions of this Act requiring any return, account or other document to be filed with, delivered or sent, or notice of any matter to be given, to the Commission or the registrar;
- (c) a person has been a director of a company which became insolvent at any time (while he was a director or subsequently):
Provided that order against any such person shall not be made after the end of the period of two years beginning with the day on which the company of which that person is or has been a director became insolvent;
- (d) the business of the company in which he is or has been a director, has conducted to defraud its creditors, members or any other persons or for a fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose; or
- (e) the person concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance, breach of trust or other misconduct towards the company or towards any of its member; or
- (f) the affairs of the company of which he is a director have been conducted in a manner which has deprived the shareholders thereof of a reasonable return; or
- (g) the person has been convicted of allotment of shares of a company for inadequate consideration; or
- (h) the person is involved in illegal deposit taking; or
- (i) the person has been convicted of financial irregularities or malpractices in a company or

- (j) the company of which he is a director has acted against the interests of the sovereignty and integrity of Pakistan, the security of the State, friendly relations with foreign States; or
- (k) the company of which he is a director refuses to act according to the requirements of the memorandum or articles or the provisions of this Act or fail to carry out the directions of the Commission given in the exercise of powers under this Act; or
- (l) the person is convicted of insider trading or market manipulation practices; or
- (m) the person has entered into a plea bargain arrangement with the National Accountability Bureau or any other regulatory body;
- (n) the person has been declared a defaulter by the securities exchange;
- (o) that it is expedient in the public interest so to do.

(2) Where a disqualification order is made against a person who is already subject to such an order, the periods specified in those orders shall run concurrently.

(3) An order under this section may be made by the Commission on its own motion or upon a complaint made in this regard.

(4) Before making an order the Commission shall afford the person concerned an opportunity of representation and of being heard.

(5) Any order made by the Commission under this section shall be without prejudice to the powers of the Commission to take such further action as it deems fit with regard to the person concerned.

173. Personal liability for company's debts where person acts while disqualified.- (1) A person shall be personally responsible for all the relevant debts of a company if at any time-

- (a) in contravention of a disqualification order under section 172, he is involved in the management of the company, or
- (b) as a person who is involved in the management of the company, he acts on instructions given without the leave of the Commission by a person whom he knows at that time to be the subject of a disqualification order:

Provided that where the decision is taken in the board, the disqualified director shall be personally responsible to the extent of proportionate amount of liability so incurred.

(2) Where a person is personally responsible under this section for the relevant debts of a company, he is jointly and severally liable in respect of those debts with the company and any other person who, whether under this section or otherwise, is so liable.

(3) For the purposes of this section, the relevant debts of a company are-

- (a) in relation to a person who is personally responsible under paragraph (a) of sub-section (1), such debts and other liabilities of the company as are incurred at a time when that person was involved in the management of the company; and
- (b) in relation to a person who is personally responsible under paragraph (b) of that sub-section, such debts and other liabilities of the company as are incurred at a time when that person was acting on instructions given as mentioned in that paragraph.

(4) For the purposes of this section, company means a public interest company and a person shall be deemed involved in the management of the company, if he is a director or concerned, whether directly or indirectly or takes part in the management of such company.

174. Prohibition on assignment of office by directors.- (1) A director of any company shall not assign his office to any other person and any such appointment shall be void ab-initio.

(2) Notwithstanding anything contained in sub-section (1), the appointment by a director, with the approval of the board, of an alternate or substitute director to act for him during his absence from Pakistan of not less than ninety days, shall not be deemed to be an assignment of office.

(3) The alternate director appointed under sub-section (2) shall ipso facto vacate office if and when the director appointing him returns to Pakistan.

175. Penalty for unqualified person acting as director.- If a person who is not qualified to be a director or chief executive or who has otherwise vacated the office of director or chief executive describes or represents himself or acts as a director or chief executive, or allows or causes himself to be described as such, shall be liable to a penalty of level 1 on the standard scale.

176. Proceedings of the board.- (1) The quorum for a meeting of board of a listed company shall not be less than one-third of number of directors or four, whichever is greater and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum under this sub-section:

Provided that if at any time, there are not enough directors to form a quorum to fill a casual vacancy, all the remaining directors shall be deemed to constitute a quorum for this limited purpose.

(2) The quorum for a meeting of the board of other than listed company shall be as provided in the articles.

(3) The board of a public company shall meet at least once in each quarter of a year.

(4) If a meeting of the board is conducted in the absence of a quorum or a meeting of board is not held as required by sub-section (3), the chairman of the directors and the directors shall be liable-

- (a) if the default relates to a listed company, to a penalty of level 2 on the standard scale; and
- (b) if the default relates to any other company, to a penalty of level 1 on the standard scale.

177. Ineligibility of bankrupt to act as director.- If any person being an undischarged insolvent acts as chief executive or director of a company, he shall be liable to imprisonment for a term not exceeding two years or to a fine not exceeding one hundred thousand rupees, or to both.

178. Records of resolutions and meetings of board.- (1) Every company shall keep records comprising-

- (a) all resolutions of the board passed by circulation; and
- (b) minutes of all proceedings of board meetings or committee of directors along with the names of participants, to be entered in properly maintained books.

(2) Minutes recorded in accordance with sub-section (1), if purporting to be authenticated by the chairman of the meeting or by the chairman of the next meeting, shall be the evidence of the proceedings at the meeting.

(3) Until the contrary is proved, every meeting of board or committee of directors in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called, held and conducted.

(4) A copy of the draft minutes of meeting of board shall be furnished to every director within fourteen days of the date of meeting.

(5) The records must be kept at the registered office of the company from the date of the resolution, meeting or decision simultaneously in physical and electronic form and it shall be preserved for at least ten years in physical form and permanently in electronic form.

(6) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

179. Passing of resolution by the directors through circulation.- (1) A resolution in writing¹ [approved by majority of] the directors or the committee of directors for the time being entitled to receive notice of a meeting of the directors or committee of directors shall be as valid and effectual as if it had been passed at a meeting of the directors or the committee of directors duly convened and held.

(2) A resolution shall not be deemed to have been duly passed, unless the resolution has been circulated, together with the necessary papers, if any, to all the directors.

(3) A resolution under sub-section (1) shall be noted at a subsequent meeting of the board or the committee thereof, as the case may be, and made part of the minutes of such meeting.

(4) A directors' agreement to a written resolution, passed by circulation, once² [approved], may not be revoked.

¹ Substituted for the words "signed by all" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

² Substituted for the word "signified" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

180. Liabilities of directors and officers.- Any provision, whether contained in the articles of a company or in any contract with a company or otherwise, for exempting any officer or auditor of the company, from, or indemnifying him against, any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the company, shall be void except as otherwise specified for:

- (a) provisions of insurance undertaken by a company on behalf of such officers of the company; or
- (b) qualifying third party indemnity provisions undertaken by a company on behalf of such officers of the company:

Provided that, notwithstanding anything contained in this section, a company may, in pursuance of any such provision as aforesaid, indemnify any such director, chief executive, officer against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted, or in connection with any application under section 493 in which relief is granted to him.

181. Protection to independent and non-executive directors.- (1) Notwithstanding anything contained in this Act-

- (a) an independent director; and
- (b) a non-executive director;

shall be held liable, only in respect of such acts of omission or commission by a listed company or a public sector company which had occurred with his knowledge, attributable through board processes, and with his consent or connivance or where he had not acted diligently.

(2) For the purpose of this section a non-executive director means, a person on the board of the company who-

- (a) is not from among the executive management team and may or may not be independent;
- (b) is expected to lend an outside viewpoint to the board of a company;
- (c) does not undertake to devote his whole working time to the company and not involve in managing the affairs of the company;
- (d) is not a beneficial owner of the company or any of its associated companies or undertakings;
- (e) does not draw any remuneration from the company except the meeting fee.

182. Loans to directors: requirement of members' approval.- (1) A company shall not-

- (a) make a loan to a director of the company or of its holding company; or to any of his relatives;
- (b) give a guarantee or provide security in connection with a loan made by any person to such a director; or to any of his relatives;

unless the transaction has been approved by a resolution of the members of the company:

Provided that in case of a listed company, approval of the Commission shall also be required before sanctioning of any such loan.

Explanation.- For the purpose of this section "relative" in relation to a director means his spouse and minor children.

(2) Nothing contained in sub-section (1) shall apply to a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan.

(3) Every person who is a party to any contravention of this section, including in particular any person to whom the loan is made or who has taken the loan in respect of which the guarantee is given or the security is provided, shall be punishable with fine which may extend to one million rupees or with simple imprisonment for a term which may extend to one year.

(4) All persons who are parties to any contravention of sub-section (1) shall be liable, jointly and severally, to the lending company for the repayment of the loan or for making good the sum with markup not less than the borrowing cost of the lending company which the lending company may have been called upon to pay by virtue of the guarantee given or the security provided by such company.

(5) Sub-section (1) shall apply to any transaction represented by a book-debt which was from its inception in the nature of a loan or an advance.

183. Powers of board.- (1) The business of a company shall be managed by the board, who may exercise all such powers of the company as are not by this Act, or by the articles, or by a special resolution, required to be exercised by the company in general meeting.

(2) The board shall exercise the following powers on behalf of the company, and shall do so by means of a resolution passed at their meeting, namely-

- (a) to issue shares;
- (b) to issue debentures or any instrument in the nature of redeemable capital;
- (c) to borrow moneys otherwise than on debentures;
- (d) to invest the funds of the company;
- (e) to make loans;
- (f) to authorise a director or the firm of which he is a partner or any partner of such firm or a private company of which he is a member or director to enter into any contract with the company for making sale, purchase or supply of goods or rendering services with the company;
- (g) to approve financial statements;
- (h) to approve bonus to employees;
- (i) to incur capital expenditure on any single item or dispose of a fixed asset in accordance with the limits as may be specified;

Provided that the acceptance by a banking company in the ordinary course of its business of deposit of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise, or placing of moneys on deposit by a banking company with another banking company such conditions as the board may prescribe, shall not be deemed to be a borrowing of money or, as the case may be, a making of loan by a banking company with the meaning of this section;

- (j) to undertake obligations under leasing contracts exceeding such amount as may be notified;
- (k) to declare interim dividend; and
- (l) having regard to such amount as may be determined to be material (as construed in Generally Accepted Accounting Principles) by the board-
 - (i) to write off bad debts, advances and receivables;
 - (ii) to write off inventories and other assets of the company; and
 - (iii) to determine the terms of and the circumstances in which a law suit may be compromised and a claim or right in favour of a company may be released, extinguished or relinquished.
- (m) to take over a company or acquire a controlling or substantial stake in another company;
- (n) any other matter which may be specified.

(3) The board of a company shall not except with the consent of the general meeting either specifically or by way of an authorisation, do any of the following things, namely,-

- (a) sell, lease or otherwise dispose of the undertakings or a sizeable part thereof unless the main business of the company comprises of such selling or leasing; and

Explanation.- For the purposes of this clause-

- (i) "undertaking" shall mean an undertaking in which the investment of the company exceeds twenty percent of its net worth as per the audited financial statements of the preceding financial year or an undertaking which generates twenty percent of the total income of the company during the previous financial year;
- (ii) the expression "sizeable part" in any financial year shall mean twenty five percent or more of the value of the assets in that class as per the audited financial statements of the preceding financial year;
- (b) sell or otherwise dispose of the subsidiary of the company;
- (c) remit, give any relief or give extension of time for the repayment of any debt outstanding against any person specified in sub-section (1) of section 182.

(4) Nothing contained in sub-section (3) shall entitle a listed company to sell or otherwise dispose of the undertaking, which results in or may lead to closure of business operation or winding up of the company, without there being a viable alternate business plan duly authenticated by the board.

(5) Any resolution passed under sub-section (3) if not implemented within one year from the date of passing shall stand lapsed.

(6) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 2 on the standard scale and shall be individually and severally liable for losses or damages arising out of such action.

184. Prohibition regarding making of political contributions.- (1) Notwithstanding anything contained in this Act, a company shall not contribute any amount or allow utilization of its assets-

(a) to any political party; or

(b) for any political purpose to any individual or body.

(2) If a company contravenes the provisions of sub-section (1), then-

(a) the company shall be liable to a penalty of level 2 on the standard scale; and

(b) every director and officer of the company who is in default shall be punishable with imprisonment of either description for a term which may extend to two years and shall also be liable to a fine of one million rupees.

185. Prohibition regarding distribution of gifts.- (1) Notwithstanding anything contained in this Act, a company shall not distribute gifts in any form to its members in its meeting.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

CHIEF EXECUTIVE

186. Appointment of first chief executive.- (1) Every company shall have a chief executive appointed in the manner provided in this section and section 187.

(2) The name of first chief executive shall be determined by the subscribers of the memorandum and his particulars specified under section 197 shall be submitted along with the documents for the incorporation of the company.

(3) The first chief executive shall, unless he earlier resigns or otherwise ceases to hold office, hold office up to the first annual general meeting of the company or, if a shorter period is fixed by the subscribers at the time of his appointment, for such period.

(4) Notwithstanding anything contained in this section, the Government shall have the power to nominate chief executive of a public sector company in such manner as may be specified.

187.Appointment of subsequent chief executive.- (1) Within fourteen days from the date of election of directors under section 159 or the office of the chief executive falling vacant, as the case may be, the board shall appoint any person, including an elected director, to be the chief executive, but such appointment shall not be for a period exceeding three years from the date of appointment:

Provided that the chief executive appointed against a casual vacancy shall hold office till the directors elected in the next election appoint a chief executive.

(2) On the expiry of his term of office under section 186 or sub-section (1) of this section, a chief executive shall be eligible for reappointment.

(3) The chief executive retiring under section 186 or this section shall continue to perform his functions until his successor is appointed, unless non-appointment of his successor is due to any fault on his part or his office is expressly terminated.

(4) Notwithstanding anything contained in this section, the Government shall have the power to nominate chief executive of a company where majority of directors is nominated by the Government, in such manner as may be specified.

188.Terms of appointment of chief executive.- (1) Save as provided in sub-section (2), the terms and conditions of appointment of a chief executive shall be determined by the board or the company in general meeting in accordance with the provisions in the company's articles.

(2) The terms and conditions of appointment of a chief executive nominated under section 186 or 187 shall be determined by the Government, in such manner as may be specified.

(3) The chief executive shall if he is not already a director of the company, be deemed to be its director and be entitled to all the rights and privileges, and subject to all the liabilities, of that office.

189.Restriction on appointment of chief executive.- No person who is ineligible to become a director of a company under section 153 or disqualified under sections 171 or 172 shall be appointed or continue as the chief executive of any company.

190.Removal of chief executive.- (1) The board by resolution passed by not less than three-fourths of the total number of directors for the time being, or the company by a special resolution, may remove a chief executive before the expiration of his term of office notwithstanding anything contained in the articles or in any agreement between the company and such chief executive.

(2) Notwithstanding anything contained in this section, the Government or an authority or a person authorized by it shall have the power to remove chief executive of a company where more than seventy-five percent of the voting rights are held by the Government.

191.Chief executive not to engage in business competing with company's business.- (1) A chief executive of a public company shall not directly or indirectly engage in any business which is of the same nature as and directly

competes with the business carried on by the company of which he is the chief executive or by a subsidiary of such company.

Explanation.— A business shall be deemed to be carried on indirectly by the chief executive if the same is carried on by his spouse or any of his minor children.

(2) Every person who is appointed as chief executive of a public company shall forthwith on such appointment disclose to the company in writing the nature of such business and his interest therein.

192. Chairman in a listed company.- (1) The board of a listed company shall within fourteen days from the date of election of directors, appoint a chairman from among the non-executive directors who shall hold office for a period of three years unless he earlier resigns, becomes ineligible or disqualified under any provision of this Act or removed by the directors.

(2) The board shall clearly define the respective roles and responsibilities of the chairman and chief executive:

Provided that the Commission may specify the classes of companies for which the chairman and chief executive shall not be the same individual.

(3) The chairman shall be responsible for leadership of the board and ensure that the board plays an effective role in fulfilling its responsibilities.

(4) Every financial statements circulated under section 223 of this Act shall contain a review report by the chairman on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.

193. Penalty.- Any contravention or default in complying with requirements of sections 186 to 192 shall be an offence liable to a penalty of level 2 on the standard scale and may also be debarred by the authority which imposes the penalty from becoming a director or chief executive of a company for a period not exceeding five years.

194. Public company required to have secretary.- A public company must have a company secretary; possessing such qualification as may be specified.

195. Listed company to have share registrar.- Every listed company shall have an independent share registrar possessing such qualifications and performing such functions as may be specified.

196. Bar on appointment of sole purchase, sales agents.- (1) No company whether incorporated in Pakistan or outside Pakistan which is carrying on business in Pakistan shall, without the approval of the Commission, appoint any sole purchase, sale or distribution agent:

Provided that this sub-section shall not apply to a sole purchase, sale or distribution agent appointed by a company incorporated, outside Pakistan, unless the major portion of the business of such company is conducted in Pakistan.

(2) Whoever contravenes any of the provisions of this section shall be punished with imprisonment for a term which may extend to two years, or with fine which may extend to one hundred thousand rupees, or with both; and, if the person guilty of the offence is a company or other body corporate, every director, chief executive, or other officer, agent or partner thereof shall, unless he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent its commission, be deemed to be guilty of the offence.

REGISTER OF DIRECTORS AND OTHER OFFICERS

197. Register of directors, officers.- (1) Every company shall keep at its registered office a register of its directors and officers, including the chief executive, company secretary, chief financial officer, auditors and legal adviser, containing with respect to each of them such particulars as may be specified.

(2) Every person referred to in sub-section (1) shall, within a period of ten days of his appointment or any change therein, as the case may be, furnish to the company the particulars specified under sub-section (1).

(3) Every company shall, within a period of fifteen days from the date of appointment of any person referred in sub-section (1) or any change among them, or in any of their particulars, file with the registrar a return in the specified form:

Provided that this sub-section shall not apply to the first appointment made at the time of incorporation of the company.

(4) Any contravention or default in complying with requirement of sub-section (1) or sub-section (3) shall be an offence liable to a penalty of level 1 on the standard scale.

(5) If the name of any person is fraudulently or without sufficient cause entered in or omitted from the register of directors of a company the person aggrieved or the company, may apply to the Court for rectification of the register of directors.

(6) The Court may either refuse the application or may order rectification of the register on such terms and conditions as it may deem fit and may make order as to costs.

(7) Where the Court has passed and order under sub-section (6) that prima facie entry in or omission from, the register of directors the name or other particulars of any person, was made fraudulently or without sufficient cause, the Court may send a reference for adjudication of offence under sub-section (8) to the court as provided in section 482.

(8) Anyone who fraudulently or without sufficient cause enters in, or omits from the register of directors the name or other particulars of any person, shall be punishable with imprisonment for a term which may extend to three years or with fine which may extend to one million rupees, or with both.

(9) When it makes an order for rectification of the register of directors in respect of a company, the Court shall cause a copy of the order to be forwarded

to the company and shall, by its order, direct the company to file notice of the rectification with the registrar within fifteen days from the receipt of the order.

198.Rights to inspect.- (1) The register kept under section 197 shall, be open to the inspection of any member of the company and of any other person during business hours, subject to such reasonable restrictions, as the company may impose by its articles or in general meeting, so that not less than two hours in each day are allowed.

(2) Inspection by any member of the company shall be without charge, and in the case of any other person on payment of such fee as may be fixed by the company for each inspection.

(3) A person seeking to exercise the rights conferred by this section must make a request to the company to that effect.

(4) The request must contain the following information-

- (a) in the case of an individual, his name and address;
- (b) in the case of an organisation, its name and address and also of the authorised person; and
- (c) the purpose for which the information is to be used.

(5) In the case any inspection is refused, the registrar on application made by the person to whom inspection has been refused and upon notice to the company, may by order direct an immediate inspection of the register.

(6) Any contravention or default in complying with requirements of this section shall be an offence shall be liable to a penalty of level 1 on the standard scale.

MISCELLANEOUS PROVISIONS REGARDING INVESTMENTS, CONTRACTS OFFICERS AND SHAREHOLDINGS, TRADING AND INTERESTS

199.Investments in associated companies and undertaking.- (1) A company shall not make any investment in any of its associated companies or associated undertakings except under the authority of a special resolution which shall indicate the nature, period, amount of investment and terms and conditions attached thereto.

Explanation: The term ‘investment’ shall include equity, loans, advances, guarantees, by whatever name called, except for the amount due as normal trade credit, where the terms and conditions of trade transaction(s) carried out on arms-length and in accordance with the trade policy of the company.

(2) The company shall not invest in its associated company or associated undertaking by way of loans or advances except in accordance with an agreement in writing and such agreement shall inter-alia include the terms and conditions specifying the nature, purpose, period of the loan, rate of return, fees or commission, repayment schedule for principal and return, penalty clause in

case of default or late repayments and security, if any, for the loan in accordance with the approval of the members in the general meeting:

Provided that the return on such investment shall not be less than the borrowing cost of the investing company or the rate as may be specified by the Commission whichever is higher and shall be recovered on regular basis in accordance with the terms of the agreement, failing which the directors shall be personally liable to make the payment:

Provided further that the directors of the investing company shall certify that the investment is made after due diligence and financial health of the borrowing company is such that it has the ability to repay the loan as per the agreement.

(3) The Commission may-

- (a) by notification in the official Gazette, specify the class of companies or undertakings to which the restriction provided in sub-section (1) shall not apply; and
- (b) through regulations, specify such disclosure requirements, conditions and restrictions on the nature, period, amount of investment and terms and conditions attached thereto, and other ancillary matters.

(4) An increase in the amount or any change in the nature of investment or the terms and conditions attached thereto shall be made only under the authority of a special resolution.

(5) Every company shall maintain and keep at its registered office a register of investments in associated companies and undertakings containing such particulars as may be specified.

(6) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 3 on the standard scale and in addition, shall jointly and severally reimburse to the company any loss sustained by the company in consequence of an investment which was made without complying with the requirements of this section.

200. Investments of company to be held in its own name.- (1) All investments made by a company on its own behalf shall be made and held by it in its own name:

Provided that the company may hold any shares in its subsidiary company in the name of any nominee of the company, if it is necessary to do so, to ensure that the number of members of the subsidiary company is not reduced below the statutory limit.

(2) Where the company has a right to appoint or get elected any person as a director of any other company and a nominee of the company in exercise of such right has been so appointed or elected, the shares in such other company of an amount not exceeding the nominal value of the qualification shares which are required to be held by a director thereof, may be registered or held by such company jointly in its own name and in the name of such person or nominee, or in the name of such person or nominee alone.

(3) Nothing in this section shall be deemed to prevent a company from depositing with, or transferring to, or holding, or registering in the name of a central depository any shares or securities.

(4) Where, in pursuance of proviso to sub-section (1) or provisions of sub-sections (2) or (3), any shares or securities in which investments have been made by a company are not held by it in its own name, the company shall forthwith enter in a register maintained by it for the purpose at its registered office the nature, value and such other particulars as may be necessary fully to identify such shares or securities.

(5) The register maintained under sub-section (4) shall, be open to the inspection of members without charge, and to any other person on payment of such fees as the company may specify in this behalf during business hours, subject to such reasonable restrictions, as the company may impose, so that not less than two hours in each day be allowed.

(6) Any member may require a certified copy of register or any part thereof, on payment of such fee as may be fixed by the company.

(7) The certified copies requested under this section shall be issued within a period of seven days.

(8) A member seeking to exercise either of the rights conferred by sub-sections (5) or (6) must make a request to the company to that effect.

(9) If a company contravenes the provisions of sub-section (1), the company shall be punishable with fine which may extend to five million rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to two years or with fine which may extend to one million rupees, or with both.

(10) Any contravention or default in complying with requirements of sub-sections (4), (5) or (6), shall be an offence liable to a penalty of level 1 on the standard scale; and the registrar may by an order compel an immediate inspection of the register or direct that copies required shall be sent to the persons requiring them.

201. Method of contracting.—(1) A contract or other enforceable obligation may be entered into by a company as follows:

- (a) an obligation which, if entered into by a natural person, will, by law, be required to be by deed or otherwise in writing, may be entered into on behalf of the company in writing signed under the name of the company by a director, attorney or any other person duly authorised by the board¹[];
- (b) an obligation which, if entered into by a natural person, is not, by law, required to be in writing, may be entered into on behalf of the company in writing or orally by a person acting under the company's express or implied authority.

¹ Words "and may affix common seal of the company" omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

(2) All contracts made according to sub-section (1) shall be effectual in law and shall bind the company and its successors and all other parties thereto, their heirs, or legal representatives as the case may be.

202. Execution of bills of exchange, promissory notes and deeds.- (1) A bill of exchange or promissory note shall be deemed to have been made, drawn, accepted or endorsed on behalf of a company if made, drawn, accepted or endorsed in the name of, or on behalf of or on account of, the company by any person acting under its authority, express or implied.

(2) A company may, by writing, authorise any person, either generally or in respect of any specified matters, as its attorney to execute deeds on its behalf in any place either in or outside Pakistan.

(3) A deed signed by such an attorney on behalf of the company and under his seal shall bind the company and have the effect as if it was made by the company itself.

203. Company to have official seal for use abroad.- (1) A company ¹[] may have an official seal for use outside Pakistan.

(2) The official seal ²[must add on the face of it] the name of every territory where it is to be used.

³[]

(4) A company having such an official seal may ⁴[] authorise any person appointed for the purpose in any territory not situate in Pakistan to affix the same to any deed or other document to which the company is party in that territory.

(5) The authority of any such agent shall, as between the company and any person dealing with the agent, continue during the period, if any, mentioned in the instrument conferring the authority, or if no period is mentioned therein, then until notice of the revocation or determination of the agent's authority has been given to the person dealing with him.

(6) The person affixing any such official seal shall, by writing under his hand, on the deed or other document to which the seal is affixed, certify the date and place of affixing the same.

(7) A deed or other document to which an official seal is duly affixed shall bind the company ⁵[].

204. Duties of directors.- (1) Subject to the provisions of this Act, a director of a company shall act in accordance with the articles of the company.

(2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees the shareholders the community and for the protection of environment.

1 Words "that has a common seal" omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

2 Substituted for the words "must be a facsimile of the company's common seal, with the addition on its face of" by the Companies (Amendment) Act, 2021, dated December 3, 2021.

3 Sub-section (3) omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

4 Commas and words ", by writing under its common seal," omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

5 Words "as if it had been sealed with the common seal of the company" omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

(3) A director of a company shall discharge his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

(4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

(5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

(6) A director of a company shall not assign his office and any assignment so made shall be void.

(7) In addition to the preceding sub-sections, the Commission may provide for the extent of duties and the role of directors as may be specified.

(8) Any breach of duty, default or negligence by a director in contravention of the articles of the company or any of its policy or decision of the board may be ratified by the company through a special resolution and the Commission may impose any restriction as may be specified.

(9) Without prejudice to any other action that may be taken under this Act or any other law, any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

205. Disclosure of interest by director.- (1) Every director of a company who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the company shall disclose the nature of his concern or interest at a meeting of the board:

Provided that a director shall be deemed also to be interested or concerned if any of his relatives, is so interested or concerned.

Explanation.- For the purpose of this section “director’s relatives”, are-

- (a) the director’s spouse;
- (b) the director’s children, including the step children;
- (c) the director’s parents;

(2) The disclosure required to be made by a director under sub-section (1) shall be made-

- (a) in the case of a contract or arrangement to be entered into, at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration or, if the director was not, on the date of that meeting, concerned or interested in the contract or arrangement, at the first meeting of the board held after he becomes so concerned or interested; and

(b) in the case of any other contract or arrangement, at the first meeting of the board held after the director becomes concerned or interested in the contract or arrangement.

(3) For the purposes of sub-sections (1) and (2), a general notice given to the board to the effect that a director is a director or a member of a specified body corporate or a partner of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made.

(4) Any such general notice shall expire at the end of the financial year in which it is given, but may be renewed for further period of one financial year at a time, by a fresh notice given in the last month of the financial year in which it would otherwise expire.

(5) No such general notice, and no renewal thereof, shall be of effect unless either it is given at a meeting of the board, or the director concerned takes reasonable steps to ensure that it is brought up and read at the first meeting of the board after it is given.

(6) Any contravention or default in complying with requirements of sub-sections (1) or (2), shall be an offence liable to a penalty of level 1 on the standard scale.

206. Interest of officers.-(1) Save as provided in section 205 in respect of directors, no other officer of a company who is in any way, directly or indirectly, concerned or interested in any proposed contract or arrangement with the company shall, unless he discloses the nature and extent of his interest in the transaction and obtains the prior approval of the board, enter into any such contract or arrangement.

(2) Any contravention or default in complying with requirement under this section shall be an offence liable to a penalty of level 1 on the standard scale.

207. Interested director not to participate or vote in proceedings of board.-(1) No director of a company shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void:

Provided that a director of a listed company who has a material personal interest in a matter that is being considered at a board meeting shall not be present while that matter is being considered.

(2) If majority of the directors are interested in, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, the matter shall be laid before the general meeting for approval.

(3) Sub-section (1) shall not apply to-

- (a) a private company which is neither a subsidiary nor a holding company of a public company;
- (b) any contract of indemnity or insurance coverage executed by the company in favour of interested director against any loss which he may suffer or incur by reason of becoming or being a surety for the company or while undertaking any transaction on behalf of the company:

Provided that for the purpose of clause (b), a company shall only insure the liability of interested director where such liability arises out of a transaction validly approved by the board or the members of the company as the case may be:

(4) Any contravention or default in complying with requirements under this section shall be an offence liable to a penalty of level 1 on the standard scale.

208. Related party transactions.- (1) A company may enter into any contract or arrangement with a related party only in accordance with the policy approved by the board, subject to such conditions as may be specified, with respect to-

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property; and
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associated company:

Provided that where majority of the directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis.

Explanation.- In this sub-section-

- (a) the expression "office of profit" means any office-

- (i) where such office is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration,

salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- (b) the expression "arm's length transaction" means a transaction which is subject to such terms and conditions as may be specified.
- (c) the expression "related party" includes-
 - (i) a director or his relative;
 - (ii) a key managerial personnel or his relative;
 - (iii) a firm, in which a director, manager or his relative is a partner;
 - (iv) a private company in which a director or manager is a member or director;
 - (v) a public company in which a director or manager is a director or holds alongwith his relatives, any shares of its paid up share capital;
 - (vi) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
 - (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is-
 - (A) a holding, subsidiary or an associated company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- (xi) such other person as may be specified;

Explanation.- For the purpose of this section "relative" means spouse, siblings and lineal ascendants and descendants of a person.

(2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the board's report to the shareholders along with the justification for entering into such contract or arrangement.

(3) The Commission may specify the record to be maintained by the company with regards to transactions undertaken with the related party.

(4) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the board or, as the case may be, by the shareholders at a meeting within ninety days from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the board and if the contract or arrangement is with a related party to any director, or

is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(5) Without prejudice to anything contained in sub-section (4), it shall be open to the company to proceed against a director or any employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(6) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall be liable-

- (a) in case of listed company, be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than five million rupees, or with both; and
- (b) in case of any other company, to a penalty of level 2 on the standard scale.

209. Register of contracts or arrangements in which directors are interested.- (1) Every company shall keep one or more registers giving separately the particulars of all contracts or arrangements, in such manner and containing such particulars as may be specified by the Commission.

(2) Every director shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the company the particulars relating to his concern or interest in the other associations which are required to be included in the register under sub-section (1) or such other information relating to himself as may be specified.

(3) The register referred to in sub-section (1) shall be kept at the registered office of the company and it shall be open for inspection at such office during business hours and extracts may be taken therefrom, and copies thereof as may be required by any member of the company shall be furnished by the company to such extent, in such manner, and on payment of such fees as may be specified.

(4) The register to be kept under this section shall also be produced at the commencement of every annual general meeting of the company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

(5) Nothing contained in sub-section (1) shall apply to any contract or arrangement-

- (a) for the sale, purchase or supply of any goods, materials or services if the value of such goods and materials or the cost of such services does not exceed five hundred thousand rupees in the aggregate in any year; or
- (b) by a banking company for the collection of bills in the ordinary course of its business.

(6) Any contravention or default in complying with requirements under this section shall be an offence liable to a penalty of level 1 on the standard scale.

210. Contract of employment with directors.- (1) Every company shall keep at its registered office-

- (a) where a contract of service with a director is in writing, a copy of the contract; or
- (b) where such a contract is not in writing, a written memorandum setting out its terms.

(2) The copies of the contract or the memorandum kept under sub-section (1) shall be open to inspection by any member of the company without payment of fee.

(3) Any contravention or default in complying with requirement under this section shall be an offence liable to a penalty of level 1 on the standard scale.

- (4) The provisions of this section shall not apply to a private company.

211. Restriction on non-cash transactions involving directors.- (1) No company shall enter into an arrangement by which-

- (a) a director of the company or its holding, subsidiary or associated company or a person connected with him acquires or is to acquire assets for consideration other than cash, from the company; or
- (b) the company acquires or is to acquire assets for consideration other than cash, from such director or person so connected;

unless prior approval for such arrangement is accorded by a resolution of the company in general meeting and if the director or connected person is a director of its holding company, approval under this sub-section shall also be required to be obtained by passing a resolution in general meeting of the holding company.

(2) The notice for approval of the resolution by the company or holding company in general meeting under sub-section (1) shall include the particulars of the arrangement along with the value of the assets involved in such arrangement duly calculated by a registered valuer.

(3) Any arrangement entered into by a company or its holding company in contravention of the provisions of this section shall be voidable at the instance of the company unless-

- (a) the restitution of any money or other consideration which is the subject-matter of the arrangement is no longer possible and the company has been indemnified by any other person for any loss or damage caused to it; or
- (b) any rights are acquired bona fide for value and without notice of the contravention of the provisions of this section by any other person.

(4) The company shall ensure that all cash transactions with its directors are conducted only through banking channels.

212. Declaring a director to be lacking fiduciary behaviour.- The Court may declare a director to be lacking fiduciary behaviour if he contravenes the provisions of section 205 or sub-section (1) of section 206 or sections 207 or 208:

Provided that before making a declaration the Court shall afford the director concerned an opportunity of showing cause against the proposed action.

213. Disclosure to members of directors' interest in contract appointing chief executive or secretary.- (1) Every director of a company who is in any way, whether directly or indirectly, concerned or interested, in any appointment or contract for the appointment of a chief executive, whole-time director or secretary of the company shall disclose the nature of his interest or concern at a meeting of the board in which such appointment or contract is to be approved and the interested director shall not participate or vote in the proceedings of the board.

(2) All contracts entered into by a company for the appointment of a chief executive, whole-time director or secretary shall be kept at the registered office of the company.

(3) Every contract required to be kept under sub-section (2) must be open to inspection by any member of the company without charge.

(4) Any member of the company is entitled, on request and on payment of such fee as may be fixed by the company, to be provided with a copy of any such contract. The copy must be provided within seven days after the request is received by the company.

(5) Any contravention or default in complying with requirements under this section shall be an offence liable to a penalty of level 1 on the standard scale.

214. Contracts by agents of company in which company is undisclosed principal.- (1) Every officer or other agent of a company, other than a private company, not being the subsidiary company of a public company, who enters into a contract for or on behalf of the company in which contract the company is an undisclosed principal shall, at the time of entering into the contract, make a memorandum in writing of the terms of contract, and specify therein the person with whom it has been made.

(2) Every such officer or other agent shall forthwith deliver the memorandum aforesaid to the company and its directors which shall be laid before next meeting of the board.

(3) If any such officer or other agent makes default in complying with the requirements of this section-

- (a) the contract shall, at the option of the company, be void as against the company; and
- (b) such officer or other agent shall be liable to a penalty of level 1 on the standard scale.

215. Liability for undesired activities of the shareholders.- (1) A member of a company shall act in good faith while exercising its powers as a shareholder at

the general meetings and shall not conduct themselves in a manner that is considered disruptive to proceedings of the meeting.

(2) Without prejudice to his rights under this Act, a member of the company shall not exert influence or approach the management directly for decisions which may lead to create hurdle in the smooth functioning of management.

(3) Any shareholder who fails to conduct in the manner provided in this section and as specified by the Commission shall be guilty of an offence under this section and shall be liable to a penalty not exceeding of level 1 on the standard scale.

216. Company deemed to be a public interest company in certain circumstances.- (1) Notwithstanding anything contained in this Act, a company shall be deemed to be a company with public interest as envisaged in the Third Schedule.

(2) Upon being deemed as a company with public interest, the company shall be required to comply with such disclosure and reporting requirements as may be specified by the Commission.

(3) The Commission may as specified, after giving an opportunity of hearing to a company or class of companies, by an order in writing exempt such company from the requirements of this section if the Commission determines that such exemption is in the interest of the public:

Provided that such order shall be posted on the official website of the Commission.

217. Securities and deposits.- (1) Save as provided in section 84, no company or any of its officers or agents shall receive or utilise any money received as security or deposit, except in accordance with a contract in writing.

(2) The money so received shall be kept in a special account maintained by a company with a scheduled bank.

(3) This section shall not apply where the money received is in the nature of an advance payment for goods to be delivered or sold to an agent, dealer or sub-agent in accordance with a contract in writing.

218. Employees' provident funds, contributory retirement funds and securities.- (1) All moneys or securities deposited with a company by its employees in pursuance of their contracts of service with the company shall be kept or deposited by the company within fifteen days from the date of deposit in a special account to be opened by the company for the purpose in a scheduled bank or in the National Saving Schemes, and no portion thereof shall be utilized by the company except for the breach of the contract of service on the part of the employee as provided in the contract and after notice to the employee concerned.

(2) Where a provident fund, contributory pension fund or any other contributory retirement fund has been constituted by a company for its employees or any class of its employees, all moneys contributed to such fund,

whether by the company or by the employees or by both, or received or accruing by way of interest, profit or otherwise from the date of contribution, receipt or accrual, as the case may be, shall either-

- (a) be deposited-
 - (i) in a National Savings Scheme;
 - (ii) in a special account to be opened by the company for the purpose in a scheduled bank; or
 - (iii) where the company itself is a scheduled bank, in a special account to be opened by the company for the purpose either in itself or in any other scheduled bank; or
- (b) be invested in-
 - (i) Government securities; or
 - (ii) bonds, redeemable capital, debt securities or instruments issued by a statutory body, units of collective investment schemes registered as notified entities with the Commission, and in listed securities including shares of companies, bonds, redeemable capital, debt securities and equity securities, subject to the conditions as may be specified.

(3) Where a trust has been created by a company with respect to any provident fund or a contributory pension fund or any contributory retirement fund referred to in sub-section (2), the company shall be bound to collect the contribution of the employees concerned and pay such contributions as well as its own contributions, if any, to the trustees within fifteen days from the date of collection, and thereupon, the obligations laid on the company by that sub-section shall devolve on the trustees and shall be discharged by them instead of the company.

(4) The trustees of provident fund, contributory pension or retirement fund shall have appropriate representation from the members of the funds.

219. Penalty for contravention of section 217 or 218.- Any contravention or default in complying with requirements of sections 217 or 218 shall be an offence liable to a penalty of level 1 on the standard scale and shall also be liable to pay the loss suffered by the depositor of security or the employee, on account of such contravention.

ACCOUNTS OF COMPANIES

220. Books of account, to be kept by company.- (1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any:

Provided that in the case of a company engaged in production, processing, manufacturing or mining activities, such particulars relating to utilisation of

material or labour or the other inputs or items of cost as may be specified, shall also be maintained:

Provided further that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in Pakistan as the board may decide and where such a decision is taken, the company shall, within seven days thereof, file with the registrar a notice in writing giving the full address of that other place.

(2) Where a company has a branch office in Pakistan or outside Pakistan, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarized returns are sent periodically by the branch office to the company at its registered office or the other place referred to in sub-section (1).

(3) The books of account and other books and papers maintained by the company within Pakistan shall be open for inspection at the registered office of the company or at such other place in Pakistan by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director.

(4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the director making such inspection all assistance in connection with the inspection which the company is reasonably expected to give.

(5) The books of account of every company relating to a period of not less than ten financial years immediately preceding a financial year, or where the company had been in existence for a period less than ten years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order.

(6) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer, of the company who has by his act or omission been the cause of such default shall-

- (a) in respect of a listed company, be punishable with imprisonment for a term which may extend to two years and with fine which shall not be less than five hundred thousand rupees nor more than five million rupees, and with a further fine which may extend to ten thousand rupees for every day after the first during which the default continues; and
- (b) in respect of any other company, be punishable with imprisonment for a term which may extend to one year and with fine which may extend to one hundred thousand rupees.

(7) The provisions of this section except those of sub-section (5), shall apply mutatis mutandis to the books of account which a liquidator is required to maintain and keep.

221. Inspection of books of account by the Commission.- (1) The books of account and books and papers of every company shall be open to inspection by any officer authorised by the Commission in this behalf if, for reasons to be recorded in writing, the Commission considers it necessary so to do.

(2) It shall be the duty of every director, officer or other employee of the company to produce to the person making inspection under sub-section (1) all such books of account and books and papers of the company in his custody or under his control, and to furnish him with any such statement, information or explanation relating to the affairs of the company, as the said person may require of him within such time and at such place as he may specify.

(3) It shall also be the duty of every director, officer or other employee of the company to give to the person making inspection under this section all assistance and facilitation in connection with the inspection which the company may be reasonably expected to give.

(4) The officer making the inspection under this section may, during the course of inspection-

- (a) make or cause to be made copies of books of account and other books and papers; or
- (b) place or cause to be placed by marks of identification thereon in token of the inspection having been made;
- (c) take possession of such documents and retain them for thirty days if there are reasonable grounds for believing that they are evidence of the commission of an offence.

(5) Where an inspection of the books of account and books and papers of the company has been conducted under this section, by an officer authorised by the Commission, such officer shall make a report to the Commission.

(6) Any officer authorised to make an inspection under this section shall have all the powers that the Commission has under this Act in relation to the making of inquiries.

222. Default in compliance with provisions of section 221.- (1) If default is made in complying with the provisions of section 221, every person who is in default shall be punishable with imprisonment for a term which may extend to one hundred and eighty days and with fine which may extend to one hundred thousand rupees.

(2) Where a director or any other officer of a company has been convicted of an offence under this section, he shall, on and from the date on which he is so convicted, be deemed to have vacated his office as such and, on such vacation of office, shall be disqualified for holding such office in any company, for a period of three years.

223. Financial Statements.- (1) The board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any

other case since the preceding financial statements, made up to the date of close of financial year adopted by the company.

(2) The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company:

Provided that, in the case of a listed company the Commission, and in any other case the registrar, may, for any special reason, extend the period for a term not exceeding thirty days.

(3) Subject to the provision of sub-section (2), the first financial statement must be laid at some date not later than sixteen months after the date of incorporation of the company and subsequently once at least in every calendar year.

(4) The period to which the statements aforesaid relate, not being the first, shall not exceed one year except where special permission of the registrar has been obtained.

(5) The financial statement shall be audited by the auditor of the company, in the manner hereinafter provided, and the auditor's report shall be attached thereto:

Provided that nothing in this sub-section shall apply to a private company having the paid up capital not exceeding one million rupees or such higher amount of paid up capital as may be notified by the Commission.

(6) Every company shall send in the form and manner specified audited financial statements together with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members.

(7) A listed company shall, simultaneously with the dispatch of the financial statements together with the reports referred to in sub-section (6), send by post three copies and electronically a copy of such financial statements together with said reports to each of the Commission, registrar and the securities exchange and shall also post on the company's website:

Provided that the reports shall be made available on the website of the Company for a time period as may be specified.

(8) The provisions of sub-section (6) of section 220 shall apply to any person who is a party to the default in complying with any of the provisions of this section.

(9) This section shall not apply to a single member company except to the extent as provided in sub-section (5).

224. Classification of Companies.- For the purpose of this Act, the companies may be classified in such categories as may be specified in the Third Schedule.

225. Contents of Financial Statements.- (1) The financial statements shall give a true and fair view of the state of affairs of the company, comply with the financial reporting standards notified by the Commission and shall be prepared in accordance with the requirements contained in the Third Schedule for different class or classes of companies:

Provided that for the purpose of preparation of financial statements and related accounting treatment of associated companies shall be in accordance with financial reporting standards or such other standards as may be notified by the Commission:

Provided further that, except to the extent, otherwise notified in the official Gazette by the Commission, this sub-section shall not apply to an insurance or banking company or to any other class of companies for which the requirements of financial statements are specified in the law regulating such class of companies.

(2) The Commission may, of its own motion or upon application by a company, modify, in relation to that company, the requirements of the relevant Schedule for the purpose of adapting it to the circumstances of a company.

(3) The Commission shall have power from time to time to grant exemption to any company or any class of companies if it is in the public interest so to do, from compliance with all or any of the requirements of the relevant Schedule.

(4) Notwithstanding anything in this Act any company that intends to make unreserved compliance of IFRS issued by the IASB shall be permitted to do so.

Explanation.— The expression "IFRS" means International Financial Reporting Standards and the expression "IASB" means International Accounting Standards Board.

(5) The provisions of sub-section (6) of section 220 shall apply to any person who is a party to the default in complying with any of the provisions of this section.

226. Duty to prepare directors' report and statement of compliance.- (1) The board shall prepare a directors' report for each financial year of the company:

Provided that nothing in this sub-section shall apply to a private company, not being a subsidiary of public company, having the paid up capital not exceeding three million rupees.

(2) The Commission may by general or special order, direct such class or classes of companies to prepare a statement of compliance.

(3) The board of a holding company, required to prepare consolidated financial statements under section 228, shall in its report to the members as provided in section 227, include information on matters specified in sub-section (2) of section 227 with respect to the consolidated financial statements.

(4) The directors in their report shall give greater emphasis to the matters that are significant to the undertakings included in the consolidation.

(5) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

227. Contents of directors' report and statement of compliance.- (1) The directors shall make out and attach to the financial statements, a report with respect to the state of the company's affairs and a fair review of its business, the amount (if any), that the directors recommend should be paid by way of dividend and the amount (if any), they propose to carry to the Reserve Fund, General Reserve or Reserve Account.

(2) In the case of a public company or a private company which is a subsidiary of a public company, the directors report, in addition to the matters specified in sub-section (1) must state-

- (a) the names of the persons who, at any time during the financial year, were directors of the company;
- (b) the principal activities and the development and performance of the company's business during the financial year;
- (c) a description of the principal risks and uncertainties facing the company;
- (d) any changes that have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries, or any other company in which the company has interest,;
- (e) the information and explanation in regard to any contents of modification in the auditor's report;
- (f) information about the pattern of holding of the shares in the form specified;
- (g) the name and country of origin of the holding company, if such company is a foreign company;
- (h) the earning per share;
- (i) the reasons for loss if incurred during the year and future prospects of profit, if any;
- (j) information about defaults in payment of any debts and reasons thereof;
- (k) comments in respect of adequacy ¹[of] internal financial controls;
- (l) any material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statement relates and the date of the report; ²[]

1 Word inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

2 Word "and" omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

¹[(a) disclosure with respect to remuneration package of each of the directors and chief executive including but not limited to salary, benefits, bonuses, stock options, pension and other incentives; and]
 (m) any other information as may be specified.

(3) In the case of a listed company, the business review must, to the extent necessary for understanding the development, performance or position of the company's business, include—

- (a) the main trends and factors likely to affect the future development, performance and position of the company's business;
 - (b) the impact of the company's business on the environment;
 - (c) the activities undertaken by the company with regard to corporate social responsibility during the year; ²[]
 - (d) directors' responsibility in respect of adequacy of internal financial controls as may be specified ³[; and]
- ⁴[(e) the legitimate reasons for not declaring dividend under section 240 despite earning profits and future prospects of dividend, if any.]

(4) The board shall make out and attach to the financial statement such statement of compliance as may be specified.

(5) The directors' report and statement of compliance must be approved by the board and signed by the chief executive and a director of the company.

⁵[(6) Whoever contravenes any of the provisions of this section shall—

- (a) in respect of a listed company, be punishable with a penalty of level 2 on the standard scale; and
- (b) in respect of any other company, be punishable with a penalty of level 1 on the standard scale.]

228. Consolidated financial statements.— (1) There shall be attached to the financial statements of a holding company having a subsidiary or subsidiaries, at the end of the financial year at which the holding company's financial statements are made out, consolidated financial statements of the group presented as those of a single enterprise and such consolidated financial statements shall comply with the disclosure requirements of the relevant Schedule and financial reporting standards notified by the Commission:

Provided that nothing in this sub-section shall apply to a private company and its subsidiary, where none of the holding and subsidiary company has the paid up capital exceeding one million rupees.

(2) Where the financial year of a subsidiary precedes the day on which the holding company's financial year ends by more than ninety days, such subsidiary shall make an interim closing, on the day on which the holding company's financial year ends, and prepare financial statements for consolidation purposes.

1 Clause (la) inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

2 Word "and" omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

3 Substituted for the full-stop by the Companies (Amendment) Act, 2021, dated December 3, 2021.

4 Clause (e) inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

5 Sub-section (6) substituted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

(3) Every auditor of a holding company appointed under section 246 shall also report, in the specified form, on consolidated financial statements and exercise all such rights and duties as are vested in him under sections 248 and 249 respectively.

(4) There shall be disclosed in the consolidated financial statements any note or saving contained in such accounts to call attention to a matter which, apart from the note or saving, would properly have been referred to in such a qualification, in so far the matter which is the subject of the qualification or note is not covered by the holding company's own accounts and is material from the point of view of its members.

(5) Every consolidated financial statement shall be signed by the same persons by whom the individual financial statements of the holding company are required to be signed, under section 232.

(6) All provisions of sections 223, 233, 234, 235 and 236 shall apply to a holding company required to prepare consolidated financial statements under this section as if for the word "company" appearing in these sections, the words "holding company" were substituted.

(7) The Commission may, on an application of a holding company, direct that the provisions of this section shall not apply to such extent as may be specified in the direction.

(8) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 2 on the standard scale.

229. Financial year of holding company and subsidiary.- (1) The board of a holding company shall ensure that, except where in their opinion there are good reasons against it, its financial year and each of its subsidiaries coincides.

(2) The Commission may, on an application of a holding company or a subsidiary of the holding company, extend the financial year of any such company for the purpose of sub-section (1).

(3) While granting any extension under sub-section (2), the Commission may grant such other relaxations as may be incidental or ancillary thereto.

230. Rights of holding company's representatives and members.- (1) A holding company may, by resolution, authorise representatives named in the resolution to inspect the books of account kept by any of its subsidiaries; and the books of account of any such subsidiary shall be open to inspection by those representatives at any time during business hours.

(2) The rights conferred by section 256 upon members of a company may be exercised, in respect of any subsidiary, by members of the holding company as if they also were members of the subsidiary.

231. Financial Statements of modaraba company to include modaraba accounts.- (1) There must be attached to the financial statements of a modaraba company, the annual accounts and other reports circulated in pursuance of the provisions of section 14 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), made out-

- (a) as at the end of the financial year of the modaraba where such financial year coincides with the financial year of the modaraba company; and
- (b) as at the end of the financial year of the modaraba last before that of the modaraba company, where the financial year of the modaraba does not coincide with that of the modaraba company.

(2) The provisions of sub-section (8) of section 228 shall apply to any person who is a party to the default in complying with any of the provisions of this section.

232.Approval and authentication of Financial Statements.- (1) The financial statements, including consolidated financial statement, if any, must be approved by the board of the company and signed on behalf of the board by the chief executive and at least one director of the company, and in case of a listed company also by the chief financial officer:

Provided that when the chief executive is for the time being not available in Pakistan, then the financial statements may be signed by at least two directors:

Provided further that in case of a private company having a paid up capital not exceeding one million rupees, the financial statements shall also be accompanied by an affidavit executed by the chief executive if the accounts are signed by him or by any of the directors if the accounts has been signed by two directors, as the case may be, that the financial statements have been approved by the board.

(2) The financial statements of a single member company shall be signed by one director.

(3) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

233.Copy of Financial Statements to be forwarded to the registrar.- (1) Without prejudice to the provisions of sub-section (5) of section 223, after the audited financial statements have been laid before the company at the annual general meeting and duly adopted, a copy of such financial statements together with reports and documents required to be annexed to the same, duly signed in the manner provided by sections 226, 232 and 251, shall be filed by the company with the registrar within thirty days from the date of such meeting in case of a listed company and within fifteen days in case of any other company.

(2) If the general meeting before which the financial statement is laid does not adopt the same or defers consideration thereof or is adjourned, a statement of that fact and of the reasons therefor shall be annexed to the said financial statements required to be filed with the registrar.

(3) Nothing in this section shall apply to a private company having the paid up capital not exceeding ten million rupees or such higher amount of paid up capital as may be notified by the Commission.

(4) Any contravention or default in complying with requirements of this section shall be an offence liable-

- (a) in case of a listed company, to a penalty of level 2 on the standard scale; and
- (b) in case of any other company, to a penalty of level 1 on the standard scale.

¹[]

235.Right of member of a company to copies of the Financial Statements and the auditor's report.- (1) Any member of the company is entitled, on request and on payment of such fee as may be fixed by the company to be provided with a copy of any financial statement. The copy must be provided within seven days after the request is received by the company.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

236.Penalty for improper issue, circulation or publication of Financial Statements.- If any copy of financial statements is issued, circulated or published without there being annexed or attached thereto, as the case may be, a copy each of (i) any component of financial statements, reports, or statements referred therein, (ii) the auditors' report, (iii) review reports on the statement of compliance, (iv) the directors' report and (v) the statements of compliance, the company, and every officer of the company who is in default shall be liable to a penalty of level 1 on the standard scale.

237.Quarterly financial statements of listed companies.- (1) Every listed company shall prepare the quarterly financial statements within the period of-

- (a) thirty days of the close of first and third quarters of its year of accounts; and
- (b) sixty days of the close of its second quarter of its year of accounts:

Provided that the cumulative figures for the half year, presented in the second quarter accounts shall be subjected to a limited scope review by the statutory auditors of the company in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission.

Provided further that the Commission may, upon an application by the company, extend the period of filing in case of accounts of first quarter for a period not exceeding thirty days, if the company was allowed extension in terms of sections 223.

(2) The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1):

Provided that a copy of the quarterly financial statements shall be dispatched in physical form if so requested by any member without any fee.

¹ Section 234 omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

Provided further that the Commission may specify the time period for which the quarterly financial statements shall be made available on the website of the company.

(3) The provisions of section 232 shall be applicable to the quarterly financial statements.

(4) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.

238. Power of Commission to require submission of additional statements of accounts and reports.- (1) Notwithstanding anything contained in any other provision of this Act the Commission may, by general or special order, require companies generally, or any class of companies or any particular company, to prepare and send to the members, the Commission, the registrar, the securities exchange and any other person such periodical statements of accounts, information or other reports, in such form and manner and within such time, as may be specified in the order.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 3 on the standard scale.

239. Rights of debenture-holders to obtain copies of financial statements.- (1) The holders of debentures, including the trustees for holders of debentures, of a company shall be entitled to have copies of financial statements of the company and other reports on payment of such fee as may be fixed by the company.

(2) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

DIVIDENDS AND MANNER AND TIME OF PAYMENT THEREOF

240. Certain restrictions on declaration of dividend.- (1) The company in general meeting may declare dividends; but no dividend shall exceed the amount recommended by the board.

(2) No dividend shall be declared or paid by a company for any financial year out of the profits of the company made from the sale or disposal of any immovable property or assets of a capital nature comprised in the undertaking or any of the undertaking of the company, unless the business of the company consists, whether wholly or partly, of selling and purchasing any such property or assets, except after such profits are set off or adjusted against losses arising from the sale of any such immovable property or assets of a capital nature:

Provided that no dividend shall be declared or paid out of unrealized gain on investment property credited to profit and loss account.

241. Dividend to be paid only out of profits.- Any dividend may be paid by a company either in cash or in kind only out of its profits.

Explanation.—The payment of dividend in kind shall only be in the form of shares of listed company held by the distributing company.

242.Dividend not to be paid except to registered shareholders.— Any dividend declared by a company must be paid to its registered shareholders or to their order within such period and in such manner as may be specified:

Provided that any dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the shareholders entitled to the payment of the dividend, as per their direction:

Provided further that in case of a listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders.

243.Directors not to withhold declared dividend.— (1) When a dividend has been declared, it shall not be lawful for the directors of the company to withhold or defer its payment and the chief executive of the company shall be responsible to make the payment in the manner provided in section 242.

Explanation.— Dividend shall be deemed to have been declared on the date of the general meeting in case of a dividend declared or approved in the general meeting and on the date of commencement of closing of share transfer for purposes of determination of entitlement of dividend in the case of an interim dividend and where register of members is not closed for such purpose, on the date on which such dividend is approved by the board.

(2) Where a dividend has been declared by a company but is not paid within the period specified under section 242, the chief executive of the company shall be punishable with imprisonment for a term which may extend to two years and with fine which may extend to five million rupees:

Provided that no offence shall be deemed to have been committed within the meaning of the foregoing provisions in the following cases, namely—

- (a) where the dividend could not be paid by reason of the operation of any law;
- (b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with;
- (c) where there is a dispute regarding the right to receive the dividend;
- (d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or
- (e) where, for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the company; and

the Commission has, on an application of the company on the specified form made within forty-five days from the date of declaration of the dividend, and after providing an opportunity to the shareholder or person who may seem to be entitled to receive the dividend of making representation against the proposed

action, permitted the company to withhold or defer payment as may be ordered by the Commission.

(3) Notwithstanding anything contained in sub-section (2), a company may withhold the payment of dividend of a member where the member has not provided the complete information or documents as specified by the Commission.

(4) Chief executive convicted under sub-section (2) shall from the day of the conviction cease to hold the office of chief executive of the company and shall not, for a period of five years from that day, be eligible to be the chief executive or a director of that company or any other company.

244. Unclaimed shares, modaraba certificates and dividend to vest with the Federal Government.- (1) Notwithstanding anything to the contrary contained in this Act or any other law-

(i) where shares of a company or modaraba certificates of a Modaraba have been issued; or

(ii) where dividend has been declared by a company or Modaraba; which remain unclaimed or unpaid for a period of three years from the date it is due and payable, or

(iii) any other instrument or amount which remain unclaimed or unpaid, having such nature and for such period as may be specified;

the company shall give ninety days notices to the shareholders or certificate holders or the owner, as the case may be, to file claim, in the following manner-

(a) by a registered post acknowledgement due on his last known address; and

(b) after expiry of notice period as provided under clause (a), final notice in the specified form shall be published in two daily newspapers of which one will be in Urdu and one in English having wide circulation.

Explanation.-For the purpose of this section “shares” or “modaraba certificates” include unclaimed or undelivered bonus shares or modaraba certificates and “company” includes a “modaraba company”.

(2) If no claim is made before the company by the shareholder, certificate holder or the owner, as the case may be, the company shall after ninety days from the date of publication of notice under clause (b) of sub-section (1) shall-

(a) in case of sum of money, deposit any unclaimed or unpaid amount to the credit of the Federal Government; and

(b) in case of shares or modaraba certificates or other instrument, report and deliver to the Commission such shares or modaraba certificates or other instrument and the Commission shall sell such shares or modaraba certificates or other instrument, as the case may be, in the manner and

within such period as may be specified and deposit the proceeds to the credit of Federal Government:

Provided that where the company has deposited the unclaimed or unpaid amount or delivered the shares or modaraba certificates or other instrument with the Commission for credit of the Federal Government, the company shall preserve and continue to preserve all original record pertaining to the deposited unclaimed or unpaid amount and the shares or modaraba certificates or other instrument and provide copies of the relevant record to the Commission until it is informed by the Commission in writing that they need not to be preserved any longer.

(3) Notwithstanding anything contained in any law or procedure for the time being in force, the unclaimed or unpaid amount as well as the proceeds from the sale of shares or modaraba certificates or any other instrument or any benefit accrued thereon, as the case may be, shall be maintained in a profit bearing account with the State Bank of Pakistan or National Bank of Pakistan to be called "Companies Unclaimed Instruments and Dividend and Insurance Benefits and Investors Education Account" as may be notified by the concerned Minister-in-Charge of the Federal Government and shall be deemed to be part of public accounts and interest / profit accumulated thereon shall be credited on quarterly basis to the Fund established under section 245 of this Act.

(4) Any person claiming to be entitled to any money paid into "Companies Unclaimed Instruments and Dividend and Insurance Benefits and Investors Education Account" may in pursuance of this section apply to the Commission in such manner along with such documents as may be specified for payment thereof, and the Commission after necessary verification from the company concerned forward to the bank as notified under sub-section (3) to make the payment to entitled person of the sum equivalent to his unclaimed or unpaid dividend or amount of proceeds:

Provided that the payment to the claimant shall be made within a period of thirty days from the date of verification by the company.

(5) A person shall be entitled to receive the shares or modaraba certificates or any other instrument as delivered to the Commission by the company, making a claim under this Act before the sale of such unclaimed shares or modaraba certificates or the instrument, is effected by the Commission.

(6) A person making a claim under this section shall be entitled to the proceeds of the sale of the shares or modaraba certificates or the instrument less any deduction for expenses of sale.

(7) Payment to the claimant pursuant to sub-section (4) and a receipt given by the bank in this respect shall be a good discharge to the Commission and the bank.

(8) Where any dispute regarding unclaimed shares, modaraba certificates, the instrument or dividend arises or is pending adjudication before the competent

authority or Court, the Commission shall process the claim in accordance with the decision of such authority or Court.

(9) No claim whatsoever shall be entertained after the period of ten years from the credit of any amount to the account of the Federal Government to be maintained under this section.

(10) Every company within thirty days of the close of each financial year shall submit to the Commission a return of all unclaimed shares, modaraba certificates, the instruments or dividend in its books in the manner as may be specified by the Commission.

(11) Whoever contravenes the provisions of this section shall be punishable with a penalty of level 3 on the standard scale.

(12) The account to be maintained under sub-section (3) shall be available on the direction of Minister-in-Charge to serve as a collateral in order to facilitate the provision of credit facility to the clearing house to address any systemic risk in the capital market:

Provided that powers under this sub-section shall be exercised only in case where in opinion of the Commission the resources of the clearing house are or likely to be insufficient for timely settlement of trades executed at the securities and future exchanges.

245. Establishment of Investor Education and Awareness Fund.- (1) There is hereby established a fund to be called Investor Education and Awareness Fund (hereinafter in this section referred to as "Fund") to be managed and controlled by the Commission as may be prescribed through rules.

(2) The Fund shall be credited with-

- (a) the interest/profit earned on the "Companies Unclaimed Instruments and Dividend and Insurance Benefits and Investors Education Account";
- (b) forfeited amounts under sub-section (7) of section 87 of the Securities Act, 2015;
- (c) grants or donations given by the Federal Government, Provincial Governments, companies, or any other institution or person for the purposes of the Fund;
- (d) the interest or other income received out of the investments made from the Fund;
- (e) the amount realised in terms of fourth proviso of section 341 or fourth proviso of sub-section (4) of section 372; and
- (f) such other amounts as may be prescribed.

(3) The Fund shall be utilized for-

- (a) the promotion of investor education and awareness in such manner as may be prescribed;

- (b) without prejudice to the generality of the object of sub-clause (a) of sub-section (3), the Fund may be used for the following purposes, namely-
- (i) educational activities including seminars, training, research and publications aimed at investors;
 - (ii) awareness programs including through media – print, electronic, social media, aimed at investors;
 - (iii) funding investor education and awareness activities approved by the Commission; and
 - (iv) to meet the administrative expenses of the Fund.

Explanation.- “**Investors**” means investor in securities, insurance policyholders and customers of non-bank finance companies and Modarabas.

(4) The Commission shall, by notification in the official Gazette, constitute an advisory committee with such members as may be prescribed, for recommending investor education and awareness activities that may be undertaken directly by the Commission or through any other agency, for utilization of the Fund for the purposes referred to in sub-section (3).

(5) The accounts of the Fund shall be audited by auditors appointed by the Commission who shall be a firm of chartered accountants. The Commission shall ensure maintenance of proper and separate accounts and other relevant records in relation to the Fund giving therein the details of all receipts to, and, expenditure from, the Fund and other relevant particulars.

(6) The Commission may invest the moneys of the Fund in such manner as set out in section 20 of the Trusts Act, 1882 (II of 1882).

AUDIT

246.Appointment, removal and fee of auditors.- (1) The first auditor or auditors of a company shall be appointed by the board within ninety days of the date of incorporation of the company; and the auditor or auditors so appointed shall retire on the conclusion of the first annual general meeting.

(2) Subject to the provisions of sub-section (3), the subsequent auditor or auditors shall be appointed by the company in the annual general meeting on the recommendation of the board after obtaining consent of the proposed auditors, a notice shall be given to the members with the notice of general meeting. The auditor or auditors so appointed shall retire on the conclusion of the next annual general meeting.

(3) A member or members having not less than ten percent shareholding of the company shall also be entitled to propose any auditor or auditors for appointment whose consent has been obtained by him and a notice in this regard has been given to the company not less than seven days before the date of the annual general meeting. The company shall forthwith send a copy of such notice to the retiring auditor and shall also be posted on its website.

(4) Where an auditor, other than the retiring auditor is proposed to be appointed, the retiring auditor shall have a right to make a representation in writing to the company at least two days before the date of general meeting. Such representation shall be read out at the meeting before taking up the agenda for appointment of the auditor:

Provided that where such representation is made, it shall be mandatory for the auditor or a person authorized by him in writing to attend the general meeting in person.

(5) The auditor or auditors appointed by the board or the members in an annual general meeting may be removed through a special resolution.

(6) Any casual vacancy of an auditor shall be filled by the board within thirty days from the date thereof. Any auditor appointed to fill in any casual vacancy shall hold office until the conclusion of the next annual general meeting:

Provided that where the auditors are removed during their tenure, the board shall appoint the auditors with prior approval of the Commission.

(7) If the company, fails to appoint-

- (a) the first auditors within a period of ninety days of the date of incorporation of the company;
- (b) the auditors at an annual general meeting; or
- (c) an auditor in the office to fill up a casual vacancy within thirty days after the occurrence of the vacancy; and
- (d) if the appointed auditors are unwilling to act as auditors of the company;

the Commission may, of its own motion or on an application made to it by the company or any of its members direct to make good the default within such time as may be specified in the order. In case the company fails to report compliance within the period so specified, the Commission shall appoint auditors of the company who shall hold office till conclusion of the next annual general meeting:

(8) The remuneration of the auditors of a company shall be fixed-

- (a) by the company in the general meeting;
- (b) by the board or by the Commission, if the auditors are appointed by the board or the Commission, as the case may be.

(9) Every company shall, within fourteen days from the date of any appointment of an auditor, send to the registrar intimation thereof, together with the consent in writing of the auditor concerned.

247. Qualification and disqualification of auditors.- (1) A person shall not be qualified for appointment as an auditor-

- (a) in the case of a public company or a private company which is subsidiary of a public company or a private company having paid up capital of three million rupees or more unless such person is a

chartered accountant having valid certificate of practice from the Institute of Chartered Accountants of Pakistan or a firm of chartered accountants; and

- (b) in the case of a company other than specified in clause (a), unless such person, is a chartered accountant or cost and management accountant having valid certificate of practice from the respective institute or a firm of chartered accountants or cost and management accountants, having such criteria as may be specified:

Provided that for the purpose of clause (a) and (b), a firm whereof majority of practicing partners are qualified for appointment shall be appointed by its firm name to be auditors of the company.

(2) Where a partnership firm is appointed as auditor of a company, only the partners who meet the qualification requirements as provided in sub-section (1), shall be authorized to act and sign on behalf of the firm.

(3) None of the following persons shall be appointed as auditor of a company, namely-

- (a) a person who is, or at any time during the preceding three years was, a director, other officer or employee of the company;
- (b) a person who is a partner of , or in the employment of, a director, officer or employee of the company;
- (c) the spouse of a director of the company;
- (d) a person who is indebted to the company other than in the ordinary course of business of such entities;
- (e) a person who has given a guarantee or provided any security in connection with the indebtedness of any third person to the company other than in the ordinary course of business of such entities;
- (f) a person or a firm who, whether directly or indirectly, has business relationship with the company other than in the ordinary course of business of such entities;
- (g) a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
- (h) a body corporate;
- (i) a person who is not eligible to act as auditor under the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan; and
- (j) a person or his spouse or minor children, or in case of a firm, all partners of such firm who hold any shares of an audit client or any of its associated companies:

Provided that if such a person holds shares prior to his appointment as auditor, whether as an individual or a partner in a firm

the fact shall be disclosed on his appointment as auditor and such person shall disinvest such shares within ninety days of such appointment.

Explanation.— Reference in this section to an “officer” or “employee” shall be construed as not including reference to an auditor.

- (4) For the purposes of clause (d) of sub-section (3) a person who owes-
 - (a) a sum of money not exceeding one million rupees to a credit card issuer; or
 - (b) a sum to a utility company in the form of unpaid dues for a period not exceeding ninety days;

shall not be deemed to be indebted to the company.

(5) A person shall also not be qualified for appointment as auditor of a company if he is, by virtue of the provisions of sub-section (3), disqualified for appointment as auditor of any other company which is that company's subsidiary or holding company or a subsidiary of that holding company.

(6) If, after his appointment, an auditor becomes subject to any of the disqualifications specified in this section, he shall be deemed to have vacated his office as auditor with effect from the date on which he becomes so disqualified.

(7) A person who, not being qualified to be an auditor of a company, or being or having become subject to any disqualification to act as such, acts as auditor of a company shall be liable to a penalty of level 2 on the standard scale.

(8) The appointment as auditor of a company of an unqualified person, or of a person who is subject to any disqualifications to act as such, shall be void, and, where such an appointment is made by a company, the Commission may appoint a qualified person in place of the auditor appointed by the company.

RIGHTS AND DUTIES OF AUDITOR

248.Auditors' right to information.— (1) An auditor of a company has a right-

- (a) of access at all times to the company's books, accounts and vouchers (in whatever form they are held); and
- (b) of access to such copies of, an extracts from, the books and accounts of the branch as have been transmitted to the principal office of the company;
- (c) to require any of the following persons to provide him with such information or explanations as he thinks necessary for the performance of his duties as auditor-
 - (i) any director, officer or employee of the company;
 - (ii) any person holding or accountable for any of the company's books, accounts or vouchers;
 - (iii) any subsidiary undertaking of the company; and
 - (iv) any officer, employee or auditor of any such subsidiary undertaking of the company or any person holding or accountable

for any books, accounts or vouchers of any such subsidiary undertaking of the company.

(2) If any officer of a company refuses or fails, without lawful justification, the onus whereof shall lie on him, to allow any auditor access to any books and papers in his custody or power, or to give any such information possessed by him as and when required, or otherwise hinders, obstructs or delays an auditor in the performance of his duties or the exercise of his powers or fails to give notice of any general meeting to the auditor or provides false or incorrect information, he shall be liable to penalty as provided under section 252.

249. Duties of auditor.- (1) A company's auditor shall conduct the audit and prepare his report in compliance with the requirements of International Standards on Auditing as adopted by the Institute of Chartered Accountants of Pakistan.

(2) A company's auditor must carry out such examination to enable him to form an opinion as to-

- (a) whether adequate accounting records have been kept by the company and returns adequate for their audit have been received from branches not visited by him; and
- (b) whether the company's financial statements are in agreement with the accounting records and returns.

(3) The auditor shall make out a report to the members of the company on the accounts and books of accounts of the company and on every financial statements and on every other document forming part of such statements including notes, statements or schedules appended thereto, which are to be laid before the company in general meeting and the report shall state-

- (a) whether or not they have obtained all the information and explanations which to the best of their knowledge and belief were necessary for the purposes of the audit and if not, the details thereof and the effect of such information on the financial statements;
- (b) whether or not in their opinion proper books of accounts as required by this Act have been kept by the company;
- (c) whether or not in their opinion the statement of financial position and profit and loss account and other comprehensive income or the income and expenditure account and the cash flows have been drawn up in conformity with the requirements of accounting and reporting standards as notified under this Act and are in agreement with the books of accounts and returns;
- (d) whether or not in their opinion and to the best of their information and according to the explanations given to them, the said accounts give the information required by this Act in the manner so required and give a true and fair view-
 - (i) in the case of the statement of financial position, of the state of affairs of the company as at the end of the financial year;

- (ii) in the case of the profit and loss account and other comprehensive income or the income and expenditure account, of the profit or loss and other comprehensive income or surplus or deficit, as the case may be, for its financial year; and
 - (iii) in the case of statement of cash flows, of the generation and utilisation of the cash and cash equivalents of the company for its financial year;
- (e) whether or not in their opinion-
- (i) investments made, expenditure incurred and guarantees extended, during the year, were for the purpose of company's business; and
 - (ii) zakat deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Act.

Explanation.- Where the auditor's report contains a reference to any other report, statement or remarks which they have made on the financial statements examined by them, such statement or remarks shall be annexed to the auditor's report and shall be deemed to be a part of the auditor's report.

(4) Where any of the matters referred to in sub-section (2) or (3) is answered in the negative or with a qualification, the report shall state the reason for such answer along with the factual position to the best of the auditor's information.

(5) The Commission may, by general or special order, direct that, in the case of all companies generally or such class or description of companies as may be specified in the order, the auditor's report shall also include a statement of such additional matters as may be so specified.

(6) The auditor shall express unmodified or modified opinion in his report in compliance with the requirements of International Standards on Auditing as adopted by the Institute of Chartered Accountants of Pakistan.

(7) The Commission may by general or special order, direct, that the statement of compliance as contained in sub-section (4) of section 227 of this Act, shall be reviewed by the auditor who shall issue a review report to the members on the format specified by the Commission.

(8) The auditor of a company shall be entitled to attend any general meeting of the company, and to receive all notices of, and any communications relating to, any general meeting which any member of the company is entitled to receive, and to be heard at any general meeting which he attends on any part of the business which concerns him as auditor:

Provided that, in the case of a listed company, the auditor or a person authorised by him in writing shall be present in the general meeting in which the financial statements and the auditor's report are to be considered.

250.Audit of cost accounts.- (1) Where any company or class of companies is required under first proviso of sub-section (1) of section 220 to include in its books of account the particulars referred to therein, the Commission may direct that an audit of cost accounts of the company shall be conducted in such manner and with such stipulations as may be specified in the order by an auditor who is a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), or a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966); and such auditor shall have the same powers, duties and liabilities as an auditor of a company and such other powers, duties and liabilities as may be specified.

(2) The audit of cost accounts of the company under sub-section (1) shall be directed by the Commission subject to the recommendation of the regulatory authority supervising the business of relevant sector or any entity of the sector.

251.Signature of auditor's report.- (1) The auditor's report must state the name of the auditor, engagement partner, be signed, dated and indicate the place at which it is signed.

(2) Where the auditor is an individual, the report must be signed by him.

(3) Where the auditor is a firm, the report must be signed by the partnership firm with the name of the engagement partner.

252.Penalty for non-compliance with provisions by companies.- Any contravention or default in complying with requirements of sections 246, 247, 248 and 250 shall be an offence liable to a penalty of level 3 on the standard scale.

253.Penalty for non-compliance with provisions by auditors.- (1) If any auditor's report or review report is made, or any document of the company is signed or authenticated otherwise than in conformity with the requirements of section 131, sections 249 and 251 or is otherwise untrue or fails to bring out material facts about the affairs of the company or matters to which it purports to relate, the auditor concerned and the person, if any, other than the auditor who signs the report or signs or authenticates the document, and in the case of a firm all partners of the firm, shall be liable to a penalty of level 2 on the standard scale.

(2) If the auditor's report to which sub-section (1) applies is made with the intent to profit such auditor or any other person or to put another person to a disadvantage or loss or for a material consideration, the auditor shall, in addition to the penalty provided by that sub-section, be punishable with imprisonment for a term which may extend to two years and with penalty which may extend to one million rupees.

POWER OF REGISTRAR TO CALL FOR INFORMATION

254.Power of registrar to call for information or explanation.- (1) Where on a scrutiny of any document filed by a company or on any information received by him under this Act, or any notice, advertisement, other communication, or otherwise, the registrar is of opinion that any information, explanation or

document is necessary with respect to any matter, he may, by a written notice, call upon the company and any of its present or past directors, officers or auditors to furnish such information or explanation in writing, or such document, within thirty days:

Provided that a director, officer or auditor who ceased to hold office more than six years before the date of the notice of the registrar shall not be compelled to furnish information or explanation or document under this sub-section.

(2) On receipt of the notice under sub-section (1) it shall be the duty of the company and all persons who are or have been directors, officers or auditors of the company to furnish such information, explanation or documents as required.

(3) If no information or explanation is furnished within the time specified or if the information or explanation furnished is, in the opinion of the registrar, inadequate, the registrar may if he deems fit, by written order, call on the company and any such person as is referred to in sub-section (1) or (2) to produce before him for his inspection such books and papers as he considers necessary within such time as he may specify in the order; and it shall be the duty of the company and of such persons to produce such books and papers.

(4) If the company or any such person as is referred to in sub-section (1), (2) or (3) refuses or makes default in furnishing any such information or in producing any such books or papers-

- (a) the company shall be liable to a penalty of level 2 on the standard scale; and
- (b) every officer of the company who authorises or permits, or is a party to, the default shall be punishable with imprisonment of either description for a term which may extend to two years, and shall also be liable to fine which may extend to one million rupees and the court trying the offence may, make an order directing the company to produce such books or papers as in its opinion may reasonably be required by the registrar.

(5) On receipt of such information or explanation or production of any books and papers, the registrar may annex the same or any copy thereof or extract therefrom to the original document submitted to him; and any document so annexed shall be subject to the provisions as to inspection and the taking of extracts and furnishing of copies to which the original document is subject.

(6) If the information or explanation or book or papers required by the registrar under sub-section (1) is not furnished within the specified time, or if after perusal of such information or explanation or books or papers the registrar is of opinion that the document in question or the information or explanation or book or paper discloses an unsatisfactory state of affairs, or that it does not disclose a full and fair statement of the matter to which it purports to relate, the registrar shall without prejudice to any other provisions, and whether or not action under sub-section (3) or sub-section (4) has been taken, report in writing the circumstances of the case to the Commission.

255. Seizure of documents by registrar, inspector or investigation officer.- (1) Notwithstanding anything contained in Code of Criminal Procedure, 1898(Act V of 1898) or any other law including Banking Companies Ordinance (Act LVII of 1962) the registrar, inspector or investigation officer, as the case may be, upon information in his possession or otherwise or during investigation, has reasons to believe that documents, books and papers or anything relating to any company or any chief executive or officer of such company or any associate of such person or is useful or relevant to any proceedings or investigation under this Act which is required or may be destroyed, mutilated, altered, falsified or secreted, the registrar, inspector, or investigation officer after obtaining prior permission of the Commission, signed by one Commissioner, without warrants, enter such place and cause a search to be made at any time freeze, seize or take possession of and retain any document, object, article, material, thing, account books, movable or immovable property or cause any account, property or thing to be maintained in specific manner.

(2) For the purposes of sub-section (1), the registrar may, after he has obtained the permission from the Commission under that sub-section (1), may also authorise any officer subordinate to him, not inferior in rank to an assistant registrar to enter, with such assistance as may be required, the place where he has reasons to believe that any of the items referred in sub-section (1) are kept;

- (a) to search that place; and
- (b) to seize any of the items referred in sub-section (1) as he considers necessary.

(3) The registrar shall return the items seized under this section as soon as may be and in any case not later than thirty day after such seizure, to the company or, as the case may be, to the chief executive or any other person from whose custody or power they were seized:

Provided that the Commission may, after providing to the company an opportunity to show cause against the order proposed to be made by it, allow the registrar to retain the items seized for a further period not exceeding thirty days:

Provided further that the registrar may, before returning items as aforesaid, take copies of, or extracts from them or put such marks of identification thereon as he considers necessary.

(4) Where, the registrar, inspector or investigation officer, as the case may be, has apprehension that any person or occupants of any place to be searched may create hindrance, resist search, or such document or thing is not known to be in the possession of any person, or where general search is required for the purposes of any proceedings, inspection or investigation under this Act, or any person will not or would not produce any document or thing as required by the registrar, inspector or investigation officer in any proceedings, inspection or investigation under this Act, a search-warrants from the concerned Magistrate may be obtained.

(5) The registrar, inspector or investigation officer after obtaining warrant under sub-section (4) may conduct search of such person and enter any place and seize any property, material, document or thing required under this Act or is associated with commission of any offence under this Act or administered legislation and Magistrate while issuing orders under this section may also direct local police, authority or any agency to provide necessary assistance to such person.

(6) The registrar, inspector or investigation officer executing the warrants shall comply and proceed in manner provided in the Criminal Procedure Code 1898(Act V of 1898) including sections 102, 48 and 52:

Provided that any proceeding under this section shall not be vitiated or called into question for non-observance of any requirement of Section 103 of the Code and shall be admissible in the Court of law.

(7) Notwithstanding anything contained in sub section (3) in case of seizure of any property, material or thing by the investigation officer, in relation to any offense under this Act or administered legislation or scheduled offences, may retain any property, material, document or thing seized under sub section (1) or (5) which is a case property and produce the same as and when required during the trial in accordance with law.

(8) Where the Commission has reason to believe that proceeds of crime of any offence under this Act or administered legislation, it may pass an order to freeze account, securities and any other moveable property or part or parts thereof for not more than thirty days.

(9) Any person aggrieved of the seizure, freezing or retention by the investigation officer may approach the Court and obtain order for release of such accounts, securities, movable or immovable property, things or material seized or retained, after expiry of thirty days of such seizure or freezing order by the inspector or investigator under sub-sections (1), (5) or (8), if it can satisfy the Court that such property, accounts, securities, material or thing is not associated with any offence under this Act or any administered legislation and Court while passing order of release may impose such restriction and condition as deemed necessary.

Explanation I.— For the purposes of sub-section (8) the expression "Court" means the Company Bench of the High Court having jurisdiction where registered office is situated, in case of company or any connected person and in all other case, it will be the Company Bench of the High Court having territorial jurisdiction over area where the search has been conducted under this section.

Explanation II.— For the purposes of this Act, the expression "administered legislation" shall have the same meaning as provided in clause (aa) of sub-section (1) of section 2 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

INVESTIGATION AND RELATED MATTERS

256.Investigation into affairs of company.- (1) Where the Commission is of the opinion, that it is necessary to investigate into the affairs of a company-

- (a) on the application of the members holding not less than one tenth of the total voting power in a company having share capital;
- (b) on the application of not less than one tenth of the total members of a company not having share capital;
- (c) on the receipt of a report under sub-section (5) of section 221 or on the report by the registrar under sub-section (6) of section 254;

it may order an investigation into the affairs of the company and appoint one or more persons as inspectors to investigate into the affairs of the company and to report thereon in such manner as the Commission may direct:

Provided that before making an order of investigation, the Commission shall give the company an opportunity of being heard.

(2) While appointing an inspector under sub-section (1), the Commission may define the scope of the investigation, the period to which it is to extend or any other matter connected or incidental to the investigation.

(3) An application by members of a company under clause (a) or (b) of sub-section (1) shall be supported by such evidence as the Commission may require for the purpose of showing that the applicants have good reason for requiring the investigation.

(4) The Commission may, before appointing an inspector, require the applicants to give such security for payment of the costs of the investigation as the Commission may specify.

257.Investigation of company's affairs in other cases.- (1) Without prejudice to its power under section 256, the Commission-

- (a) shall appoint one or more competent persons as inspectors to investigate the affairs of a company and to report thereon in such manner as the Commission may direct, if-
 - (i) the company, by a special resolution, or
 - (ii) the Court, by order,declares that the affairs of the company ought to be investigated; and
- (b) may appoint one or more competent persons as inspectors to investigate the affairs of a company and to report thereon in such manner as the Commission may direct if in its opinion there are circumstances suggesting-
 - (i) that the business of the company is being or has been conducted with intent to defraud its creditors, members or any other person or for a fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose; or

- (ii) that persons concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance, breach of trust or other misconduct towards the company or towards any of its members or have been carrying on unauthorised business; or
- (iii) that the affairs of the company have been so conducted or managed as to deprive the members thereof of a reasonable return; or
- (iv) that the members of the company have not been given all the information with respect to its affairs which they might reasonably expect; or
- (v) that any shares of the company have been allotted for inadequate consideration; or
- (vi) that the affairs or the company are not being managed in accordance with sound business principles or prudent commercial practices; or
- (vii) that the financial position of the company is such as to endanger its solvency:

Provided that, before making an order under clause (b), the Commission shall give the company an opportunity of being heard.

(2) While appointing an inspector under sub-section (1), the Commission may define the scope of the investigation, whether as respects the matters or the period to which it is to extend or otherwise.

258. Serious Fraud Investigation.— (1) Notwithstanding anything contained in sections 256 and 257, the Commission may authorize any one or more of its officers or appoint such number of professionals from amongst the persons of ability, integrity and having experience in the fields of corporate affairs, accountancy, taxation, forensic audit, capital market, banking, information technology, law or such other fields as may be notified, as an inspector or investigation officer to investigate such serious nature of offences relating to a company as provided in Sixth Schedule.

(2) The persons appointed as inspectors or investigation officer under sub-section (1) shall have all powers of investigation officer under this Act, the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) and Code of Criminal Procedure, 1898 (Act V of 1898), mutatis mutandis and shall report in such manner as the Commission may direct.

(3) Where no procedure is provided in this Act or Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) the investigation officer shall comply with the relevant provisions of Code of Criminal Procedure, 1898 (Act V of 1898).

(4) Notwithstanding anything contained in this Act or any other law, the Commission may, if it is satisfied that the matter is of public importance or it is in the interest of public at large, request the concerned Minister-in-Charge of the Federal Government to form a Joint Investigation Team to be headed by a senior level officer of the Commission, not below the rank of additional director, and may include any person mentioned in sub section (1) alongwith Gazetted officer of any Federal law enforcement agency, bureau or authority for providing assistance in investigating the offence under this section and the direction of the concerned Minister-in-Charge of the Federal Government under this section shall be binding and any person who fails to comply with such directions, shall be guilty of an offence punishable with simple imprisonment of thirty days or fine up to one hundred thousand rupees by the Court:

Provided that nothing in this section shall be in derogation to or affect any proceedings under powers of the Commission to send reference under section 41B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

(5) Upon completion of investigation, the Joint Investigation Team shall, through the Special Public Prosecutor, submit a report before the Court as mentioned in section 483 of this Act:

Provided that notwithstanding anything contained in the Qanun-e-Shahadat(Order), 1984 (P.O. No. X of 1984) or any other law, such report shall be admissible as an evidence in the Court.

(6) While trying any offence under this Act, the Court may also try any other offence, in which an accused may be charged under any other law, at the same trial if the offence is connected with such other offence.

(7) Where, in the course of any trial under this Act, it is found that the accused person has committed any other offence in addition to any offences connected with the scheduled offences, the Court may convict an accused for such other offence and pass any sentence under this Act or any other law:

Provided that where such offence is tried by any special court having jurisdiction, higher or equal to the Court of Session, joint trial will be conducted by such special court of all the offences and convict an accused accordingly under the process provided in the special law.

259. Inspector to be a Court for certain purposes.- (1) Notwithstanding anything contained in any other law for the time being in force, the Commission may either on its own motion or on the basis of any information received, is of the view that any offence has been committed under this Act or any person is engaged in any fraud, misfeasance, misconduct or any other activity prejudice to the public interest shall have all the powers as provided under the Securities and Exchange Commission of Pakistan Act, 1997(XLII of 1997).

(2) A person appointed as inspector under sections 256, 257 and 258 shall, for the purposes of his investigation, have the same powers as are vested in a

Court under the Code of Civil Procedure, 1908 (Act V of 1908), while trying a suit, in respect of the following matters, namely-

- (a) enforcing the attendance of persons and examining them on oath or affirmation;
- (b) compelling the discovery and production of books and papers and any material objects; and
- (c) issuing commissions for the examination of witnesses;

and every proceeding before such person shall be deemed to be "judicial proceeding" within the meaning of sections 193 and 228 of the Pakistan Penal Code, 1860 (Act XLV of 1860).

(3) Any contravention of or non-compliance with any orders, directions or requirement of the inspector exercising powers of a Court under sub-section (1) shall, in all respects, entail the same liabilities, consequences and penalties as are provided for such contravention, non-compliance or default under the Code of Civil Procedure, 1908 (Act V of 1908) and Pakistan Penal Code, 1860 (Act XLV of 1860).

260. Power of inspectors to carry investigation into affairs of associated companies.- If an inspector appointed under sections 256, 257 or 258 to investigate the affairs of a company considers it necessary for reasons to be recorded in writing, he may probe after seeking prior approval of the Commission, the affairs of any other associated company or associated undertaking which is, or has been associated and also from the chief executive of any such company:

Provided that the Commission shall not grant approval under this section without providing opportunity of being heard to the associated company or associated undertaking or the chief executive, as the case may be.

261. Duty of officers to assist the inspector.- (1) It shall be the duty of all officers and other employees and agents of the company and all persons who have dealings with the company to give to the inspector all assistance in connection with the investigation.

(2) Any such person who makes default in complying with the provisions of sub-section (1) shall, without prejudice to any other liability, be punishable in respect of each offence with imprisonment of either description for a term which may extend to two years and shall also be liable to a fine which may extend to one million rupees.

(3) In this section-

- (a) the expression "agents", in relation to any company, body corporate or person, includes the bankers, legal advisers and auditors of the company;
- (b) the expression "officer", in relation to any company or body corporate, include any trustee for the debenture-holders of such company or body corporate; and

- (c) any reference to officers and other employees and agents shall be construed as a reference to past as well as present officers and other employees and agents, as the case may be.

262. Inspector's report.- (1) The inspector may, and if so directed by the Commission shall, make an interim report, and on the conclusion of the investigation a final report to the Commission.

(2) The Commission-

- (a) shall forward a copy of any report made by the inspector to the company at its registered office with such directions as the Commission thinks fit;
- (b) may, if it thinks fit, furnish a copy thereof, on request and on payment of the specified fee, to any person-
 - (i) who is a member of the company or other body corporate or is interested in the affairs of the company;
 - (ii) whose interests as a creditor of the company or other body corporate appear to the Commission to be affected;
- (c) shall, when the inspectors are appointed under clause (a) or clause (b) of section 256, furnish, at the request of the applicants for the investigation, a copy of the report to them;
- (d) shall, where the inspector are appointed under section 257 in pursuance of an order of the Court, furnish a copy of the report to the Court;
- (e) may forward a copy of the report to the registrar with such directions as it may deem fit; and
- (f) may also cause the report or any part thereof to be posted on its website.

263. Prosecution.- (1) If, from any report made under section 262, it appears to the Commission that any person has, in relation to the company or in relation to any other body corporate, whose affairs have been investigated by virtue of sections 256, 257 and 258, been guilty of any offence for which he is criminally liable, the Commission may, prosecute such person for the offence, and it shall be the duty of all officers and other employees and agents of the company or body corporate, as the case may be, other than the accused in the proceedings, to give the Commission or any person nominated by it in this behalf all assistance in connection with the prosecution which they are reasonably able to give.

(2) Sub-section (3) of section 261 shall apply for the purpose of this section as it applies for the purposes of that section.

264. Power of Commission to initiate action against management.- (1) If from any report made under section 262, the Commission is of the opinion that-

- (a) the business of the company is being or has been conducted with intent to defraud its creditors, members or any other persons or for a

fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose; or

- (b) the person concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance, breach of trust or other misconduct towards the company or towards any of its member or have been carrying on unauthorized business; or
- (c) the affairs of the company have been so conducted or managed as to deprive the shareholders thereof of a reasonable return; or
- (d) that the members of the company have not been given all the information with respect to its affairs which they might reasonably expect; or
- (e) any shares of the company have been allotted for inadequate consideration; or
- (f) the affairs of the company are not being managed in accordance with sound business principles or prudent commercial practices; or
- (g) the financial position of the company is such as to endanger its solvency;

the Commission may apply to the Court and the Court may, after taking such evidence as it may consider necessary, by an order-

- (i) remove from office any director including the chief executive or other officer of the company; or
- (ii) direct that the directors of the company shall carry out such changes in the management or in the accounting policies of the company as may be specified in the order; or
- (iii) notwithstanding anything contained in this Act or any other law for the time being in force, direct the company to call a meeting of its members to consider such matters as may be specified in the order and to take appropriate remedial actions; or
- (iv) direct that any existing contract which is to the detriment of the company or its members or is intended to or does benefit any officer or director shall be annulled or modified to the extent specified in the order:

Provided that no such order shall be made so as to have effect from any date preceding the date of the order:

Provided further that any director, including a chief executive or other officer who is removed from office under clause (i), unless the Court specified a lesser period, shall not be a director, chief executive or officer of any company for a period of five years from the date of his removal.

(2) No order under this section shall be made unless the director or other officer likely to be affected by such order has been given an opportunity of being heard.

(3) The action taken under sub-section (1) shall be in addition to and not in substitution of any other action or remedy provided in any other law for the time being in force.

265. Effect of Court's order.- On the issue of the Court's order under section 264 removing from office any director, including chief executive or other officer, such director or other officer shall be deemed to have vacated his office and-

- (a) if the Court's order has removed a director, the casual vacancy in the office of director shall be filled in accordance with the relevant provisions of section 161 of this Act; and
- (b) if the Court's order has removed from office a chief executive, the board shall appoint another person to be the chief executive; and
- (c) if the Court's order has removed from office all the directors including the chief executive, a general meeting of the company shall be called forthwith for electing new directors.

266. No compensation to be payable for annulment or modification of contract.- Notwithstanding anything contained in any other law for the time being in force, and except as ordered by the Court for special reasons to be recorded in writing, no director, chief executive or other officer of the company shall be entitled to be paid any compensation for annulment or modification of a contract to which he is a party or of which he is a beneficiary, if such contract is annulled or modified by an order issued by the Court under section 264.

267. No right to compensation for loss of office. – No person shall be entitled to or be paid any compensation or damages for the loss of office by reason of an order issued under section 264.

POWERS OF COURT HEARING APPLICATION

268. Application for winding up of company or an order under section 286.- If any company or other body corporate the affairs of which have been investigated by inspectors is liable to be wound up under this Act, and it appears to the Commission from any report made under section 262 that it is expedient so to do by reason of any such circumstances as are referred to in sub-clause (i) or sub-clause (ii) or sub-clause (iii) or sub-clause (iv) or sub-clause (vii) of clause (b) of sub-section (1) of section 257, the Commission may, unless the company or other body corporate is already being wound up by the Court cause to be presented to the Court by the registrar or any person authorised by the Commission in this behalf-

- (a) a petition for the winding up of the company or body corporate, on the ground that it is just and equitable that it should be wound up;
- (b) an application for an order under section 286; or
- (c) both a petition and an application as aforesaid.

269. Proceedings for recovery of damages or property.- (1) If from any report referred to in sub-section (1) of section 262 it appears to the Commission that proceedings ought, in the public interest, to be brought by the company or any body corporate whose affairs have been investigated in pursuance of section 260-

- (a) for the recovery of damages in respect of any fraud, misfeasance, breach of trust or other misconduct in connection with the promotion or formation, or the management of the affairs, of such company or body corporate; or
- (b) for the recovery of any property of such company or body corporate which has been misappropriated or wrongfully retained;

the Commission may itself bring proceedings for that purpose in the name of such company or body corporate.

(2) The Commission shall be indemnified by such company or body corporate against any costs or expenses incurred by it in, or in connection with, any proceedings brought by virtue of sub-section (1) and the Court or other authority before which proceedings are brought shall pass an order accordingly.

270. Expenses of investigation.- (1) When an investigation is ordered to be made under section 256 or 257 or 258, the expenses of and incidental to the investigation shall in the first instance be defrayed by the Commission; but the following persons shall, to the extent mentioned below, be liable to reimburse the Commission in respect of such expenses, namely-

- (a) any person who is convicted on a prosecution instituted in pursuance of section 263 or is ordered to pay damages or restore any property as a result of proceedings under section 269 may in the same proceedings be ordered to pay the said expenses to such extent as may be specified by the Commission or the Court convicting such person or ordering him to pay such damages or restore such property, as the case may be;
- (b) any company or body corporate in whose name proceedings are brought as aforesaid shall be liable, to the extent of the amount or value of any sums or property recovered by it as a result of the proceedings;
- (c) where the investigation was ordered by the Commission under clause (c) of sub-section (1) of section 256 or 257 or 258, the company or body corporate whose affairs are ordered to be investigated, shall be liable; and
- (d) where the investigation was ordered under section 256 on an application of the members, the members making the application and the company or body corporate dealt with by the report shall be liable to such extent, if any, as the Commission may direct.

(2) The amount of expenses which any company, body corporate or person is liable under this section to reimburse to the Commission shall be recoverable from that company, body corporate or person as provided under section 486.

(3) For the purposes of this section, any costs or expenses incurred by the Commission in or in connection with proceeding brought by the Commission

under section 269 shall be treated as expenses of the investigation giving rise to the proceedings.

(4) Any liability to reimburse the Commission imposed by clauses (a) and (b) of sub-section (1) shall, subject to satisfaction of the right of the Commission to reimbursement, be a liability also to indemnify all persons against liability under clause (c) of that sub-section.

(5) Any such liability imposed by clause (a) of sub-section (1) shall, subject as aforesaid, be a liability also to indemnify all persons against liability under clause (b) of that sub-section.

(6) Any person liable under clause (a) or clause (b) or clause (c) of sub-section (1) shall be entitled to contribute from any other person liable under the same clause according to the amount of their respective liabilities thereunder.

(7) In so far as the expenses to be defrayed by the Commission under this section are not recovered thereunder, they shall be borne by the Commission.

271. Inspector's report to be evidence.- A copy of any report of any inspector or inspectors appointed under sections 256, 257 or 258 authenticated in such manner, if any, as may be specified, shall be admissible in any legal proceedings as evidence of the opinion of the inspector or inspectors in relation to any matter contained in the report.

272. Imposition of restrictions on shares and debentures and prohibition of transfer of shares or debentures in certain cases.- (1) Where it appears to the Commission in connection with any investigation that there is good reason to find out the relevant facts about any shares, whether issued or to be issued, and the Commission is of the opinion that such facts cannot be found out unless the restrictions specified in sub-section (2) are imposed, the Commission may, by order, direct that the shares shall be subject to the restrictions imposed by sub-section (2) for such period not exceeding one year as may be specified in the order:

Provided that, before making an order under this sub-section, the Commission shall provide an opportunity of showing cause against the proposed action to the company and the persons likely to be affected by the restriction.

(2) So long as any shares are directed to be subject to the restrictions imposed by this sub-section-

- (a) any transfer of those shares shall be void;
- (b) where those shares are to be issued, they shall not be issued; and any issue thereof or any transfer of the right to be issued therewith, shall be void;
- (c) no voting right shall be exercisable in respect of those shares;
- (d) no further shares shall be issued in right of those shares or in pursuance of any offer made to the holder thereof; and any issue of such shares or any transfer of the right to be issued therewith, shall be void;
- (e) except in a liquidation, no payment shall be made of any sums due from the company on those shares, whether in respect of dividend, capital or otherwise; and

- (f) no change other than a change by operation of law shall be made in the directors or the chief executive.

(3) Where a transfer of shares in a company has taken place and as a result thereof a change in the directors of the company is likely to take place and the Commission is of opinion that any such change will be prejudicial to the public interest, the Commission may, by order, direct, that-

- (a) the voting rights in respect of those shares shall not be exercisable for such period not exceeding one year as may be specified in the order; and
- (b) no resolution passed or action taken to effect a change in the directors before the date of the order shall have effect unless confirmed by the Commission.

(4) Where the Commission has reasonable ground to believe that a transfer of shares in a company is likely to take place as a result of which a change in the directors of the company will follow and the Commission is of opinion that any such change will be prejudicial to the public interest, the Commission may, by order, prohibit any transfer of shares in the company during such period not exceeding one year as may be specified in the order.

(5) The Commission may, by order, at any time, vary or rescind any order made by it under sub-section (1) or sub-section (3) or sub-section (4).

(6) Where the Commission makes an order under sub-section (1) or sub-section (3) or sub-section (4) or sub-section (5) or refuses to rescind any such order, any person aggrieved thereby may apply to the Court and the Court may, if it thinks fit, by order, vacate any such order of the Commission:

Provided that no order, whether interim or final shall be made by the Court without giving the Commission an opportunity of being heard.

(7) Any order of the Commission rescinding an order under sub-section (1), or any order of the Court vacating any such order, which is expressed to be made with a view to permitting a transfer of any shares, may continue the restrictions mentioned in clauses (d) and (e) of sub-section (2), either in whole or in part, so far as they relate to any right acquired, or offer made, before the transfer.

(8) Any order made by the Commission under sub-section (5) shall be served on the company within fourteen days of the making of the order.

(9) Any person who-

- (a) exercises or purports to exercise any right to dispose of any shares or of any right to be issued with any such shares, when to his knowledge he is not entitled to do so by reason of any of the restrictions applicable to the case under sub-section (1); or
- (b) votes in respect of any shares, whether as holder or proxy, or appoints a proxy to vote in respect thereof, when to his knowledge he is not entitled to do so by reason of any of the restrictions applicable to the

case under sub-section (2) or by reason of any order made under sub-section (3); or

- (c) transfers any shares in contravention of any order made under sub-section (4); or
- (d) being the holder of any shares in respect of which an order under sub-section (2) or sub-section (3) has been made, fails to give notice of the fact of their being subject to any such order to any person whom he does not know to be aware of that fact but whom he knows to be otherwise entitled to vote in respect of those shares, whether as holder or a proxy;

shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to one million rupees, or with both.

(10) Any contravention or default in complying with requirements of sub-section (2) shall be an offence liable to a penalty of level 2 on the standard scale.

(11) A prosecution shall not be instituted under this section except by or with the consent of the Commission.

(12) This section shall also apply in relation to debentures as it applies in relation to shares.

273. Saving for legal advisers and bankers.- Nothing in sections 256 to 263 shall require the disclosure to the registrar or to the Commission or to an inspector appointed by the Commission-

- (a) by a legal adviser, of any privileged communication made to him in that capacity, except as respects the name and address of his client; or
- (b) by the bankers of any company, body corporate, or other person, referred to in the sections aforesaid, as such bankers, of any information as to be the affairs of any of their customers other than such company, body corporate, or person.

274. Enquiries and investigation not to be affected by winding up.- An inspection, enquiry or investigation may be initiated or proceeded with under sections 221, 254, 255, 256, 257 and 260 and any consequential action taken in accordance with any provisions of this Act notwithstanding that-

- (a) the company has passed a resolution for winding up;
- (b) a petition has been submitted to the Court for winding up of the company; or
- (c) any other civil or criminal proceedings have been initiated against the company or its officers under any provision of this Act.

275. Application of sections 254 to 274 to liquidators and foreign companies.- The provisions of sections 254 to 274 shall apply mutatis mutandis to companies in the course of winding up, their liquidators and foreign companies.

PART VIII
MEDIATION, ARBITRATION, ARRANGEMENTS
AND RECONSTRUCTION

276. Mediation and Conciliation Panel.- (1) Any of the parties to the proceedings may, by mutual consent, at any time during the proceedings before the Commission or the Appellate Bench, apply to the Commission or the Appellate Bench, as the case may be, in such form along with such fees as may be specified, for referring the matter pertaining to such proceedings to the Mediation and Conciliation Panel and the Commission or the Appellate Bench, as the case may be, shall appoint one or more individuals from the panel referred to in sub-section (2).

(2) The Commission shall maintain a panel to be called as the Mediation and Conciliation Panel consisting of individuals having such qualifications as may be specified for mediation between the parties during the pendency of any proceedings before the Commission or the Appellate Bench under this Act.

(3) The fee and other terms and conditions of individuals of the Mediation and Conciliation Panel shall be such as may be specified.

(4) The Mediation and Conciliation Panel shall follow such procedure as and dispose of the matter referred to it within a period of ninety days from the date of such reference and forward its recommendations to the Commission or the Appellate Bench, as the case may be.

277. Resolution of disputes through mediation.- A company, its management or its members or creditors may by written consent, directly refer a dispute, claim or controversy arising between them or between the members or directors inter se, for resolution, to any individuals enlisted on the mediation and conciliation panel maintained by the Commission before taking recourse to formal dispute resolution.

278. Power for companies to refer matter to arbitration.- (1) A company may by written agreement refer any existing or future difference between itself and any other company or person to arbitration, in accordance with the Arbitration Act, 1940 (X of 1940).

(2) Companies, parties to the arbitration, may delegate to the arbitrator power to settle any term or to determine any matter capable of being lawfully settled or determined by the companies themselves, or by the board or other managing body.

(3) The provisions of the Arbitration Act, 1940 (X of 1940), shall apply to all arbitrations between companies and persons in pursuance of this Act.

279. Compromise with creditors and members.- (1) Where a compromise or arrangement is proposed between a company and its creditors or any class of them, or between the company and its members or any class of them, the

Commission may, on the application of the company or of any creditor or member of the company or, in the case of a company being wound up, of the liquidator, order a meeting of the creditors or class of creditors, or of the members of the company or class of members, as the case may be, to be called, held and conducted in such manner as the Commission directs.

(2) If a majority in number representing three-fourths in value of the creditors or class of creditors, or members, as the case may be, present and voting either in person or, where proxies are allowed, by proxy at the meeting, agree to any compromise or arrangement, the compromise or arrangement shall, if sanctioned by the Commission be binding on the company, all its creditors, all the members, the liquidators and the contributories of the company, as the case may be:

Provided that no order sanctioning any compromise or arrangement shall be made by the Commission unless the Commission is satisfied that the company or any other person by whom an application has been made under sub-section (1) has disclosed to the Commission, by affidavit or otherwise, all material facts relating to the company, such as the financial position of the company, the auditor's report on the latest accounts of the company, the pendency of any investigation proceedings in relation to the company and the like.

(3) A copy of the order under sub-section (2) sanctioning the compromise or arrangement duly certified by an authorised officer of the Commission shall be forwarded to the registrar within seven days from the date of the order.

(4) A copy of the order under sub-section (2) shall be annexed to every copy of the memorandum of the company issued after the order has been made or in the case of a company not having a memorandum to every copy so issued of the instrument constituting or defining the constitution of the company.

(5) The Court may, at any time after an application has been made to the Commission under this section, stay the commencement or continuation of any suit or proceeding until final disposal of the application.

(6) In this section the expression "company" means any company liable to be wound up under this Act and the expression "arrangement" includes a re-organisation of the share-capital of the company by the consolidation of shares of different classes or by the division of shares into shares of different classes or by both those methods, and for the purposes of this section unsecured creditors who may have filed suits or obtained decrees shall be deemed to be of the same class as other unsecured creditors.

(7) Any contravention or default in complying with requirements of sub-section (4) shall be an offence liable to a penalty of level 1 on the standard scale.

280. Power of Commission to enforce compromises and arrangements.- (1) Where the Commission makes an order under section 279 sanctioning a compromise or an arrangement in respect of a company, it may, at the time of making such order or at any time thereafter, give such directions in regard to any

matter or make such modifications in the compromise or arrangement as it may consider necessary for the proper working of the compromise or arrangement.

(2) If the Commission is satisfied that a compromise or arrangement sanctioned under section 279 cannot be worked satisfactorily with or without modification, it may, initiate proceedings for the winding up of the company.

281. Information as to compromises or arrangements with creditors and members.- (1) Where a meeting of creditors or any class of creditors, or of members or any class of members, is called under section 279-

- (a) with every notice calling the meeting which is sent to a creditor or member, there shall be sent also a statement setting forth the terms of the compromise or arrangement and explaining its effect; and in particular, stating any material interest of the directors including the chief executive of the company, whether in their capacity as such or as members or creditors of the company or otherwise, and the effect on those interests, of the compromise or arrangement if, and in so far as, it is different from the effect on the like interest of other persons; and
- (b) in every notice calling the meeting which is given by advertisement, there shall be included either such a statement as aforesaid or a notification of the place at which and the manner in which creditors or members entitled to attend the meeting may obtain copies of such a statement as aforesaid.

(2) Where the compromise or arrangement affects the rights of debenture-holders of the company, the said statement shall give the like information and explanation as respects the trustees of any deed for securing the issue of the debentures as it is required to give as respects the company's directors.

(3) Where a notice given by advertisement includes a notification that copies of a statement setting forth the terms of the compromise or arrangement proposed and explaining its effect can be obtained by creditors or members entitled to attend the meeting, every creditor or member so entitled shall, on making an application in the manner indicated by the notice, be furnished by the company, free of charge, with a copy of the statement.

(4) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale; and for the purpose of this sub-section any liquidator of the company and trustee of a deed for securing the issue of debentures of the company shall be deemed to be an officer of the company:

Provided that a person shall not be under this sub-section if he shows that the default was due to the refusal of any other person, being a director, including chief executive or trustee for debenture-holder, to supply the necessary particulars as to his material interests.

(5) Every director, including chief executive of the company and every trustee for debenture-holders of the company, shall give notice to the company of

such matters relating to himself as may be necessary for the purposes of this section and on the request of the company shall provide such further information as may be necessary for the purposes of this section; and, if he fails to do so within the time allowed by the company, he shall be liable to a penalty of level 1 on the standard scale.

282. Powers of Commission to facilitate reconstruction or amalgamation of companies.- (1) Where an application is made to the Commission under section 279 to sanction a compromise or arrangement and it is shown that-

- (a) the compromise or arrangement is proposed for the purposes of, or in connection with, a scheme for the reconstruction of any company or companies, or the amalgamation of any two or more companies or division of a company into one or more companies;
- (c) under the scheme the whole or any part of the undertaking or property or liabilities of any company concerned in the scheme ("a transferor company") is to be transferred to another company ("the transferee company") or is proposed to be divided among and transferred to two or more companies; and
- (d) a copy of the scheme drawn up by the applicants has been filed with the registrar;

the Commission may order a meeting of the creditors or class of creditors or the members or class of members, as the case may be, to be called, held and conducted in such manner as the Commission may direct.

(2) Where an order has been made by the Commission under sub-section (1), merging companies or the company in respect of which a division is proposed, shall also be required to circulate the following for the meeting so ordered by the Commission, namely:—

- (a) the draft of the proposed terms of the scheme drawn up and adopted by the board of each of the applicant companies;
- (b) confirmation that a copy of the draft scheme has been filed with the registrar;
- (c) a report adopted by the board of the applicant companies explaining effect of compromise on each class of members, laying out in particular the share swap ratio, specifying any special valuation difficulties;
- (d) the report of the expert with regard to valuation, if any;
- (e) a supplementary audited financial statements if the last annual accounts of any of the applicant company relate to a financial year ending more than one hundred and eighty days before the first meeting of the company summoned for the purposes of approving the scheme.

(3) The Commission may, either by an order, sanction the compromise or arrangement or by a subsequent order, make provision for all or any of the following matters—

- (a) the transfer to the transferee company of the whole or any part of the undertaking and of the property or liabilities of any transferor company;
- (b) the allotment or appropriation by the transferee company of any shares, debentures, policies or other like interests in that company which under the compromise or arrangement are to be allotted or appropriated by that company to or for any person;
- (c) the continuation by or against the transferee company of any legal proceedings pending by or against any transferor company;
- (d) the dissolution, without winding up, of any transferor company;
- (e) the provision to be made for any persons who, within such time and in such manner as the Commission directs, dissent from the compromise or arrangement;
- (f) such incidental, consequential and supplemental matters as are necessary to secure that the reconstruction, amalgamation or bifurcation is fully and effectively carried out.

(4) If an order under this section provides for the transfer of property or liabilities-

- (a) the property, by virtue of the order stands transferred to, and vests in, the transferee company, and
- (b) the liabilities, by virtue of the order, stand transferred to and become liabilities of that company.

(5) Notwithstanding anything contained in the Stamp Act, 1899 (II of 1899) or any other law for the time being in force, no stamp duty shall be payable on transfer to the transferee company of the whole or any part of the undertaking and of the property of any transferor company as a result of sanctioning by the Commission, any compromise or arrangement under this Part:

Provided that this sub-section (5) shall, in respect of the companies having registered office within the jurisdiction of—

- (a) the Islamabad Capital Territory, be applicable at once; and
- (b) the Provinces, be applicable upon notification or legislation by the respective Provincial Governments.

(6) The property (if the order so directs) vests freed from any charge that is by virtue of the compromise or arrangement to cease to have effect.

(7) A copy of the order passed by the Commission under this section sanctioning the reconstruction, the amalgamation or division, duly certified by an authorised officer of the Commission shall be forwarded to the registrar within seven days from the date of the order.

(8) In this section “property” includes property, rights and powers of every description; and “liabilities” includes duties.

(9) In this section the expression “transferee company” does not include any company other than a company within the meaning of this Act, and the

expression "transferor company" includes any body corporate, whether a company within the meaning of this Act or not.

283. Notice to be given to registrar for applications under section 279 and 282.- The Commission shall give notice of every application made to it under sections 279 to 282 to the registrar and shall take into consideration the representation if any, made to it by the registrar before passing any order under any of these sections.

284. Amalgamation of wholly owned subsidiaries in holding company.- (1) A company and one or more other companies that is or that are directly or indirectly wholly owned by it, may amalgamate and continue as one company (being the company first referred to) without complying with sections 279 to 282, if-

- (a) the scheme of amalgamation is approved by the board of each amalgamating company; and
- (b) each resolution provides that-
 - (i) the shares of each transferor company, other than the transferee company, will be cancelled without payment or other consideration; and
 - (ii) the board is satisfied that the transferee company will be able to pay its debts as they fall due during the period of one year immediately after the date on which the amalgamation is to become effective and a declaration verified by an affidavit to the effect will be filed with the registrar; and
 - (iii) the person or persons named in the resolution will be the director or directors of the transferee company.

(2) Two or more companies, each of which is directly or indirectly wholly owned by the same person, may amalgamate and continue as one company without complying with section 279 or section 282 if-

- (a) the scheme of amalgamation is approved by a resolution of the board of each amalgamating company; and
- (b) each resolution provides that-
 - (i) the shares of all the transferor companies will be cancelled without payment or other consideration; and
 - (ii) the board is satisfied that the transferee company will be able to pay its debts as they fall due during the period of one year immediately after the date on which the amalgamation is to become effective and a declaration verified by an affidavit to the effect will be filed with the registrar; and
 - (iii) the person or persons named in the resolution will be the director or directors of the transferee company.

(3) The board of each amalgamating company must, not less than twenty days before the amalgamation is proposed to take effect, give written notice of the proposed amalgamation to every secured creditor of the company.

(4) The resolutions approving an amalgamation under this section, taken together, shall be deemed to constitute an amalgamation proposal that has been approved.

(5) The transferee company shall file a copy of the scheme so approved in the manner as may be specified, with the registrar where the registered office of the company is situated.

(6) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 2 on the standard scale.

285. Power to acquire shares of members dissenting from scheme or contract.- (1) Where a scheme or contract involving the transfer of shares or any class of shares in any company (in this section referred to as "the transferor company") to another company (in this section referred to as "transferee company") has, within one hundred and twenty days after the making of the offer in that behalf by the transferee company, been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary), the transferee company may, at any time within sixty days after the expiry of the said one hundred and twenty days, give notice in the specified manner to any dissenting shareholder that it desires to acquire his shares; when such a notice is given the transferee company, shall, unless, on an application made by the dissenting shareholder within thirty days from the date on which the notice was given, the Commission thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company:

Provided that, where shares in the transferor company of the same class as the shares whose transfer is involved are already held as aforesaid by the transferee company to a value greater than one-tenths of the aggregate of the value of all the shares in the company of such class, the foregoing provisions of this sub-section shall not apply, unless-

- (a) the transferee company offers the same terms to all holders of the shares of that class (other than those already held as aforesaid) whose transfer is involved; and
- (b) the holders who approve the scheme or contract, besides holding not less than nine-tenths in value of the shares (other than those already held as aforesaid) whose transfer is involved, are not less than three-fourths in number of the holders of those shares.

(2) Where, in pursuance of any such scheme or contract as aforesaid, shares, or shares of any class, in a company are transferred to another company or its nominee, and those shares together with any other shares or any other shares of the same class, as the case may be, in the first mentioned company held at the date of the transfer by, or by a nominee for, the transferee company or its subsidiary

comprise nine-tenth in value of the shares, or shares of that class, as the case may be, in the first-mentioned company, then-

- (a) the transferee company shall, within thirty days from the date of the transfer (unless on a previous transfer in pursuance of the scheme or contract it has already complied with this requirement), give notice of that fact in the specified manner to the holders of the remaining shares or of the remaining shares of that class, as the case may be, who have not assented to the scheme or contract; and
- (b) any such holder may, within ninety days from the giving of the notice to him, require the transferee company to acquire the shares in question;

and where a shareholder gives notice under clause (b) with respect to any shares, the transferee company shall be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders were transferred to it, or on such other terms as may be agreed, or as the Commission on the application of either the transferee company or the shareholders thinks fit to order.

(3) Where a notice has been given by the transferee company under subsection (1) and the Commission has not, on an application made by the dissenting shareholder, made an order to the contrary, the transferee company shall, on the expiration of thirty days from the date on which the notice has been given or, if an application to the Commission by the dissenting shareholder is then pending, after that application has been disposed of, transmit a copy of the notice to the transferor company together with an instrument of transfer executed on behalf of the shareholder by any person appointed by the transferee company and on its own behalf by the transferee company and pay or transfer to the transferor company the amount or other consideration representing the price payable by the transferee company for the shares which, by virtue of this section, that company is entitled to acquire; and the transferor company shall-

- (a) thereupon register the transferee company as the holders of those shares; and
- (b) within thirty days of the date of such registration, inform the dissenting shareholders of the fact of such registration and of the receipt of the amount or other consideration representing the price payable to them by the transferee company:

Provided that an instrument of transfer shall not be required for any share for which a share warrant is for the time being outstanding.

(4) Any sums received by the transferor company under this section shall forthwith be paid into a separate bank account to be opened in a scheduled bank and any such sum and any other consideration so received shall be held by that company in trust for the several persons entitled to the shares in respect of which the said sums or other consideration were or was respectively received.

(5) The following provisions shall apply in relation to every offer of a scheme or contract involving the transfer of shares or any class of shares in the transferor company to the transferee company, namely-

- (a) every such offer or every circular containing such offer or every recommendation to the members of the transferor company by its board to accept such offer shall be accompanied by such information as may be specified;
 - (b) every such offer shall contain a statement by or on behalf of the transferee company disclosing the steps it has taken to ensure that necessary cash will be available;
 - (c) every circular containing or recommending acceptance of, such offer shall be presented to the registrar for registration and no such circular shall be issued until it is so registered;
 - (d) the registrar may refuse to register any such circular which does not contain the information required to be given under clause (a) or which sets out such information in a manner likely to give a misleading, erroneous or false impression; and
 - (e) an appeal shall lie to the Commission against an order of the registrar refusing to register any such circular.
- (6) The Commission or any party may make a reference to the Court, on any matter including but not limited to the determination of liabilities of the company or incidental thereto as provided under sections 279 to 285, for necessary orders.
- (7) Whoever issues a circular referred to in clause (c) of sub-section (5) which has not been registered shall be punishable to a penalty of level 1 on the standard scale.
- (8) Notwithstanding anything contained in sections 279 to 283 and 285, the powers of the Commission shall be exercised by the Court for such companies or class of companies or having such capital, as may be notified by the concerned Minister-in-Charge of the Federal Government.

PART IX
PREVENTION OF OPPRESSION AND MISMANAGEMENT

286. Application to Court.- (1) If any member or members holding not less than ten percent of the issued share capital of a company, or a creditor or creditors having interest equivalent in amount to not less than ten percent of the paid up capital of the company, complains, or complain, or the Commission or registrar is of the opinion, that the affairs of the company are being conducted, or are likely to be conducted, in an unlawful or fraudulent manner, or in a manner not provided for in its memorandum, or in a manner oppressive to the members or any of the members or the creditors or any of the creditors or are being conducted in a manner that is unfairly prejudicial to the public interest, such member or members or, the creditor or creditors, as the case may be, the Commission or registrar may make an application to the Court by petition for an order under this section.

(2) If, on any such petition, the Court is of opinion-

- (a) that the company's affairs are being conducted, or are likely to be conducted, as aforesaid; and
- (b) that to wind-up the company will unfairly prejudice the members or creditors;

the Court may, with a view to bringing to an end the matters complained of, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future, or for the purchase of the shares of any members of the company by other members of the company or by the company and, in the case of purchase by the company, for, the reduction accordingly of the company's capital, or otherwise.

(3) Where an order under this section makes any alteration in, or addition to, a company's memorandum or articles, then, notwithstanding anything in any other provision of this Act, the company shall not have power without the leave of the Court to make any further alteration in or addition to the memorandum or articles inconsistent with the provisions of the order; and the alterations or additions made by the order shall be of the same effect as if duly made by resolution of the company and the provisions of this Act shall apply to the memorandum or articles as so modified accordingly.

(4) A copy of any order under this section altering or adding to, or giving leave to alter or add to, a company's memorandum or articles shall, within fourteen days after the making thereof, be delivered by the company to the registrar for registration; and if the company makes default in complying with this sub-section, the company and every officer of the company who is in default shall be liable to a penalty of level 1 on the standard scale.

(5) The provisions of this section shall not prejudice the right of any person to any other remedy or action.

287. Powers of Court under section 286.- Without prejudice to the generality of the powers of the Court under section 286, an order under that section may provide for-

- ¹[(a) the termination, setting aside or modification of any agreement or award compensation, however arrived including but not limited to between the company or any other company or any director, including the chief executive or any other officer, wherein the Court concludes that such agreement suffers from conflict of interest on the part of any director or the Board or any such agreement or contract is prejudicial to the interest of members upon such terms and conditions as may, in the opinion of the Court, be just and equitable in all the circumstances;]
- (b) setting aside of any transfer, delivery of goods, payment, execution or other transactions not relating to property made or done by or against the company within ninety days before the date of the application which would, if made or done by or against an individual, be deemed in his insolvency to be a fraudulent preference; and
- (c) any other matter, including a change in management, for which in the opinion of the Court it is just and equitable that provision should be made.

288. Interim order.- Pending the making by it of a final order under section 286 the Court may, on the application of any party to the proceedings, make such interim order as it thinks fit for regulating the conduct of the company's affairs, upon such terms and conditions as appear to it to be just and equitable.

289. Claim for damages inadmissible.- Where an order of the Court made under section 286 terminates, sets aside, or modifies an arrangement, the order shall not give rise to any claim whatever against the company by any person for damages or for compensation for loss of office or in any other respect, either in pursuance of the agreement or otherwise.

290. Application of certain sections to proceedings under this Part.- In relation to an application under section 286, sections 395 to 400 shall mutatis mutandis apply as they apply in respect of winding up.

291. Management by Administrator.- (1) If at any time a creditor or creditors having interest equivalent in amount not less than sixty percent of the paid up capital of a company, represents or represent to the Commission that-

- (a) the affairs or business of the company are or is being or have or has been conducted or managed in a manner likely to be prejudicial to the interest of the company, its members or creditors, or any director of the company or person concerned with the management of the company is or has been guilty of breach of trust, misfeasance or other misconduct towards the company or towards any of its members or creditors or director;
- (b) the affairs or business of the company are or is being or have or has been conducted or managed with intent to defraud its members or

¹ Clause (a) substituted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

creditors or any other person or for a fraudulent or unlawful purpose, or in a manner oppressive of any of such persons or for purposes as aforesaid; or

- (c) the affairs of the company have been so conducted or managed as to deprive the members thereof of a reasonable return; or
- (d) any industrial project or unit to be set up or belonging to the company has not been completed or has not commenced operations or has not been operating smoothly or its production or performance has so deteriorated that
 - (i) the market value of its shares as quoted on the securities exchange or the net worth of its share has fallen by more than seventy-five per cent of its par value; or
 - (ii) debt equity ratio has deteriorated beyond 9:1; or
 - (iii) current ratio has deteriorated beyond 5:1; or
- (e) any industrial unit owned by the company is not in operation for over a period of two years or has been in operation intermittently or partially during the preceding two years; or
- (f) the accumulated losses of the company exceed sixty percent of its paid up capital,

and request the Commission to take action under this section, the Commission may, after giving the company an opportunity of being heard, without prejudice to any other action that may be taken under this Act or any other law, by order in writing, appoint an Administrator, hereinafter referred to as the Administrator, within sixty days of the date of receipt of the representation, from a panel maintained by it on the recommendation of the State Bank of Pakistan to manage the affairs of the company subject to such terms and conditions as may be specified in the order:

Provided that the Commission may, if it considers it necessary so to do, for reasons to be recorded, or on the application of the creditors on whose representation it proposes to appoint the Administrator, and after giving a notice to the State Bank of Pakistan, appoint a person whose name does not appear on the panel maintained for the purpose to be the Administrator.

Explanation.—For the purposes of clause(c), the members shall be deemed to have been deprived of a reasonable return if, having regard to enterprises similarly placed, the company is unable to, or does not, declare any or adequate dividend for a period of three consecutive years.

(2) The Administrator shall receive such remuneration as the Commission may determine.

(3) On and from the date of appointment of the Administrator, the management of the affairs of the company shall vest in him, and he shall exercise all the powers of the board or other persons in whom the management vested and all such directors and persons shall stand divested of that management and powers and shall cease to function or hold office.

(4) Where it appears to the Administrator that any purchase or sales agency contract has been entered into, or any employment given, patently to benefit any director or other person in whom the management vested or his nominees and to the detriment of the interest of the general members, the Administrator may, with the previous approval in writing of the Commission, terminate such contract or employment.

(5) No person shall be entitled to, or be paid, any compensation or damages for termination of any office, contract or employment under sub-section (3) or sub-section (4).

(6) If at any time it appears to the Commission that the purpose of the order appointing the Administrator has been fulfilled, it may permit the company to appoint directors and, on the appointment of directors, the Administrator shall cease to hold office.

(7) Save as provided in sub-section (8), no suit, prosecution or other legal proceeding shall lie against the Administrator for anything which is in good faith done or intended to be done by him in pursuance of this section or of any rules or regulations made thereunder.

(8) Any person aggrieved by an order of the Commission under sub-section (1) or sub-section (10), or of the Administrator under sub-section (4) may, within sixty days from the date of the order, appeal against such order to the concerned Minister-in-Charge of the Federal Government.

(9) If any person fails to deliver to the Administrator any property, records or documents relating to the company or does not furnish any information required by him or in any way obstructs the Administrator in the management, of the affairs of the company or acts for or represents the company in any way, the Commission may by order in writing, direct that such person shall be liable to a penalty of level 3 on the standard scale.

(10) The Commission may issue such directions to the Administrator as to his powers and duties as it deems desirable in the circumstances of the case, and the Administrator may apply to the Commission at any time for instructions as to the manner in which he shall conduct the management of the company or in relation to any matter arising in the course of such management.

(11) Any order or decision or direction of the Commission made in pursuance of this section shall be final and shall not be called in question in any Court.

(12) The Commission may, make regulations to carry out the purposes of this section.

(13) The provisions of this section shall have effect notwithstanding anything contained in any other provision of this Act or any other law or contract, or in the memorandum or articles of a company.

292. Rehabilitation of sick public sector companies.- (1) The provisions of this section shall apply to a public sector company which is facing financial or operational problems and is declared as a sick company by the concerned Minister-in-Charge of the Federal Government.

(2) After a company is declared as a sick company under sub-section (1), any institution, authority, committee or person authorised by the concerned Minister-in-Charge of the Federal Government in this behalf may draw up a plan for the rehabilitation, reconstruction and reorganisation of such company, hereafter in this section referred to as the rehabilitation plan.

(3) Without prejudice to the generality of the foregoing provision, the rehabilitation plan, may, in addition to any other matter, provide for all or any of the following-

- (a) reduction of capital so as to provide for all or any of the matters referred to in section 89 or reconstruction, compromise, amalgamation and other arrangements so as to provide for all or any of the matters referred to in section 279 or section 282 or section 285;
- (b) alteration of share capital and variation in the rights and obligations of shareholders or any class of shareholders;
- (c) alteration of loan structure, debt rescheduling or conversion into shares carrying special rights or other relief and modification in the terms and conditions in respect of outstanding debts and liabilities of the company or any part of such loan, debts or liabilities or variation in the rights of the creditors or any class of them including any security pertaining thereto;
- (d) acquisition or transfer of shares of the company on the specified terms and conditions;
- (e) issue of further capital including shares carrying special rights and obligations relating to voting powers, dividend, redemption or treatment on winding up;
- (f) removal and appointment of directors (including the chief executive) or other officers of the company;
- (g) amendment, modification or cancellation of any existing contract; or
- (h) alteration of the memorandum or articles or changes in the accounting policy and procedure.

(4) The rehabilitation plan shall be submitted for approval to the concerned Minister-in-Charge of the Federal Government which shall, unless it otherwise decides for reasons to be recorded, cause it to be published in the official Gazette for ascertaining the views of the shareholders, creditors and other persons concerned within a specified period.

(5) Before approving the rehabilitation plan, the concerned Minister-in-Charge of the Federal Government shall take into consideration the views relating thereto received from any quarter within the specified period.

(6) On the approval of the rehabilitation plan by the concerned Minister-in-Charge of the Federal Government, its provisions, with such modification as may be directed by the concerned Minister-in-Charge of the Federal Government, shall become final and take effect and be implemented and shall be valid, binding

and enforceable in all respects notwithstanding anything in this Act or any other law or the memorandum or articles of the company or in any agreement or document executed by it or in any resolution passed by the company in general meeting or by its board, whether the same be registered, adopted, executed or passed, as the case may be, before or after the commencement of this Act.

(7) Any provision contained in the memorandum, articles, agreements, documents or resolutions as aforesaid shall, to the extent to which it is repugnant to the provisions of this Act or the rehabilitation plan, become void.

(8) No compensation or damages shall be payable to any one for any matter or arrangement provided for in, or action taken in pursuance of, the rehabilitation plan.

(9) The concerned Minister-in-Charge of the Federal Government may vary or rescind rehabilitation plan from time to time and issue such directions as to its implementation and matters ancillary thereto as it may deem expedient.

(10) The concerned Minister-in-Charge of the Federal Government or any authority or other person authorised by the concerned Minister-in-Charge of the Federal Government in this behalf shall supervise the implementation of the rehabilitation plan and may issue such directions to the parties concerned as may be deemed necessary by such Government, authority or person, as the case may be.

(11) Whosoever fails to give effect, to carry out or implement the rehabilitation plan or any matter provided for therein or any direction issued under sub-section (10), shall be liable to imprisonment of either description for a term which may extend to three years and fine not exceeding five million rupees and, in case of a continuing failure, to a further fine not exceeding ten thousand rupees for every day after the first during which the failure or default continues.

(12) Until a rehabilitation plan has been approved by the concerned Minister-in-Charge of the Federal Government and is in operation, the provisions of this section shall not prejudice or affect the power or rights of a company or its shareholders or creditors to enter into, arrive at or make any compromise, arrangement or settlement in any manner authorised by this Act or any other law for the time being in force.

(13) The rehabilitation plan approved by the concerned Minister-in-Charge of the Federal Government and any modification thereof shall, unless otherwise directed by it, be published in the official Gazette and a copy thereof shall be forwarded by the concerned Minister-in-Charge of the Federal Government to the registrar who shall register and keep the same with the documents of the company.

(14) The Federal Government may, by notification in the official Gazette, make rules to carry out the purposes of this section.

(15) This section is in addition to and not in derogation of any other law regarding rehabilitation of any entity.

PART X
WINDING UP

PRELIMINARY

293. Modes of winding up.- (1) The winding up of a company may be either-

- (a) by the Court or
- (b) voluntary; or
- (c) subject to the supervision of the Court.

(2) Save as otherwise expressly provided, the provisions of this Act with respect to winding up shall apply to the winding up of a company in any of the modes specified in sub-section (1).

294. Liability as contributories of present and past members.- (1) In the event of a company being wound up, every present and past member shall, subject to the provisions of section 295, be liable to contribute to the assets of the company to an amount sufficient for payment of its debts and liabilities and the costs, charges and expenses of the winding up, and for the adjustment of the rights of the contributories among themselves, with the following qualifications, that is to say-

- (a) a past member shall not be liable to contribute if he has ceased to be member for one year or upwards before the commencement of the winding up;
- (b) a past member shall not be liable to contribute in respect of any debt or liability of the company contracted after he ceased to be a member;
- (c) a past member shall not be liable to contribute unless it appears to the Court that the present members are unable to satisfy the contributions required to be made by them in pursuance of this Act;
- (d) in the case of a company limited by shares, no contribution shall be required from any past or present member exceeding the amount, if any, unpaid on the shares in respect of which he is liable as such member;
- (e) in the case of a company limited by guarantee, no contribution shall, subject to the provisions of sub-section (2), be required from any past or present member exceeding the amount undertaken to be contributed by him to the assets of the company in the event of its being wound up;
- (f) nothing in this Act shall invalidate any provision contained in any policy of insurance or other contract whereby the liability of individual members on the policy or contract is restricted, or whereby the funds of the company are alone made liable in respect of the policy or contract; and
- (g) a sum due to any past or present member of a company in his character as such, by way of dividends, profits or otherwise, shall not

be deemed to be a debt of the company payable to that member in a case of competition between himself and any other creditor not being a member of the company, but any such sum may be taken into account for the purpose of the final adjustments of the rights of the contributories among themselves.

(2) In the winding up of a company limited by guarantee which has a share capital, every member of the company shall be liable, in addition to the amount undertaken to be contributed by him to the assets of the company in the event of its being wound up, to contribute to the extent of any sum unpaid on any shares held by him, as if the company were a company limited by shares.

295. Liability of directors whose liability is unlimited.- In the winding up of a limited company any director, whether past or present, whose liability is, in pursuance of this Act, unlimited, shall, in addition to his ability, if any, to contribute as an ordinary member, be liable to make a further contribution as if he were, at the commencement of the winding up, a member of an unlimited company:

Provided that-

- (a) a past director shall not be liable to make such further contribution if he has ceased to hold office for a year or upwards before the commencement of the winding up;
- (b) a past director shall not be liable to make such further contribution in respect of any debtor liability of the company contracted after he ceased to hold office;

subject to the articles, a director shall not be liable to make such further contribution unless the Court deems it necessary to require that contribution in order to satisfy the debts and liabilities of the company, and the costs, charges and expenses of the winding up.

296. Liability of Contributory having fully paid share.- A person holding fully paid-up shares in a company shall be considered as a contributory but shall have no liabilities of a contributory under this Act while retaining rights of such a contributory.

Explanation.- The term "contributory" means a person liable to contribute towards the assets of the company on the event of its being wound up.

297. Nature of liability of contributory.- The liability of a contributory shall create a debt accruing due from him at the time when his liability commenced, but payable at the time specified in calls made on him for enforcing the liability.

298. Contributories in case of death of member.- If a contributory dies, whether before or after being placed on the list of contributories of a company:

- (a) his legal representatives shall be liable, in due course of administration, to contribute to the assets of the company in discharge of his liability, and shall be contributories accordingly; and

- (b) if the legal representatives make default in paying any money ordered to be paid by them, proceedings may be initiated for administering the property of the deceased contributory, and of compelling payment of the money due, out of assets of the deceased.

299. Contributory in case of insolvency of member.- If a contributory is adjudged insolvent whether before or after he has been placed on the list of contributories of a company, then-

- (a) his assignees in insolvency shall represent him for all the purposes of the winding up, and shall be contributories accordingly, and may be called on to admit to proof against the estate of the insolvent, or otherwise to allow to be paid out of his assets in due course of law, any money due from the insolvent in respect of his liability to contribute to the assets of the company; and
- (b) there may be proved against the estate of the insolvent the estimated value of his liability to further calls as well as calls already made.

300. Contributories in case of winding up of a body corporate which is a member.- If a body corporate which is a contributory is ordered to be wound up, whether before or after it has been placed on the list of contributories of a company-

- (a) the liquidator of the body corporate shall represent it for all purposes of the winding up of the company and shall be a contributory accordingly, and may be called on to admit to proof against the assets of the body corporate, or otherwise to allow to be paid out of its assets in due course of law, any money due from the body corporate in respect of its liability to contribute to the assets of the company; and
- (b) there may be proved against the assets of the body corporate the estimated value of its liability to future calls as well as calls already made.

WINDING UP BY COURT

301. Circumstances in which a company may be wound up by Court.- A company may be wound up by the Court-

- (a) if the company has, by special resolution, resolved that the company be wound up by the Court; or
- (b) if default is made in delivering the statutory report to the registrar or in holding the statutory meeting; or
- (c) if default is made in holding any two consecutive annual general meetings; or
- (d) if the company has made a default in filing with the registrar its financial statements or annual returns for immediately preceding two consecutive financial years; or
- (e) if the number of members is reduced, in the case of public company, below three and in the case of a private company below two; or

- (f) if the company is unable to pay its debts; or
- (g) if the company is
 - (i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or
 - (ii) carrying on business prohibited by any law for the time being in force in Pakistan; or restricted by any law, rules or regulations for the time being in force in Pakistan; or
 - (iii) conducting its business in a manner oppressive to the minority members or persons concerned with the formation or promotion of the company; or
 - (iv) run and managed by persons who fail to maintain proper and true accounts, or commit fraud, misfeasance or malfeasance in relation to the company; or
 - (v) managed by persons who refuse to act according to the requirements of the memorandum or articles or the provisions of this Act or failed to carry out the directions or decisions of the Commission or the registrar given in the exercise of powers under this Act; or
- (h) if, being a listed company, it ceases to be such company; or
- (i) if the Court is of opinion that it is just and equitable that the company should be wound up; or
- (j) if a company ceases to have a member; or
- (k) if the sole business of the company is the licensed activity and it ceases to operate consequent upon revocation of a licence granted by the Commission or any other licencing authority; or
- (l) if a licence granted under section 42 to a company has been revoked or such a company has failed to comply with any of the provisions of section 43 or where a company licenced under section 42 is being wound up voluntarily and its liquidator has failed to complete the winding up proceedings within a period of one year from the date of commencement of its winding up; or
- (m) if a listed company suspends its business for a whole year.

Explanation I.-The promotion or the carrying on of any scheme or business, howsoever described-

- (a) whereby, in return for a deposit or contribution, whether periodically or otherwise, of a sum of money in cash or by means of coupons, certificates, tickets or other documents, payment, at future date or dates of money or grant of property, right or benefit, directly or indirectly, and whether with or without any other right or benefit, determined by chance or lottery or any other like manner, is assured or promised; or

- (b) raising unauthorised deposits from the general public, indulging in referral marketing, multi-level marketing (MLM), Pyramid and Ponzi Schemes, locally or internationally, directly or indirectly; or
 - (c) any other business activity notified by the Commission to be against public policy or a moral hazard;
- shall be deemed to be an unlawful activity.

Explanation II.—"Minority members" means members together holding not less than ten percent of the equity share capital of the company.

302. Company when deemed unable to pay its debts.—(1) A company shall be deemed to be unable to pay its debts—

- (a) if a creditor, by assignment or otherwise, to whom the company is indebted in a sum exceeding one hundred thousand rupees, then due, has served on the company, by causing the same to be delivered by registered post or otherwise, at its registered office, a demand under his hand requiring the company to pay the sum so due and the company has for thirty days thereafter neglected to pay the sum, or to secure or compound for it to the reasonable satisfaction of the creditor; or
- (b) if execution or other process issued on a decree or order of any Court or any other competent authority in favour of a creditor of the company is returned unsatisfied in whole or in part; or
- (c) if it is proved to the satisfaction of the Court that the company is unable to pay its debts, and, in determining whether a company is unable to pay its debts, the Court shall take into account the contingent and prospective liabilities of the company.

(2) The demand referred to in clause (a) of sub-section (1) shall be deemed to have been duly given under the hand of the creditor if it is signed by an agent or legal adviser duly authorised on his behalf.

PETITION FOR WINDING UP

304. Provisions as to applications for winding up.—An application to the Court for the winding up of a company shall be by petition presented, subject to the provisions of this section, either by the company, or by any creditor or creditors (including any contingent or prospective creditor or creditors), or by any contributory or contributories, or by all or any of the aforesaid parties, together or separately or by the registrar, or by the Commission or by a person authorised by the Commission in that behalf:

Provided that—

- (a) a contributory shall not be entitled to present a petition for winding up a company unless—
 - (i) either the number of members is reduced, in the case of a private company, below two, or, in the case of public company, below three; and

- (ii) the shares in respect of which he is a contributory or some of them either were originally allotted to him or have been held by him, and registered in his name, for at least one hundred and eighty days during the eighteen months before the commencement of the winding up, or have or devolved on him through the death of a former holder;
- (b) the registrar shall not be entitled to present a petition for the winding up of a company unless the previous sanction of the Commission has been obtained to the presentation of the petition:

Provided that no such sanction shall be given unless the company has first been afforded an opportunity of making a representation and of being heard;

- (c) the Commission or a person authorised by the Commission in that behalf shall not be entitled to present a petition for the winding up of a company unless an investigation into the affairs of the company has revealed that it was formed for any fraudulent or unlawful purpose or that it is carrying on a business not authorised by its memorandum or that its business is being conducted in a manner oppressive to any of its members or persons concerned in the formation of the company or that its management has been guilty of fraud, misfeasance or other misconduct towards the company or towards any of its members; and such petition shall not be presented or authorised to be presented by the Commission unless the company has been afforded an opportunity of making a representation and of being heard:

Provided that if sole business of the company is the licensed activity and that licence is revoked, no investigation into the affairs of the company shall be required to present the petition for winding up of the company;

- (d) the Court shall not give a hearing to a petition for winding up a company by a contingent or prospective creditor until such security for costs has been given as the Court thinks reasonable and until a prima facie case for winding up has been established to the satisfaction of the Court;
- (e) the Court shall not give a hearing to a petition for winding up a company by the company until the company has furnished with its petition, in the prescribed manner, the particulars of its assets and liabilities and business operations and the suits or proceedings pending against it.

305.Right to present winding up petition where company is being wound up voluntarily or subject to Court's supervision.- (1) Where a company is being wound up voluntarily or subject to the supervision of the Court, a petition for its

winding up by the Court may be presented by any person authorised to do so under section 304 and subject to the provisions of that section.

(2) The Court shall not make a winding up order on a petition presented to it under sub-section (1) unless it is satisfied that the voluntary winding up or winding up subject to the supervision of the Court cannot be continued with due regard to the interests of the creditors or contributories or both or it is in the public interest so to do.

306. Commencement of winding up by Court.- A winding up of a company by the Court shall be deemed to commence at the time of the presentation of the petition for the winding up.

312. Effect of winding up order.-An order for winding up a company shall operate in favour of all the creditors and of all contributories of the company as if made on the joint petition of a creditor and of a contributory.

313. Power of Court to stay winding up.-(1) The Court may at any time not later than three years after an order for winding up, on the application of any creditor or contributory or of the registrar or the Commission or a person authorised by it, and on proof to the satisfaction of the Court that all proceedings in relation to the winding up ought to be stayed, withdrawn, cancelled or revoked, make an order accordingly, on such terms and conditions as the Court thinks fit.

(2) On any application under sub-section (1), the Court may, before making an order, require the official liquidator to furnish to the Court a report with respect to any facts or matters which are in his opinion relevant to the application.

(3) A copy of every order made under sub-section (1) shall forthwith be forwarded by the Court to the registrar, who shall make a minute of the order in his books relating to the company.

314. Court may ascertain wishes of creditors or contributories.-(1) In all matters relating to the winding up of a company, the Court may-

- (a) have regard to the wishes of creditors or contributories of the company, as proved to it by any sufficient evidence in a manner as provided under this Act;
- (b) if it thinks fit for the purpose of ascertaining their wishes, order meetings of the creditors or contributories to be called, held and conducted in such manner as may be directed; and
- (c) appoint a person to act as chairman of any such meeting and to submit a report in this regard.

(2) While ascertaining the wishes of creditors or contributories under sub-section (1), regard shall be had to the value of each debt of the creditor or the voting power exercised by each contributory, as the case may be.

OFFICIAL LIQUIDATORS

315.Appointment of official liquidator.- (1) For the purpose of the winding up of companies by the Court, the Commission shall maintain a panel of persons from whom the Court shall appoint a provisional manager or official liquidator of a company ordered to be wound up.

(2) A person shall not be appointed as provisional manager or official liquidator of more than three companies at one point of time.

(3) The panel for the purpose of sub-section (1) shall consist of persons having at least ten years experience in the field of accounting, finance or law and as may be specified by the Commission such other persons, having at least ten years professional experience.

(4) Where a provisional manager is appointed by the Court, the Court may limit and restrict his powers by the order appointing him or by a subsequent order, but otherwise he shall have the same powers as a liquidator.

(5) On appointment as provisional manager or official liquidator, as the case may be, such liquidator shall file a declaration within seven days from the date of appointment in the specified form disclosing conflict of interest or lack of independence in respect of his appointment, if any, with the Court and such obligation shall continue throughout the term of his appointment.

(6) While passing a winding up order, the Court may appoint a provisional manager, if any, under clause (c) of sub-section (1) of section 308, as the official liquidator for the conduct of the proceedings for the winding up of the company.

(7) If more persons than one are appointed to the office of official liquidator, the Court shall declare whether any act by this Act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons:

Provided that in case of any dispute or any varying stance amongst the liquidators, the matter shall be referred to the Court for an appropriate order in chambers in the presence of the parties concerned.

(8) The Court may determine whether any, and what, security is to be given by any official liquidator on his appointment.

(9) Notwithstanding anything contained in sub-section (1), the Court may, on the application of creditors to whom amounts not less than sixty percent of the issued share-capital of the company being wound up are due, after notice to the registrar, appoint a person whose name does not appear on the panel maintained for the purpose, to be the official liquidator.

(10) An official liquidator shall not resign or quit his office before conclusion of the liquidation proceedings except for reasons of personal disability to the satisfaction of the Court.

(11) Any casual vacancy in the office of an official liquidator occurred due to his death, removal or resignation, shall be filled up by the Court by the appointment of another person from the panel maintained under sub-section (1):

Provided that in case of resignation, the outgoing official liquidator shall, unless the Court directs otherwise, continue to act until the person appointed in his place takes charge.

(12) The Commission may of its own, remove the name of any person from the panel maintained under sub-section (1) on the grounds of misconduct, fraud, misfeasance, breach of duties or professional incompetence:

Provided that the Commission before removing him from the panel shall give him a reasonable opportunity of being heard.

(13) The person appointed on the panel under this section shall be subject to such code of conduct and comply with the requirement of any professional accreditation programs as may be specified by the Commission.

316. Removal of official liquidator.- (1) The Court may, on a reasonable cause being shown including but not limited to lack of independence or lack of impartiality, remove the provisional manager or the official liquidator, as the case may be, on any of the following grounds, namely:—

- (a) misconduct;
- (b) fraud or misfeasance;
- (c) professional incompetence or failure to exercise due care and diligence in performance of the powers and functions;
- (d) inability to act as provisional manager or official liquidator, as the case may be;
- (e) conflict of interest during the term of his appointment that will justify removal.

(2) Where the Court is of the opinion that any liquidator is responsible for causing any loss or damage to the company due to fraud or misfeasance or failure to exercise due care and diligence in the performance of his powers and functions, the Court may recover or cause to be recovered such loss or damage from the provisional manager or official liquidator, as the case may be, and pass such other orders as it may think fit.

317. Remuneration of official liquidator.- (1) The terms and conditions of appointment of a provisional manager or official liquidator and the fee payable to him shall be fixed by the Court on the basis of task required to be performed, experience, qualification of such liquidator and size of the company.

(2) An official liquidator, shall also be entitled to such remuneration by way of percentage of the amount realised by him by disposal of assets as may be fixed by the Court having regard to the amount and nature of the work actually done and subject to such limits as may be prescribed:

Provided that different percentage rates may be fixed for different types of assets and items.

(3) In addition to the remuneration payable under sub-section (2), the Court may permit payment of a monthly allowance to the official liquidator for meeting

the expenses of the winding up for a period not exceeding one year from the date of the winding up order.

(4) The remuneration fixed as aforesaid shall not be enhanced subsequently but may be reduced by the Court at any time.

(5) If the official liquidator resigns, is removed from office or otherwise ceases to hold office before conclusion of the winding up proceedings, he shall not be entitled to any remuneration and the remuneration already received by him, if any, shall be refunded by him to the company.

(6) No remuneration shall be payable to official liquidator who fails to complete the winding up proceedings within the prescribed period or such extended time as may be allowed by the Court.

318. Style and title of official liquidator.- The official liquidator shall be described by the style of "the official liquidator" of the particular company in respect of which he acts, and in no case he shall be described by his individual name.

319. General provisions as to liquidators.- (1) The official liquidator shall conduct the proceedings in winding up the company and perform such duties in reference thereto as the Court may impose.

(2) The acts of a liquidator shall be valid, notwithstanding any defect that may afterwards be discovered in his appointment or qualification:

Provided that nothing in this sub-section shall be deemed to give validity to acts done by a liquidator after his appointment has been shown to be invalid.

(3) The winding up proceedings shall be completed by the official liquidator within a period as determined by the Court under section 322.

(4) If an official liquidator is convicted of misfeasance, or breach of duty or other lapse or default in relation to winding up proceedings of a company, he shall cease to be the official liquidator of the company and shall also become disqualified, for a period of five years from such conviction, from being the liquidator or to hold any other office including that of a director, in any company and if he already holds any such office he shall forthwith be deemed to have ceased to hold such office.

(5) The registrar or the Commission shall take cognizance of any lapse, delay or other irregularity on the part of the official liquidator and may, without prejudice to any other action under the law, report the same to the Court.

320. Statement of affairs to be made to official liquidator.- (1) Where the Court has appointed a provisional manager or made a winding up order and appointed an official liquidator, there shall be made out and submitted to the provisional manager or official liquidator, a statement as to the affairs of the company in the prescribed form, verified by an affidavit, and containing the following particulars, namely-

- (a) particulars of the company's assets, debts and liabilities;
- (b) the detail of cash balance in hand and at the bank;

- (c) the names and addresses of the company's creditors stating separately the amount of secured debts and unsecured debts, and, in the case of secured debts, particulars of the securities given, their value and the dates when they were given.
- (d) the names, residential addresses and occupations of the persons from whom debts of the company are due and the amount likely to be realised therefrom;
- (e) where any property of the company is not in its custody or possession, the place where and the person in whose custody or possession such property is;
- (f) full address of the places where the business of the company was conducted during the one hundred and eighty days preceding the relevant date and the names and particulars of the persons in charge of the same;
- (g) details of any pending suits or proceedings in which the company is a party; and
- (h) such other particulars as may be prescribed or as the Court may order or the provisional manager or official liquidator may require in writing, including any information relating to secret reserves and personal assets of directors.

(2) The statement shall be submitted and verified by persons who are at the relevant date the directors, chief executive, chief financial officer and secretary of the company.

(3) The provisional manager or official liquidator, subject to the direction of the Court, may also require to make out and submit to him a statement in the prescribed form as to the affairs of the company by some or all of the persons-

- (a) who have been directors, chief executives, chief financial officer, secretary or other officers of the company within one year from the relevant date;
- (b) who have taken part in the formation of the company at any time within one year before the relevant date;
- (c) who are in the employment of the company, or have been in the employment of the company within the said year, and are in the opinion of the official liquidator or provisional manager capable of giving the information required and to whom the statement relates;

(4) The statement shall be submitted within fifteen days from the relevant date, or within such extended time not exceeding forty-five days from that date as the official liquidator or provisional manager or the Court may, for special reasons, appoint.

(5) Any person making the statement required by this section shall be entitled to and be paid by the official liquidator or the provisional manager, as the case may be, the reasonable expenses incurred in preparation of such statement.

(6) Any contravention or default in complying with requirements of this section shall be an offence liable to a daily penalty of level 2 on the standard scale.

(7) Without prejudice to the operation of any provisions imposing penalties in respect of any such default as aforesaid, the Court which makes the winding up order or appoints a provisional manager may take cognizance of an offence under sub-section (6) and try the offence itself in accordance with the procedure laid down in the Code of Criminal Procedure, 1898 (Act V of 1898), for the trial of cases by Magistrates and further direct the persons concerned to comply with the provisions of this section within such times as may be specified by it.

(8) Any person stating himself in writing to be a creditor or contributory of the company shall be entitled, by himself or by his agent, at all reasonable times, on payment of the prescribed fee, to inspect the statement submitted in pursuance of this section, and to a copy thereof or extract therefrom.

(9) Any person untruthfully so stating himself to be a creditor or contributory shall be guilty of an offence under section 182 of the Pakistan Penal Code, 1860 (Act XLV of 1860), and shall, on the application of the official liquidator or provisional manager, be punishable accordingly.

(10) In this section, the expression "the relevant date" means, in a case where a provisional manager is appointed, the date of his appointment, and, in a case where no such appointment is made, the date of the winding up order.

321. Report by official liquidator.- (1) Where the Court has made a winding up order and appointed an official liquidator, such liquidator shall, as soon as practicable after receipt of the statement to be submitted under section 320 and not later than sixty days, from the date of the winding up order submit a report to the Court, containing the following particulars, namely:-

- (a) the nature and details of the assets of the company including their location and current value duly ascertained by a registered valuer;
- (b) the cash balance in hand and in the bank, if any, and the negotiable securities, if any, held by the company;
- (c) the amount of authorised and paid up capital;
- (d) the existing and contingent liabilities of the company indicating particulars of the creditors, stating separately the amount of secured and unsecured debts, and in the case of secured debts, particulars of the securities given;
- (e) the debts due to the company and the names, addresses and occupations of the persons from whom they are due and the amount likely to be realised on account thereof;
- (f) debts due from contributories;
- (g) details of trademarks and intellectual properties, if any, owned by the company;
- (h) details of subsisting contracts, joint ventures and collaborations, if any;
- (i) details of holding and subsidiary companies, if any;

- (j) details of legal cases filed by or against the company;
- (k) any other information which the Court may direct or the official liquidator may consider necessary to include.

(2) The official liquidator shall also include in his report the manner in which the company was promoted or formed and whether in his opinion any fraud has been committed by any person in its promotion or formation, or by any director or other officer of the company in relation to the company since its formation.

(3) The official liquidator shall also make a report on the viability of the business of the company or the steps which, in his opinion, are necessary for maximising the value of the assets of the company.

(4) The official liquidator may also, if he thinks fit or upon directions of the Court, make any further report or reports.

(5) A certified copy of the reports aforesaid shall also be sent to the registrar simultaneously with their submission to the Court .

322. Court directions on report of official liquidator.-(1) The Court shall, on consideration of the report of the official liquidator, fix a time limit within which the entire proceedings shall be completed and the company be dissolved:

Provided that the Court may, if it is of the opinion, at any stage of the proceedings, or on examination of the reports submitted to it by the official liquidator and after hearing the official liquidator, creditors or contributories or any other interested person, that it will not be advantageous or economical to continue the proceedings, revise the time limit within which the entire proceedings shall be completed and the company be dissolved.

(2) The Court may, on examination of the reports submitted to it by the official liquidator and after hearing the official liquidator, creditors or contributories or any other interested person, order sale of the company as a going concern or its assets or part thereof:

Provided that the Court may where it considers fit, appoint a sale committee comprising such creditors, promoters and officers of the company as the Court may decide to assist the official liquidator in sale under this sub- section.

(3) Where a report is received from the official liquidator or the Commission or any person that a fraud has been committed in respect of the company, the Court shall, without prejudice to the process of winding up, order for investigation under section 257, and on consideration of the report of such investigation it may pass order and give directions under sections 391 or 392 or direct the official liquidator to file a criminal complaint against persons who were involved in the commission of fraud.

(4) The Court may order for taking such steps and measures, as may be necessary, to protect, preserve or enhance the value of the assets of the company.

(5) The Court may pass such other order or give such other directions as it considers fit.

323. Settlement of list of contributories and application of assets.- (1) As soon as may be after making a winding up order, the Court shall settle a list of contributories, with power to rectify the register of members and shall cause the assets of the company to be collected and applied in discharge of its liabilities:

Provided that, where it appears to the Court that it will not be necessary to make calls on or adjust the rights of contributories, the Court may dispense with the settlement of a list of contributories.

(2) In settling the list of contributories, the Court shall distinguish between persons who are contributories in their own right and persons who are contributories as being representatives of, or liable for the debts of, others.

324. Custody of company's properties.- (1) Where a winding up order has been made or where a provisional manager has been appointed, the official liquidator or the provisional manager, as the case may be, shall, on the order of the Court, forthwith take into his custody or control all the property, effects and actionable claims to which the company is or appears to be entitled to and take such steps and measures, as may be necessary, to protect and preserve the properties of the company.

(2) On an application by the official liquidator or otherwise, the Court may, at any time after the making of a winding up order, require any contributory for the time being on the list of contributories, and any trustee, receiver, banker, agent, officer or other employee of the company, to pay, deliver, surrender or transfer forthwith, or within such time as the Court directs, to the official liquidator, any money, property or books and papers in his custody or under his control to which the company is or appears to be entitled.

(3) The promoters, directors, officers and employees, who are or have been in employment of the company or acting or associated with the company shall extend full cooperation to the official liquidator in discharge of his functions and duties.

(4) Notwithstanding anything contained in sub-section (1), all the property and effects of the company shall be deemed to be in the custody of the Court from the date of the appointment of the Provisional manager or the passing of order for the winding up of the company as the case may be.

(5) Where any person, without reasonable cause, fails to discharge his obligations under sub-sections (2) or (3), he shall be punishable with imprisonment which may extend to two years or with fine which may extend to five hundred thousand rupees, or with both.

325. Power to require delivery of property.- Without prejudice to the obligation imposed under any other provisions, the Court may, at any time after making a winding up order, require any contributory for the time being on the list of contributories and any trustee, receiver, banker, agent, officer or employee or past officer or employee or auditor of the company to pay, deliver, convey, surrender or transfer forthwith, or within, such time as the Court directs, to the official liquidator any money, property or books and papers including documents in his hands to which the company is prima facie entitled.

326. Power to summon persons suspected of having property of company.- (1)

The Court may, at any time after the appointment of a provisional manager or the making of winding up order, summon before it any officer of the company or person known or suspected to have in his possession any property or books or papers of the company, or known or suspected to be indebted to the company, or any person whom the Court deems capable of giving information concerning the promotion, formation, trade, dealings, books or papers, affairs or property of the company.

(2) The Court may examine a person summoned under sub-section (1) on oath concerning the matters aforesaid, either by word of mouth or on written interrogatories, and may reduce his answers to writing and require him to sign them.

(3) The Court may require a person summoned under sub-section (1) to produce any books and papers in his custody or power relating to the company, but, where he claims any lien on books or papers produced by him, the production shall be without prejudice to that lien, and the Court shall have jurisdiction in the winding up to determine all questions relating to that lien.

(4) If any person so summoned, after being paid or tendered a reasonable sum for his expenses, fails to come before the Court at the time appointed, not having a lawful impediment made known to the Court at the time of its sitting and allowed by it, the Court may cause him to be apprehended and brought before the Court for examination.

(5) If, on his examination, any officer or person so summoned admits that he is indebted to the company, the Court may order him to pay to the provisional manager or, as the case may be, the liquidator, at such time and in such manner as the Court may direct, the amount in which he is indebted, or any part thereof, either in full discharge of the whole amount or not, as the Court thinks fit, with or without costs of the examination.

(6) If, on his examination, any such officer or person admits that he has in his possession any property belonging to the company, the Court may order him to deliver to the provisional manager or, as the case may be, the liquidator that property or any part thereof, at such time, in such manner and on such terms as the Court may direct.

(7) Orders made under sub-sections (5) and (6) shall be executed in the same manner as decrees for the payment of money or for the delivery of property under the Code of Civil Procedure, 1908 (Act V of 1908), respectively.

(8) Any person making any payment or delivery in pursuance of an order made under sub-section (5) or sub-section (6) shall by such payment or delivery be, unless otherwise directed by such order, discharged from all liability whatsoever in respect of such debt or property.

327. Power to order public examination of promoters, directors.- (1) When an order has been made for winding up a company by the Court, and the official liquidator has made a report to the Court stating that in his opinion a fraud or other actionable irregularity has been committed by any person in the promotion or formation of the company or by any director or other officer of the company in

relation to the company since its formation, the Court may, after consideration of the report, direct that such person, director or other officer shall attend before the Court on a day appointed by the Court for that purpose, and be publicly examined as to the promotion or formation or the conduct of the business of the company, or as to his conduct and dealings as director, manager or other officer thereof.

(2) The official liquidator shall take part in the examination, and for that purpose may, if specially authorised by the Court in that behalf, employ such legal assistance as may be sanctioned by the Court.

(3) Any creditor or contributory may also take part in the examination either personally or by any person entitled to appear before the Court.

(4) The Court may put such questions to the person examined as the Court thinks fit.

(5) The person examined shall be examined on oath, and shall answer all such questions as the Court may put or allow to be put to him.

(6) A person ordered to be examined under this section-

- (a) shall, before his examination, be furnished at his own cost with a copy of the official liquidator's report; and
- (b) may at his own cost employ any person entitled to appear before the Court, who shall be at liberty to put to him such questions as the Court may deem just for the purpose of enabling him to explain or qualify any answer given by him:

Provided that if he is, in the opinion of the Court, exculpated from any charges made or suggested against him, the Court may allow him such costs as in its discretion it may think fit.

(7) If any such person applies to the Court to be exculpated from any charges made or suggested against him, it shall be the duty of the official liquidator to appear on the hearing of the application and call the attention of the Court to any matters which appear to the official liquidator to be relevant, and if the Court, after hearing any evidence given or witnesses called by the official liquidator, grants the application, the Court may allow the applicant such costs as it may think fit.

(8) Notes of the examination shall be taken down in writing and shall be read over to or by, and signed by, the person examined, and may thereafter be used in evidence against him and shall be open to the inspection of any creditor or contributory at all reasonable times.

(9) The Court may, if it thinks fit, adjourn the examination from time to time.

(10) An examination under this section may, if the Court so directs, and subject to any rules in this behalf, be held before any officer of the Court, being an official referee, registrar, additional registrar or deputy registrar.

(11) The powers of the Court under this section as to the conduct of the examination, but not as to costs may be exercised by the person before whom the examination is held by virtue of a direction under sub-section (10).

328. Power to arrest absconding contributory.- The Court, at any time either before or after making a winding up order, on proof of probable cause for believing that a contributory is about to quit Pakistan or otherwise to abscond, or to remove or conceal any of his property, for the purpose of evading payment of calls or of avoiding examination respecting the affairs of the company, may cause the contributory to be arrested and his books and papers and movable property to be seized, and kept safely until such time as the Court may order.

329. Power to order payment of debts by contributory.- (1) The Court may, at any time after making a winding up order, make an order on any contributory for the time being settled on the list of contributories to pay, in a manner directed by the order, any money due from him or from the estate of the person whom he represents to the company, exclusive of any money payable by him or the estate by virtue of any call in pursuance of this Act.

(2) The Court in making such an order may-

- (a) in the case of an unlimited company, allow the contributory by way of set-off, any money due to him or to the estate which he represents from the company on any independent dealing or contract with the company, but not any money due to him as a member of the company in respect of any dividend or profit; and
- (b) in the case of a limited company, make to any director whose liability is unlimited or to his estate the like allowance.

(3) In the case of any company, whether limited or unlimited, when all the creditors are paid in full, any money due on any account whatever to a contributory from the company may be allowed to him by way of set-off against any subsequent call.

330. Power of Court to make calls.- (1) The Court may, at any time after making a winding up order, and either before or after it has ascertained the sufficiency of the assets of the company, make calls on and order payment thereof by all or any of the contributories for the time being settled on the list of the contributories to the extent of their liability, for payment of any money which the Court considers necessary to satisfy the debts and liabilities of the company, and the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributories among themselves.

(2) In making the call the Court may take into consideration the probability that some of the contributories may partly or wholly fail to pay the call.

331. Power to order payment into bank.- (1) The Court may order any contributory, purchaser or other person from whom any money is due to the company to pay the same into the account of the official liquidator in a scheduled bank instead of to the official liquidator, and any such order may be enforced in the same manner as if it had directed payment to the official liquidator.

(2) Information about the amount deposited shall be sent by the person paying it to the official liquidator within three days of the date of payment.

332. Regulation of account with Court.- All moneys, bills, notes and other securities paid and delivered into the scheduled bank where the official liquidator of the company may have his account, in the event of a company being wound up by the Court, shall be subject in all respect to the orders of the Court.

333. Order on contributory conclusive evidence.-(1) An order made by the Court on a contributory shall, subject to any right of appeal, be conclusive evidence that the money, if any, thereby appearing to be due or ordered to be paid is due.

(2) All other pertinent matters stated in the order shall be taken to be truly stated as against all persons, and in all proceedings whatsoever.

334. Power to exclude creditors not proving in time.- The Court may fix a time or times within which creditors are to prove their debts or claims, or to be excluded from the benefit of any distribution made before those debts are proved.

335. Adjustment of rights of contributories.- The Court shall adjust the rights of the contributories among themselves, and distribute any surplus among the persons entitled thereto.

336. Power to order costs.- The Court may, in the event of the assets being insufficient to satisfy the liabilities, make an order as to the payment out of the assets of the costs, charges and expenses incurred in the winding up in such order of priority as the Court thinks just.

337. Powers and duties of official liquidator.-(1) Subject to directions by the Court, if any, in this regard, the official liquidator, in a winding up of a company, shall have the power-

- (a) to carry on the business of the company so far as may be necessary for the beneficial winding up of the company;
- (b) to do all acts and to execute, in the name and on behalf of the company, all deeds, receipts and other documents ^{1[]};
- (c) to sell the immovable and movable property and actionable claims of the company by public auction or private contract, with power to transfer such property to any person or body corporate;
- (d) to sell whole of the undertaking of the company as a going concern;
- (e) to institute or defend any suit, prosecution or other legal proceeding, civil or criminal, in the name and on behalf of the company;
- (f) to invite and settle claim of creditors, employees or any other claimant and distribute sale proceeds in accordance with priorities established under this Act;
- (g) to draw, accept, make and endorse any negotiable instruments in the name and on behalf of the company, with the same effect with respect to the liability of the company as if such instruments had been drawn,

¹ Commas and words “, and for that purpose, to use, when necessary, the company's seal” omitted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

accepted, made or endorsed by or on behalf of the company in the course of its business;

- (h) to obtain any professional assistance from any person or appoint any professional, in discharge of his duties, obligations and responsibilities and for protection of the assets of the company, appoint an agent to do any business which the official liquidator is unable to do himself;
- (i) to appoint an Advocate entitled to appear before the Court or such person as may be prescribed to assist him in the performance of his duties;
- (j) to take all such actions, steps, or to sign, execute and verify any paper, deed, document, application, petition, affidavit, bond or instrument as may be necessary-
 - (i) for winding up of the company;
 - (ii) for distribution of assets;
 - (iii) in discharge of his duties and obligations and functions as official liquidator; and
- (k) to apply to the Court for such orders or directions as may be necessary for the winding up of the company.

(2) The exercise of powers by the official liquidator under sub-section (1) shall be subject to the overall control of the Court, and any creditor or contributory or the registrar may apply to the Court with respect to any exercise or proposed exercise of any of the said powers.

(3) Notwithstanding the provisions of sub-section (1), the official liquidator shall perform such other duties as the Court may specify in this behalf.

338.Liquidator to keep books containing proceedings of meetings.- The official liquidator of a company which is being wound up by the Court shall, in order to reflect a correct and fair view of the administration of the company's affairs, maintain proper books of accounts and also keep the following books-

- (a) register showing the dates at which notices were issued to the creditors and contributories;
- (b) minutes book of all proceedings and resolutions passed at any meeting of the contributories or the creditors;
- (c) register containing particulars of all transactions and negotiations made by him in relation to the winding up of the company and the connected matters.

339.Liquidator's account.- (1) The official liquidator shall,

- (a) maintain proper and regular books of accounts including accounts of receipts and payments made by him in such form and manner as may be prescribed;
- (b) at the end of one hundred and eighty days from the date of winding up order, prepare a report consisting of account of his receipts and payments and dealings as liquidator, together with such further

information as may be prescribed, which shall be subjected to a limited scope review by the company's auditor;

- (c) present to the Court and file with the registrar a certified copy of such accounts within thirty days from the close of half year. Such copies shall be open to the inspection of any person on payment of prescribed fee;
- (d) where the winding up is not concluded within one year from the date of winding up order, within sixty days after the close of each year, prepare a statement of financial position and the receipt and payment accounts, get it audited by the company's auditor and lay before the contributories in the general meeting in the same manner as the annual accounts of a company are laid before the annual general meeting, in terms of section 223 of this Act.

(2) The account and information as aforesaid shall be in the prescribed form, shall be made in duplicate, and shall be verified by a declaration in the prescribed form.

(3) When the account and the books and papers have been audited, one copy thereof alongwith the auditor's report shall be filed and kept by the Court, and the other copy alongwith the auditor's report shall be delivered to the registrar for filing; and each copy shall be open to the inspection of any person on payment of prescribed fee.

(4) The official liquidator shall cause a copy of the account to be sent by post to every creditor and contributory:

- (a) within thirty days in case of half yearly accounts, referred in clause (b) of sub-section (1); and
- (b) at least fifty days before the date of general meeting in case of clause (d) of sub-section (1).

(5) The concerned Minister-in-Charge of the Federal Government may, by notification in the official Gazette require that the accounts and information referred to in sub-section (1) shall be furnished to an officer to be designated by it for the purpose and that such officer shall cause the accounts to be audited; and, upon the publication of such notification, reference to "Court" in the preceding provisions of this section shall be construed as a reference to such officer.

340. Exercise and control of liquidator's powers.—(1) Subject to the provisions of this Act, the official liquidator of a company which is being wound up by the Court shall, in the administration of the assets of the company and in the distribution thereof among its creditors, have regard to any directions that may be given by resolution of the creditors or contributories at any general meeting.

(2) The official liquidator may summon general meetings of the creditors or contributories for the purpose of ascertaining their wishes, and it shall be his duty to summon meetings at such times as the creditors or contributories, by

resolution, may direct, or whenever requested in writing to do so by one-tenth in value of the creditors or contributories, as the case may be.

(3) Subject to the provisions of this Act, the official liquidator shall use his own discretion in the administration of the assets of the company and in the distribution thereof among the creditors.

(4) If any person is aggrieved by any act or decision of the official liquidator, that person may apply to the Court, and the Court may confirm, reverse or modify the act or decision complained of, and make such order as it thinks just in the circumstances.

341. Distribution by official liquidator.- Subject to any directions given by the Court, the official liquidator shall, within thirty days of the coming into his hands of funds sufficient to distribute among the creditors or contributories after providing for expenses of the winding up or for other preferential payments as provided in this Act, distribute in accordance with the provisions of this Act:

Provided that in case of company licenced under section 42 of this Act, if on a winding up, there remains after the satisfaction of all debts and liabilities, any assets, those shall be transferred to another company licenced under section 42 of this Act, preferably having similar or identical objects to those of the company in the manner as may be specified and subject to such conditions as the Court may impose:

Provided further that such portion of the funds as may be required for meeting any claim against the company which may be subjudice or subject matter of adjudication or assessment shall not be distributed till the claim is finally settled:

Provided also that any amounts retained as aforesaid shall be invested by the official liquidator in Special Saving Certificates and the same shall be deposited by him with the Court and the distribution thereof shall be made by him after the pending claims are settled:

Provided also that in case of company licenced under section 42, if any of the assets is not transferred in the manner provided in first proviso due to any reason, all such assets shall be sold and proceeds thereof credited to the Investor Education and Awareness Fund formed under section 245.

342. Dissolution of company.- (1) When the affairs of a company have been completely wound up, or when the Court is of the opinion that the official liquidator cannot proceed with the winding up of the company for want of funds and assets or any other reason whatsoever and it is just and reasonable in the circumstances of the case that an order of dissolution of the company be made, the Court shall make an order that the company be dissolved from the date of the order, and the company shall be dissolved accordingly:

Provided that such dissolution of the company shall not extinguish and right of, or debt due to the company against or from any person.

(2) A copy of the order shall, within fifteen days of the making thereof, be forwarded by the official liquidator to the registrar, who shall make in his books a minute of the dissolution of the company and shall publish a notice in the official Gazette that the company is dissolved.

(3) If the official liquidator makes default in complying with the requirements of this section, he shall be liable to a daily penalty of level 1 on the standard scale.

343. Saving of other proceedings.- Any powers conferred on the Court by this Act shall be in addition to, and not in derogation of, any existing power of instituting proceedings against any contributory or debtor of the company, or the estate of any contributory or debtor, for the recovery of any call or other sums.

ENFORCEMENT OF ORDERS

344. Power to enforce orders.- All orders made by a Court under this Act may be enforced in the same manner in which decrees of such Court made in any suit may be enforced.

345. Order made by any Court to be enforced by other Courts.- Any order made by a Court for, or in the course of, winding up of a company shall be enforceable in any place in Pakistan, and in the same manner in all respects as in such order had been made by a Court having jurisdiction in respect of that company or a Court to whom the Court refers the order for enforcement.

346. Mode of Dealing with Orders to be enforced by other Courts.- Where any order made by one Court is to be enforced by another Court, a certified copy of the order so made shall be produced to the proper officer of the Court required to enforce the same, and the production of such certified copy shall be sufficient evidence of such order having been made; and thereupon the last mentioned Court shall take the requisite steps in the matter for enforcing the order, in the same manner as if it were the order of the Court enforcing the same.

347. Circumstances in which company may be wound up voluntarily.- A company may be wound up voluntarily-

- (a) if the company in general meeting passes a resolution requiring the company to be wound up voluntarily as a result of the expiry of the period for its duration, if any, fixed by its articles or on the occurrence of any event in respect of which the articles provide that the company should be dissolved; or
- (b) if the company passes a special resolution that the company be wound up voluntarily;

and, in the subsequent provisions of this Part, the expression "resolution for voluntary winding up" means a resolution passed under clause (a) or clause (b).

348. Commencement of voluntary winding up.- A voluntary winding up shall be deemed to commence at the time of the passing of the resolution for voluntary winding up.

349. Effect of voluntary winding up on status of company.- In the case of voluntary winding up, the company shall, from the commencement of the winding up, cease to carry on its business, except so far as may be required for the beneficial winding up thereof:

Provided that the corporate state and corporate powers of the company shall, notwithstanding anything to the contrary in its articles, continue until it is dissolved.

350. Notice of resolution to wind up voluntarily.- (1) Notice of any resolution for winding up a company voluntarily shall be given by the company within ten days of the passing of the same by advertisement in a newspaper in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation and a copy thereof shall be sent to the registrar immediately thereafter.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a daily penalty of level 1 on the standard scale.

(3) For the purpose of this section, a liquidator of a company shall be deemed to be an officer of the company.

351. Declaration of solvency in case of proposal to wind up voluntarily.- (1) Where it is proposed to wind up a company voluntarily, its directors, or in case the company has more than three directors, the majority of the directors, including the chief executive, may, at a meeting of the board make a declaration verified by an affidavit to the effect that they have made a full inquiry into the affairs of the company, and that having done so, they have formed the opinion that the company has no debts, or that it will be able to pay all its debts in full from the proceeds of assets within such period not exceeding one year from the commencement of the winding up, as may be specified in the declaration.

(2) A declaration made as aforesaid shall have no effect for the purposes of this Act, unless-

- (a) it is made within the five weeks immediately preceding the date of the passing of the resolution for winding up the company and is delivered to the registrar for registration before that date;
- (b) it contains a declaration that the company is not being wound up to defraud any person or persons; and
- (c) it is accompanied by a copy of the report of the auditors of the company, prepared, so far as the circumstances admit, in accordance with the provisions of this Act, on the statement of financial position and profit and loss account of the company for the period commencing from the date up to which the last such accounts were prepared and ending with the latest practicable date immediately before the making of the declaration.

(3) Where the company is wound up in pursuance of a resolution passed within the period of five weeks after the making of the declaration, but its debts

are not paid or provided for in full within the period specified in the declaration; it shall be presumed, until the contrary is shown, that the director did not have reasonable grounds for his opinion.

(4) Any director of a company making a declaration under this section without having reasonable grounds for the opinion that the company will be able to pay its debts in full from the proceeds of assets within the period specified in the declaration shall be liable to penalty of level 3 on the standard scale.

352. Distinction between members and creditors voluntary winding up.- A winding up in the case of which a declaration under section 351 has been made is a members' voluntary winding up and a winding up in the case of which such a declaration has not been made is a creditors' voluntary winding up.

353.Appointment of liquidator.- (1) In a members' voluntary winding up, the company in general meeting shall appoint one or more liquidators, whose written consent to act as such has been obtained in advance, for the purpose of winding up the company's affairs and distributing its assets.

(2) On the appointment of a liquidator all the powers of the board shall cease, except for the purpose of giving notice of resolution to wind up the company and appointment of liquidator and filing of consent of liquidator in pursuance of sections 351 and 363 or in so far as the company in general meeting, or the liquidator sanctions the continuance thereof.

(3) The liquidator shall subject to the specified limits be entitled to such remuneration by way of percentage of the amount realised by him by disposal of assets or otherwise, as the company in general meeting may fix having regard to the nature of the work done, experience, qualification of such liquidator and size of the company:

Provided that different percentage rates may be fixed for different types of assets and items.

(4) In addition to the remuneration payable under sub-section (3), the company in general meeting may authorise payment of a monthly allowance to the liquidator for meeting the expenses of the winding up for a period not exceeding one year from the date of the commencement of winding up.

(5) The remuneration fixed as aforesaid shall not be enhanced subsequently but may be reduced by the Court at any time.

(6) If the liquidator resigns, is removed from office or otherwise ceases to hold office before conclusion of winding up, he shall not be entitled to any remuneration and remuneration already received by him, if any, shall be refunded by him to the company.

(7) The liquidator shall not resign or quit his office as liquidator before conclusion of the winding up proceedings except for reasons of personal disability to the satisfaction of the members and also be removed by a resolution in general meeting.

(8) No remuneration shall be payable to liquidator who fails to complete the winding up proceedings within the prescribed period.

354. Power to fill vacancy in office of liquidator.- (1) If a vacancy occurs by death, resignation or otherwise in the office of any liquidator appointed by the company, the company in general meeting may fill the vacancy by appointing a person who has given his written consent to act as liquidator.

(2) For that purpose a general meeting shall be convened by the out-going liquidator before he ceases to act as liquidator except where the vacancy occurs by death, or where there were more liquidators than one, by the continuing liquidator, and failing that may be convened by any contributory, or by the Commission on the application of any person interested in the winding up of the company.

(3) The meeting shall be held in the manner provided by this Act or in such manner as may, on application by any contributory or by the continuing liquidator, or any person interested in the winding up be determined by the Commission.

(4) If default is made in complying with the provisions of this section, every person, including the outgoing liquidator, who is in default, shall be liable to a daily penalty of level 1 on the standard scale.

355. Notice by liquidator of his appointment.- (1) The liquidator shall, within ten days after his appointment, file with the registrar for registration a notice of his appointment in the specified form.

(2) If the liquidator fails to comply with this section, he shall be liable to a daily penalty of level 1 on the standard scale.

356. Power of liquidator to accept shares as consideration for sale of property of company.- (1) Where-

- (a) a company (in this section called the "transferor company") is proposed to be, or is in the course of being, wound up altogether voluntarily; and
- (b) the whole or a part of its business or property is proposed to be transferred or sold to another body corporate, whether a company within the meaning of this Act or not (in this section called "the transferee company"),

the liquidator of the transferor company may, with the sanction of a special resolution of that company conferring on the liquidator either a general authority or an authority in respect of any particular arrangement-

- (i) receive, by way of compensation or part compensation for the transfer or sale, shares, policies, or other like interests in the transferee company, for distribution among the members of the transferor company; or
- (ii) enter into any other arrangement whereby the members of the transferor company may, in lieu of receiving cash, shares, policies, or other like interests or in addition thereto, participate in the profits of, or receive any other benefit from, the transferee company.

(2) Any sale or arrangement in pursuance of this section shall be binding on the members of the transferor company.

(3) If any member of the transferor company who did not vote in favour of the special resolution expresses his dissent therefrom in writing addressed to the liquidator and left at the registered office of the company within seven days after the passing of the special resolution, he may require the liquidator either-

- (a) to abstain from carrying the resolution into effect; or
- (b) to purchase his interest at a price to be determined by agreement or by arbitration in the manner hereafter provided.

(4) If the liquidator elects to purchase the member's interest, the purchase money shall be paid before the company is dissolved, and be raised by the liquidator in such manner as may be determined by special resolution.

(5) A special resolution shall not be invalid for the purpose of this section by reason only that it is passed before or concurrently with a resolution for voluntary winding up or for appointing liquidators; but if an order is made within a year for winding up the company by or subject to the supervision of the Court, the special resolution shall not be valid unless it is sanctioned by the Court.

(6) The provisions of the Arbitration Act, 1940 (X of 1940), other than those restricting the application of this Act in respect of the subject-matter of the arbitration, shall apply to all arbitrations in pursuance of this section.

357. Duty of liquidator where company turns out to be insolvent.- (1) Where the liquidator is of the opinion that the company will be unable to pay its debts in full within the period stated in the directors' declaration under section 351, he shall forthwith summon a meeting of the creditors and shall lay before the meeting a statement of the assets and liabilities of the company and such other particulars as may be specified.

(2) Where sub-section (1) becomes applicable, the creditors may in their meeting held as aforesaid decide to continue with the existing liquidator or appoint a different person as liquidator who has consented to act as such and in that case the person so appointed shall be the liquidator.

(3) In the case of a different person being nominated, any director, member of the company may, within fifteen days after the date on which the nomination was made by the creditors, apply to the Court for an order either-

- (a) directing that the person nominated as liquidator by the company shall be liquidator instead of or jointly with the person nominated by the creditors, or
- (b) appointing some other person to be liquidator instead of the person nominated by the creditors.

(4) A return of convening the creditors meeting as aforesaid along with a copy of the notice thereof and a statement of assets and liabilities of the company and the minutes of the meeting shall be filed with the registrar within ten days of the date of the meeting.

(5) If the liquidator fails to comply with any of the requirements of this section, he shall be liable to a penalty of level 1 on the standard scale.

358. Duty of liquidator to call general meetings.- (1) The liquidator shall-

- (a) summon and hold annual general meeting of the company within a period of sixty days from the close of first year after the commencement of winding up, in the manner provided under section 132;
- (b) lay before the meeting audited accounts consisting of statement of financial position and the receipt and payment accounts, auditors' report and the liquidator's report on the acts, dealings and the conduct of the company's winding up during the preceding period from the date of winding up; and
- (c) forward by post to every contributory a copy of the accounts and the reports, as referred to in clause (b).

(2) A return of convening of each general meeting together with a copy of the notice, accounts and the reports as aforesaid, the list of contributories as on the date of the meeting and the minutes of the meeting shall be filed by the liquidator with the registrar within fifteen days of the date of the meeting.

(3) If the liquidator fails to comply with this section, he shall be liable, in respect of each failure, to a penalty of level 1 on the standard scale.

359. Final meeting and dissolution.- (1) As soon as the affairs of a company are fully wound up, the liquidator shall-

- (a) prepare final accounts of the company, get the same audited; and also prepare a report of the winding up, showing that the property and assets of the company have been disposed of and its debts fully discharged and such other particulars; as may be specified; and
- (b) call a general meeting of the company for the purpose of laying the report and accounts before it, and giving any explanation therefor.

(2) A copy of the report and accounts together with a copy of the auditor's report and notice of meeting shall be sent by post or courier or through electronic mode to each contributory of the company at least twenty-one days before the meeting required to be held under this section.

(3) The notice of the meeting specifying the time, place and object of the meeting shall also be published at least twenty-one days before the date of the meeting in the manner specified in section 350.

(4) Within one week after the meeting, the liquidator shall file with the registrar his final report in the specified form.

(5) If a quorum is not present at the meeting, the liquidator shall in lieu of the return referred to in sub-section (4), make a return that the meeting was duly summoned and that no quorum was present thereat, and upon such a return being made within one week after the date fixed for the meeting along with a copy of his report and account in the specified manner, the provision of sub-section (4) as to the making of the return shall be deemed to have been complied with.

(6) The registrar, on receiving the report and account and either the return mentioned in sub-section (4) or the return mentioned in sub-section (5), shall, after such scrutiny as he may deem fit, register them, and on the expiration of ninety days from such registration, the company shall be deemed to be dissolved:

Provided that, if on his scrutiny the registrar considers that the affairs of the company or the liquidation proceedings have been conducted in a manner prejudicial to its interest or the interests of its creditors and members or that any actionable irregularity has been committed, he may take action in accordance with the provisions of this Act:

Provided further that the Court may on the application of the liquidator or of any other person who appears to the Court to be interested, make an order deferring the date at which the dissolution of the company is to take effect, for such time as the Court thinks fit.

(7) It shall be the duty of the person on whose application an order of the Court under the foregoing proviso is made, within fourteen days after the making of the order, to deliver to the registrar a certified copy of the order for registration, and, if that person fails so to do, he shall be liable to a daily penalty of level 1 on the standard scale.

(8) If the liquidator fails to comply with any requirements of this section, he shall be liable to a penalty of level 1 on the standard scale.

360. Alternative provisions as to annual and final meetings in case of insolvency.- Where section 357 has effect, sections 368 and 369 shall apply to the winding up, to the exclusion of sections 358 and 359 as if the winding up were creditors' voluntary winding up and not a members' voluntary winding up:

Provided that the liquidator shall not be required to summon a meeting of creditors under section 368 at the end of the first year from the commencement of the winding up, unless the meeting held under section 362 has been held more than ninety days before the end of the year.

PROVISIONS APPLICABLE TO CREDITORS' VOLUNTARY WINDING UP

361. Provisions applicable to creditors' voluntary winding up.- The provisions contained in sections 355 to 369, both inclusive, shall apply in relation to creditors' voluntary winding up.

362. Meeting of creditors.- (1) The company shall-

- (a) cause a meeting of its creditors to be summoned for a day not later than the fourteenth day after the day on which there is to be held the company meeting at which the resolution for voluntary winding up is to be proposed;
- (b) cause the notices of the creditors' meeting to be sent by post to the creditors not less than seven days before the day on which that meeting is to be held; and

(c) cause notice of the creditors' meeting to be advertised in a newspaper in English and Urdu languages at least in one issue each of respective language having wide circulation and a copy thereof shall simultaneously be sent to the registrar.

(2) The directors of the company shall-

(a) make out a statement of the position of the company's affairs and assets and liabilities together with a list of the creditors of the company, details of securities held by them respectively along with the dates when such securities were held, the estimated amount of their claims to be laid before the meeting of creditors and such other information as may be specified; and

(b) appoint one of their members to preside at the said meeting.

(3) It shall be the duty of the director appointed to preside at the meeting of creditors to attend the meeting and preside thereat.

(4) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

363.Appointment of liquidator.- (1) The creditors and the company at their respective meetings mentioned in sections 357 and 362 may nominate a person, who has given his written consent to act as such, to be liquidator for the purpose of winding up the affairs and distributing the assets of the company.

(2) If the creditors and company nominate different persons, the persons nominated by the creditors shall be liquidator:

Provided that any director, member or creditor of the company may, within fifteen days after the date on which the nomination was made by the creditors, apply to the Court for an order either directing that the person nominated as liquidator by the company shall be liquidator instead of or jointly with the person nominated by the creditors or appointing some other person to be liquidator instead of the person appointed by the creditors.

(3) If no person is nominated by the creditors, the person, if any, nominated by the company shall be liquidator.

(4) If no person is nominated by the company, the person, if any, nominated by the creditors shall be the liquidator.

(5) The liquidator shall not resign or quit his office as liquidator before conclusion of the winding up proceedings except for reasons of personal disability to the satisfaction of the Court and may also be removed by the Court for reasons to be recorded.

(6) Notice of appointment of liquidator as well as the resolution passed at a creditors' meeting in pursuance of section 362 shall be given by the company to the registrar, along with the consent of the liquidator to act as such, within ten days of the passing thereof.

364.Fixing of liquidator's remuneration.- (1) The liquidator shall subject to the specified limits be entitled to such remuneration by way of percentage of the

amount realised by him by disposal of assets or otherwise, as the creditors in their meeting or the Court in terms of proviso to sub-section (2) of section 317 as the case may be, may fix having regard to the nature of the work done, experience, qualification of such liquidator and size of the company:

Provided that different percentage rates may be fixed for different types of assets and items.

(2) In addition to the remuneration payable under sub-section (1), the creditors in their meeting or the Court may authorise payment of a monthly allowance to the liquidator for meeting the expenses of the winding up for a period not exceeding one year from the date of the commencement of winding up.

(3) The remuneration fixed as aforesaid shall not be enhanced subsequently but may be reduced by the Court at any time.

(4) If the liquidator resigns, is removed from office or otherwise ceases to hold office before conclusion of winding up, he shall not be entitled to any remuneration and the remuneration already received by him, if any, shall be refunded by him to the company.

365.Cessation of boards' powers.- On the appointment of a liquidator, all the powers of the board, chief executive and other officers shall cease, except for the purpose of giving notice of resolution to wind up and appointment of the liquidator and filing of consent of the liquidator as required under this Act, the creditors, in general meeting may sanction the continuance thereof.

366.Power to fill vacancy in office of liquidator.- If a vacancy occurs, by death, resignation or otherwise, in the office of a liquidator, other than a liquidator appointed by or by the direction of, the Court, the creditors in their meeting may fill the vacancy by appointing a person who has given his written consent to act as liquidator, and for this purpose the provisions of section 354 shall mutatis mutandis apply.

367.Application of section 356 to a creditors voluntary winding up.- The provisions of section 356 shall apply in the case of a creditors voluntary winding up as in the case of member's voluntary winding up with the modification that the powers of the liquidator under the said section shall not be exercised except with the sanction of the Court.

368.Duty of liquidator to call meeting of company and of creditors.- (1) The liquidator shall-

- (a) summon and hold annual general meeting of the company and a meeting of the creditors within a period of sixty days from the close of its financial year in the manner provided under section 132;
- (b) lay before the meetings mentioned in clause (a), audited accounts consisting of statement of financial position and the receipt and payment accounts, auditors' report and the liquidator's report on the acts, dealings and the conduct of the company's winding up during the preceding period from the date of winding up; and

- (c) forward by post to every contributory a copy of the accounts and the reports, as referred to in clause (b).

(2) A return of convening of each general meeting together with a copy of the notice, accounts and the reports as aforesaid, the list of contributories as on the date of the meeting and the minutes of the meeting shall be filed by the liquidator with the registrar within fifteen days of the date of the meeting.

(3) If the liquidator fails to comply with this section, he shall be liable to a penalty of level 1 on the standard scale.

369.Final meeting and dissolution.- (1) As soon as the affairs of a company are fully wound up, the liquidator shall-

- (a) prepare final accounts of the company, get the same audited; and also prepare a report of the winding up, showing that the property and assets of the company have been disposed of and its debts fully discharged and such other particulars; as may be specified;
- (b) summon and hold general meeting of the company and a meeting of the creditors within a period of sixty days from the close of its financial year in the manner provided under section 132; and
- (c) lay before the meetings mentioned in clause (a), audited accounts consisting of statement of financial position and the receipt and payment accounts, auditors' report and the liquidator's report on the acts, dealings and the conduct of the company's winding up during the preceding period from the date of winding up.

(2) A copy of the report and accounts together with a copy of the auditor's report and notice of meeting shall be sent by post or courier or through electronic mode to each contributory of the company at least twenty-one days before the meeting required to be held under this section.

(3) The notice of the meeting specifying the time, place and object of the meeting shall also be published at least twenty-one days before the date of the meeting in the manner specified in section 350.

(4) Within one week after the meeting, the liquidator shall file with the registrar his final report in the specified form.

(5) If a quorum (which for the purpose of this section shall be two persons) is not present at either of such meetings, the liquidator shall in lieu of the return referred to in sub-section (4), make a return that the meeting was duly summoned and that no quorum was present thereat, and upon such a return being made within one week after the date fixed for the meeting along with a copy of his report and account in the specified manner, the provision of sub-section (4) as to the making of the return shall be deemed to have been complied with.

(6) The registrar, on receiving the report and account and either the return mentioned in sub-section (4) or the return mentioned in sub-section (5), shall, after such scrutiny as he may deem fit, register them, and on the expiration of ninety days from such registration, the company shall be deemed to be dissolved:

Provided that, if on his scrutiny the registrar considers that the affairs of the company or the liquidation proceedings have been conducted in a manner prejudicial to its interest or the interests of its creditors and members or that any actionable irregularity has been committed, he may take action in accordance with the provisions of this Act:

Provided further that the Court may on the application of the liquidator or of any other person who appears to the Court to be interested, make an order deferring the date at which the dissolution of the company is to take effect, for such time as the Court thinks fit.

(7) It shall be the duty of the person on whose application an order of the Court under the foregoing proviso is made, within fourteen days after the making of the order, to deliver to the registrar a certified copy of the order for registration, and, if that person fails so to do, he shall be liable to a daily penalty of level 1 on the standard scale.

(8) If the liquidator fails to comply with any requirements of this section, he shall be liable to a penalty of level 1 on the standard scale.

PROVISIONS APPLICABLE TO EVERY VOLUNTARY WINDING UP

370. Distribution of property of company.- Subject to the provisions of this Act as to preferential payments, the property of a company shall, on its winding up, be applied in satisfaction of its liabilities pari passu and, subject to such application shall, unless the articles otherwise provide be distributed among the members according to their rights and interests in the company.

371. Application of sections 320 and 321 to voluntary winding up.- The provisions of sections 320 and 321 shall, so far as may be, apply to every voluntary winding up as they apply to winding up by the Court except that references to-

- (a) "the Court" shall be omitted;
- (b) the "official liquidator" or the "provisional manager" shall be construed as references to the liquidator; and
- (c) the "relevant date" shall be construed as reference to the date of commencement of the winding up; and

the report referred to in section 321 shall be submitted to the registrar instead of the Court.

372. Powers and duties of liquidator in voluntary winding up.- (1) The liquidator may-

- (a) in the case of a members' voluntary winding up, with the sanction of a special resolution of the company, and, in the case of a creditors' voluntary winding up, of a meeting of the creditors, exercise any of the powers given by sub-section (1) of section 337 to a liquidator in a winding up by the Court;
- (b) without the sanction referred to in clause (a), exercise any of the other powers given by this Act to the liquidator in a winding up by the Court;

- (c) exercise the power of the Court under this Act of settling a list of contributories, which shall be *prima facie* evidence of the liabilities of the persons named therein to be contributories;
- (d) exercise the powers of the Court of making calls;
- (e) summon general meeting of the company and creditors for the purpose of obtaining the sanction of the company by special resolution or for any other purpose he may think fit.

(2) The exercise by the liquidator of the powers given by clause (a) of sub-section (1) shall be subject to the control of the Court; and any creditor or contributory may apply to the Court with respect to any exercise or proposed exercise of any of the power conferred by this section.

(3) The liquidator shall pay the debts of the company and shall adjust the rights of the contributories among themselves.

(4) The liquidator shall within thirty days of the coming into his hands of any funds sufficient to distribute among the creditors or contributories after providing for expenses of the winding up or for other preferential payments as provided in this Act, distribute in accordance with the provisions of this Act:

Provided that in case of company licenced under section 42 of this Act, if on a winding up, there remains after the satisfaction of all debts and liabilities, any assets, those shall be transferred to another company licenced under section 42 of this Act, preferably having similar or identical objects to those of the company in the manner as may be specified:

Provided further that such portion of the funds as may be required for meeting any claim against the company which may be subjudice or subject matter of adjudication or assessment shall not be distributed till the claim is finally settled:

Provided also that any amounts retained as aforesaid shall be invested by the official liquidator in Special Saving Certificates or in such other securities or instruments as may be specified and the distribution thereof shall be made by him after the pending claims are settled:

Provided also that in case of company licenced under section 42, if any of the assets is not transferred in the manner provided in first proviso due to any reason, all such assets shall be sold and proceeds thereof credited to the Investor Education and Awareness Fund formed under section 245.

(5) The winding up proceedings shall be completed by the liquidator within a period of one year from the date of commencement of winding up:

Provided that the Court may, on the application of the liquidator, grant extension by thirty days at any time but such extension shall not exceed a period of one hundred and eighty days in all and shall be allowed only for the reason that any proceedings for or against the company are pending in a court and the Court shall also have the power to require expeditious disposal of such proceedings as it could under section 337 if the company was being wound up by the Court.

(6) If an official liquidator is convicted of misfeasance, or breach of duty or other lapse or default in relation to winding up proceedings of a company, he shall cease to be the official liquidator of the company and shall also become disqualified, for a period of five years from such conviction, from being the liquidator of, or to hold any other office including that of a director in any company and if he already holds any such office he shall forthwith be deemed to have ceased to hold such office.

(7) When several liquidators are appointed, any power given by this Act may be exercised by such one or more of them as may be determined at the time, of their appointment, or in default of such determination, by any two or more of them.

373. Power of Court to appoint and remove liquidator in voluntary winding up.- (1) If from any cause whatever, there is no liquidator acting, the Court may appoint a liquidator in accordance with the provisions of section 315 who shall have the same powers, as are exercisable by an official liquidator under sub-section (1) of section 337.

(2) The Court may, on cause shown, replace a liquidator on the application of any creditor or contributory or the registrar or a person authorised by the Commission.

(3) The remuneration to be paid to the liquidator appointed under sub-section (1) or sub-section (2) shall be fixed by the Court subject to the provisions of section 364.

374. Notice by liquidator of his appointment.- (1) Every liquidator shall, within fourteen days after his appointment, publish in the official Gazette, and deliver to the registrar for registration, a notice of his appointment in the form specified.

(2) If the liquidator fails to comply with the requirements of sub-section (1), he shall be liable to a daily penalty of level 1 on the standard scale.

375. Arrangement when binding on company and creditors.- (1) Any arrangement other than the arrangement referred to in section 356 entered into between a company which is about to be, or is in the course of being wound up and its creditors shall be binding on the company and on the creditors, if it is sanctioned by a special resolution of the company and acceded to by the creditors who hold three-fourths in value of the total amount due to all the creditors of the company.

(2) Any creditor or contributory may, within twenty-one days from the completion of the arrangement, appeal to the Court against it, and the Court may thereupon, as it thinks just, amend, vary, confirm or set aside the arrangement.

376. Power to apply to Court to have questions determined or powers exercised.- (1) The liquidator or any contributory or creditor may apply to the Court-

- (a) to determine any question arising in the winding up of a company; or
- (b) to exercise as respects the enforcing of calls, the staying of proceedings or any other matter, all or any of the powers which the Court might exercise if the company were being wound up by the Court.

(2) The liquidator or any contributory may apply to the Court specified in sub-section (3) for an order setting aside any attachment, distress or execution put into force against the estate or effects of the company after the commencement of the winding up.

(3) An application under sub-section (2) shall be made-

- (a) if the attachment, distress or execution is levied or put into force by a Court, to such Court; and
- (b) if the attachment, distress or execution is levied or put into force by any other court, to the court having jurisdiction to wind up the company.

(4) The Court, if it is satisfied that the determination of the question or the required exercise of power or the order applied for will be just and beneficial, may accede wholly or partially to the application on such terms and conditions as it thinks fit, or may make such other orders on the application as it thinks just.

(5) A copy of an order staying the proceedings in the winding up, made by virtue of this section, shall forthwith be forwarded by the company, or otherwise as may be prescribed, to the registrar, who shall make a minute of the order in his books relating to the company.

377. Application of liquidator to Court for public examination of promoters, directors.- The liquidator may make a report to the Court stating that in his opinion a fraud or any other actionable irregularity has been committed by any person in the promotion or formation of the company or by any officer of the company in relation to the company since its formation; and the Court may, after considering the report, direct that person or officer shall attend before the Court on a day appointed by it for that purpose, and be publicly examined as to the promotion or formation or the conduct of the business of the company, or as to his conduct and dealings as officer thereof, in the manner provided for such examination in the case of winding up of a company by the Court.

378. Costs of voluntary winding up.- All costs, charges and expenses properly incurred in the winding up, including the remuneration of the liquidator, shall subject to the rights of secured creditors, if any, be payable out of the assets of the company in priority to all other claims.

379. Saving for right of creditors and contributories.- The voluntary winding up of a company shall not bar the right of any creditor or contributory to have it wound up by the Court, but in the case of an application by a contributory, the Court must be satisfied that the rights of the contributories will be prejudiced by a voluntary winding up.

380. Power of Court to adopt proceedings of voluntary winding up.- Where a company is being wound up voluntarily, and an order is made for winding up by the Court, the Court may, if it thinks fit by the same or any subsequent order, provide for the adoption of all or any of the proceedings in the voluntary winding up.

WINDING UP SUBJECT TO SUPERVISION OF COURT

381. Power to order winding up subject to supervision.- When a company has passed a resolution for voluntary winding up, the Court may of its own motion or on the application of any person entitled to apply to the Court for winding up a company, make an order that the voluntary winding up shall continue, but subject to such supervision of the Court, and with such liberty for creditors, contributories or others to apply to the Court, and generally on such terms and conditions, as the Court thinks just.

382. Effect of petition for winding up subject to supervision.- A petition for the continuance of a voluntary winding up subject to the supervision of the Court shall, for the purpose of giving jurisdiction to the Court over suits and other legal proceedings, be deemed to be a petition for winding up by the Court.

383. Court may have regard to the wishes of creditors and contributories.- The Court may, in deciding between a winding up by the Court and a winding up subject to supervision, in the appointment of liquidators, and in all other matters relating to the winding up subject to supervision, have regard to the wishes of the creditors or contributories as proved to it by any sufficient evidence, but subject to the provisions which would have been applicable had the company been wound up by the Court.

384. Power to replace liquidator.- Where an order is made for winding up subject to supervision, the Court may on an application by any creditor or contributory or the registrar or a person authorised by the Commission in this behalf, replace the liquidator who shall have the same powers, be subject to the same obligations and in all respects stand in the same position as if he had been appointed by the company.

385. Effects of supervision order.- (1) Where an order is made for a winding up subject to supervision, the liquidator may, subject to any restriction imposed by the Court, exercise all his powers, without the sanction or intervention of the Court, in the same manner as if the company were being wound up altogether voluntarily.

(2) Except as provided in sub-section (1), and save for the purposes of section 327 an order made by the Court for a winding up subject to the supervision of the Court shall for all purposes including the staying of suits and other proceedings, be deemed to be an order of the Court for winding up the company by the Court, and shall confer full authority on the Court to make call or to enforce calls made by the liquidator, and to exercise all other powers which it might have exercised if an order had been made for winding up the company altogether by the Court.

(3) In the construction of the provisions whereby the Court is empowered to direct any act or thing to be done to or in favour of the official liquidator, the expression "official liquidator" shall be deemed to mean the liquidator conducting the winding up subject to the supervision of the Court.

(4) Unless otherwise directed by the Court, an order for winding up subject to supervision shall not in any way affect the duties, obligations and liabilities of the liquidator as provided for in respect of voluntary winding up.

386.Appointment of voluntary liquidator as official liquidator in certain cases.- Where an order has been made for the winding up of a company subject to supervision, and an order is afterwards made for winding up by the Court, the Court shall by the last mentioned order, appoint the voluntary liquidator, either provisionally or permanently, and either with or without the addition of any other person, to be official liquidator in the winding up by the Court.

387.Status of companies being wound up.- A company being wound up shall continue to be a company for all purposes till its final dissolution in accordance with the provisions of this Act and, unless otherwise specified, all provisions and requirements of this Act relating to companies shall continue to apply mutatis mutandis in the case of companies being wound up:

Provided that, from the date of commencement of the winding up of a company, the official liquidator or the liquidator shall be deemed to have taken the place of the board and chief executive of the company, as the case may be.

PROOF AND RANKING OF CLAIMS

388.Debts of all description to be proved.- In every winding up (subject, in the case of insolvent companies, to the application in accordance with the provisions of this Act or the law of insolvency) all debts payable on a contingency, and all claims against the company, present or future, certain or contingent, ascertained or sounding only in damages, shall be admissible to proof against the company, a just estimate being made, so far as possible, of the value of such debts or claims as may be subject to any contingency, or may sound only in damages, or for some other reason do not bear a certain value.

389.Application of insolvency rules in winding up of insolvent companies.- In the winding up of an insolvent company the same rules shall prevail and be observed with regard to the respective rights of secured and unsecured creditors and to debts provable and to the valuation of annuities and future and contingent liabilities as are in force for the time being under the law of insolvency with respect to the estates of persons adjudged insolvent; and all persons who in any such case will be entitled to prove for and receive dividend out of the assets of the company may come in under the winding up, and make such claims against the company as they respectively are entitled to by virtue of this section.

390.Preferential payments.- (1) In a winding up, there shall be paid in priority to all other debts-

- (a) all revenues, taxes, cesses and rates due from the company to the Federal Government or a Provincial Government or to a local authority at the relevant date and having become due and payable within the one year next before that date on pari passu basis;
- (b) all wages or salary (including wages payable for time or piece work and salary earned wholly or in part by way of commission) of any employee in respect of services rendered to the company;

- (c) all accrued holiday remuneration becoming payable to any employee or in the case of his death to any other person in his right, on the termination of his employment before, or by the winding up order, or, as the case may be, the dissolution of the company;
- (d) unless the company is being wound up voluntarily merely for the purposes of reconstruction or of amalgamation with another company, all amounts due, in respect of contributions towards insurance payable during the one year next before the relevant date, by the company as employer of any persons, under any other law for the time being in force;
- (e) unless the company has, at the commencement of the winding up, under such a contract with insurers as is mentioned in section 14 of the Workmen's Compensation Act, 1923 (VIII of 1923), rights capable of being transferred to and vested in the workman, all amounts due in respect of any compensation or liability for compensation under the said Act in respect of the death or disablement of any employee of the company:

Provided that where any compensation under the said Act is a weekly payment, the amount payable under this clause shall be taken to be the amount of the lump sum for which such weekly payment could, if redeemable, be redeemed, if the employer made for that purpose under the said Act;

- (f) all sums due to any employee from a provident fund, a pension fund, a gratuity fund or any other fund for the welfare of the employees maintained by the company; and
- (g) the expenses of any investigation held in pursuance of sections 256, 257 or 258, in so far as they are payable by the company.

(2) Where any payment has been made-

- (a) to an employee of a company on account of wages or salary; or
- (b) to an employee of a company or, in the case of his death, to any other person in his right, on account of accrued holiday remuneration,

out of money advanced by some person for that purpose, the person by whom the money was advanced shall, in a winding up, have a right of priority in respect of the money so advanced and paid, up to the amount by which the sum in respect of which the employee or other person in his right would have been entitled to priority in the winding up has been diminished by reason of the payment having been made.

(3) The foregoing debts shall-

- (a) rank equally among themselves and be paid in full, unless the assets are insufficient to meet them, in which case they shall abate in equal proportion; and

- (b) so far as the assets of the company available for payment of general creditors are insufficient to meet them, have priority over the claims of holders of debentures under any floating charge created by the company, and be paid accordingly out of any property comprised in or subject to that charge.

(4) Subject to the retention of such sums as may be necessary for the costs and expenses of the winding up, the foregoing debts shall be discharged forthwith so far as the assets are sufficient to meet them and, in the case of the debts to which priority is given by clause (d) of sub-section (1), formal proof thereof shall not be required except in so far as may be otherwise prescribed.

(5) In the event of a landlord or other person distraining or having distrained on any goods or effects of the company within ninety days next before the date of winding up order, the debts to which priority is given by this section shall be a first charge on the goods or effects so distrained on, or the proceeds of the sale thereof:

Provided that, in respect of any money paid under any such charge, the landlord or other person shall have the same rights of priority as the person to whom the payment is made.

(6) For the purposes of this section-

- (a) any remuneration in respect of a period of holiday or of absence from work on medical grounds or other good cause shall be deemed to be wages in respect of services rendered to the company during that period;
- (b) the expression "accrued holiday remuneration" includes, in relation to any person, all sums which by virtue either of his contract of employment or of any enactment (including any order made or direction given under any enactment), are payable on account of the remuneration which would, in the ordinary course, have become payable to him in respect of a period of holiday had his employment with the company continued until he became entitled to be allowed the holiday; and
- (c) the expression "the relevant date" means-
- (i) in the case of a company ordered to be wound up by the Court, the date of the appointment (or first appointment) of the provisional manager or, if no such appointment was made, the date of the winding up order, unless in either case the company had commenced to be wound up voluntarily before that date; and
 - (ii) in any other case, the date of the passing of the resolution for the voluntary winding up of the company.

391. Avoidance of transfers.- Except when an order to the contrary is passed by the Court-

- (a) every transfer of shares and alteration in the status of a member made after the commencement of winding up shall, unless approved by the liquidator, be void;

- (b) any transfer or disposition of property, including actionable claims of the company, not being a transfer or delivery made in the ordinary course of its business or in favour of a purchaser or encumbrancer in good faith and for valuable consideration, if made within a period of one year before the presentation of a petition for winding up by the Court or the passing of a resolution for voluntary winding up of the company, shall be void.

392. Disclaimer of onerous property.- (1) Where any part of the property of a company which is being wound up consists of-

- (a) land of any tenure, burdened with onerous covenants;
- (b) shares or stocks in companies;
- (c) any other property which is not saleable or is not readily saleable by reason of the possessor thereof being bound either to the performance of any onerous act or to the payment of any sum of money; or
- (d) unprofitable contracts,

the liquidator may, notwithstanding that he has endeavoured to sell or has taken possession of the property or exercised any act of ownership in relation thereto or done anything in pursuance of the contract, with the leave of the Court and subject to the provisions of this section, by writing signed by him, at any time within one year after the commencement of the winding up or such extended period as may be allowed by the Court, disclaim the property:

Provided that, where any such property has not come to the knowledge of the liquidator within thirty days after the commencement of the winding up, the power under this section of disclaiming the property may be exercised at any time within one year after he has become aware thereof or such extended period as may be allowed by the Court.

(2) The disclaimer shall operate to determine, as from the date of disclaimer, the rights, interest and liabilities of the company in or in respect of the property disclaimed, but shall not, except so far as is necessary for the purpose of releasing the company and the property of the company from liability, affect the rights, interest or liabilities of any other person.

(3) The Court, before or on granting leave to disclaim, may require such notices to be given to persons interested, and impose such terms as a condition of granting leave, and make such other order in the matter as the Court considers just and proper.

(4) The liquidator shall not be entitled to disclaim any property in any case where an application in writing has been made to him by any person interested in the property requiring him to decide whether he will or will not disclaim and the liquidator has not, within a period of twenty-eight days after the receipt of the application or such extended period as may be allowed by the Court, give notice to the applicant that he intends to apply to the Court for leave to disclaim, and in case the property is under a contract, if the liquidator after such an application as

aforesaid does not within the said period or extended period disclaim the contract, he shall be deemed to have adopted it.

(5) The Court may, on the application of any person who is, as against the liquidator, entitled to the benefit or subject to the burden of a contract made with the company, make an order rescinding the contract on such terms as to payment by or to either party of damages for the non-performance of the contract, or otherwise as the Court considers just and proper, and any damages payable under the order to any such person may be proved by him as a debt in the winding up.

(6) The Court may, on an application by any person who either claims any interest in any disclaimed property or is under any liability not discharged under this Act in respect of any disclaimed property, and after hearing any such persons as it thinks fit, make an order for the vesting of the property in, or the delivery of the property to, any person entitled thereto or to whom it may seem just that the property should be delivered by way of compensation for such liability as aforesaid, or a trustee for him, and on such terms as the Court considers just and proper, and on any such vesting order being made, the property comprised therein shall vest accordingly in the person named therein in that behalf without any conveyance or assignment for the purpose:

Provided that where the property disclaimed is of a leasehold nature, the Court shall not make a vesting order in favour of any person claiming under the company, whether as under-lessee or as mortgagee or holder of a charge by way of demise, except upon the terms of making that person-

- (a) subject to the same liabilities and obligations as those to which the company was subject under the lease in respect of the property at the commencement of the winding up; or
- (b) if the Court thinks fit, subject only to the same liabilities and obligations as if the lease had been assigned to that person at that date,

and in either event as if the lease had comprised only the property comprised in the vesting order, and any mortgagee or under-lessee declining to accept a vesting order upon such terms shall be excluded from all interest in, and security upon the property, and, if there is no person claiming under the company who is willing to accept an order upon such terms, the Court shall have power to vest the estate and interest of the company in the property in any person liable, either personally or in a representative character, and either alone or jointly with the company, to perform the covenants of the lessee in the lease, free and discharged from all estates, encumbrances and interests created therein by the company.

(7) Any person affected by the operation of a disclaimer under this section shall be deemed to be a creditor of the company to the amount of the compensation or damages payable in respect of such effect, and may accordingly prove the amount as a debt in the winding up.

EFFECT OF WINDING UP ON ANTECEDENT AND OTHER TRANSACTIONS

393. Fraudulent preference.- (1) Where a company has given preference to a person who is one of the creditors of the company or a surety or guarantor for any of the debts or other liabilities of the company, and the company does anything or suffers anything done which has the effect of putting that person into a position which, in the event of the company going into liquidation, will be better than the position he would have been in if that thing had not been done prior to one hundred and eighty days of commencement of winding up, the Court, if satisfied that, such transaction is a fraudulent preference may order as it may think fit for restoring the position to what it would have been if the company had not given that preference.

(2) If the Court is satisfied that there is a preference transfer of property, movable or immovable, or any delivery of goods, payment, execution made, taken or done by or against a company within one hundred and eighty days before the commencement of winding up, the Court may order as it may think fit and may declare such transaction invalid and restore the position.

394. Liabilities and rights of certain fraudulently preferred persons.- (1) Where, in the case of a company which is being wound up, anything made or done after the commencement of this Act, is invalid under section 393 as a fraudulent preference of a person interested in property mortgaged or charged to secure the company's debt, then (without prejudice to any rights or liabilities arising apart from this provision) the person preferred shall be subject to the same liabilities and shall have the same rights as if he had undertaken to be personally liable as surety for the debt to the extent of the charge on the property or the value of his interest, whichever is less.

(2) The value of the said person's interest shall be determined as at the date of the transaction constituting the fraudulent preference, and shall be determined as if the interest were free of all encumbrances other than those to which the charge for the company's debt was then subject.

(3) On any application made to the Court with respect to any payment on the ground that the payment was a fraudulent preference of a surety or guarantor, the Court shall have jurisdiction to determine any questions with respect to the payment arising between the person to whom the payment was made and the surety or guarantor and to grant relief in respect thereof, notwithstanding that it is not necessary so to do for the purposes of the winding up, and for that purpose may give leave to bring in the surety or guarantor as a third party as in the case of a suit for the recovery of the sum paid.

(4) Sub-section (3) shall apply, with the necessary modifications, in relation to transactions other than the payment of money as it applied in relation to such payments.

395. Avoidance of certain attachments, executions.-(1) Where any company is being wound up by or subject to the supervision of the Court, any attachment, distress or execution put in force without leave of the Court against the estate or effects or any sale held without leave of the Court of any of the properties of the company after the commencement of the winding up shall be void.

(2) Nothing in this section applies to proceedings by the Government.

396. Effect of floating charge.-Where a company is being wound up, a floating charge on the undertaking or property of the company created within **one year** immediately preceding the commencement of the winding up shall, unless it is proved that the company immediately after the creation of the charge was solvent, be invalid except to the amount of any cash paid to the company at the time of, or subsequently to the creation of, and in consideration for, the charge, together with markup on that amount at the rate of five percent per annum or part thereof or such other rate as may be notified by the Commission in the official Gazette.

SUPPLEMENTARY PROVISIONS AS TO WINDING UP

406. Liquidator to exercise certain powers subject to sanction.-(1) The liquidator may, with the sanction of the Court when the company is being wound up by the Court or subject to the supervision of the Court, and with the sanction of a special resolution of the company in the case of a voluntary winding up, do the following things or any of them-

- (a) pay any classes of creditors in full;
- (b) make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging themselves to have any claim, present or future, whereby the company may be rendered liable;
- (c) compromise any calls and liabilities to calls, debts, and liabilities, capable of resulting in debts, and all claims, present or future, certain or contingent subsisting or supposed to subsist between the company and a contributory or alleged contributory or other debtor or person apprehending liability to the company, and all questions in any way relating to or affecting the assets or liabilities or the winding up of the company, on such terms as may be agreed, and take any security for the discharge of any such calls, debt, liability or claim, and give a complete discharge in respect thereof.

(2) The exercise by the liquidator of the powers under sub-section (1) shall be subject to the control of the Court, and any creditor or contributory may apply to the Court with respect to any exercise or proposed exercise of any of these powers.

407. Meetings to ascertain wishes of creditors or contributories.-(1) In all matter relating to the winding up of a company, the Court-

- (a) shall have regard to the wishes of creditors or contributories of the company, as proved to it by any sufficient evidence;

- (b) may, if it thinks fit for the purpose of ascertaining those wishes, direct meetings of the creditors or contributories to be called, held and conducted in such manner as the Court directs; and
- (c) may appoint a person to act as chairman of any such meeting and to report the result thereof to the Court.

(2) When ascertaining the wishes of creditors, regard shall be had to the value of each creditor's debt.

(3) When ascertaining the wishes of contributories, regard shall be had to the number of votes which may be cast by each contributory.

408. Documents of company to be evidence.-Where any company is being wound up, all books and papers of the company and of the liquidators, shall, as between the contributories of the company, be *prima facie* evidence of the truth of all matters purporting to be recorded therein.

409. Summary disposal of certain suits by liquidators.- Notwithstanding anything contained in the Code of Civil Procedure, 1908 (Act V of 1908), a liquidator desiring to recover any debt due to the company may apply to the Court in which the proceedings are pending that the same be determined summarily, and the Court may determine it on affidavits but when the Court deems it just and expedient, either on an application made to it in this behalf or of its own motion, it may set down any issue or issues for hearing on other evidence also and pass such orders for discovery of particulars as it may do in a suit.

410. Limitation.-Notwithstanding anything contained in the Limitation Act (IX of 1908), in computing the time within which a liquidator may file a suit for the recovery of any debt due to the company, the period which elapses between the making of the petition for liquidation and the assumption of charge by the liquidator, or a period of one year, whichever be greater, shall be excluded.

411. Court fees.-(1) Notwithstanding anything contained in the Court- fees Act, 1870 (VII of 1870), or in the Code of Civil Procedure, 1908 (Act V of 1908), where sufficient funds are not available with the liquidator and it is necessary to file a suit for the recovery of a debt due to the company, no court- fee stamp need be affixed on the plaint.

(2) If the liquidator succeeds in the suit, the Court shall calculate the amount of court-fee which would have been paid by the liquidator if he had not been permitted to sue under sub-section (1), and such amount shall be recoverable by the Court from any party ordered by the decree to pay the same.

(3) Where the liquidator does not succeed, the court-fee shall be payable by him out of other assets, if any, whenever realised.

412. Inspection of documents.-(1) After an order for a winding up by or subject to the supervision of the Court, the Court may make such order for inspection by creditors and contributories of the company of its documents as the Court thinks just, and any documents in the possession of the company may be inspected by creditors or contributories accordingly.

(2) The order as aforesaid may, in the case of voluntary winding up, be made by the Commission.

(3) Nothing in sub-section (1) shall be taken as excluding or restricting any rights conferred by any law for the time being in force-

- (a) on the Federal Government or a Provincial Government; or
- (b) on the Commission or any officer thereof; or
- (c) on any person acting under the authority of any such Government or the Commission or officer thereof; or
- (d) on the registrar.

413. Disposal of books and papers of company.—(1) Subject to any rules made under sub-section (3), when a company has been wound up and is about to be dissolved, the books and papers of the company and of the liquidators may be disposed of as follows, that is to say-

- (a) in the case of a winding up by or subject to the supervision of the Court in such way as the Court directs;
- (b) in the case of a members voluntary winding up, in such way as the company by special resolution directs; and
- (c) in the case of a creditors' voluntary winding up, in such a way, as the creditors of the company may direct.

(2) After the expiry of ¹[five years] from the dissolution of the company no responsibility shall rest on the company, or the liquidators, or any person to whom the custody of the books and papers has been committed, by reason of any book or paper not being forthcoming to any person claiming to be interested therein.

²[(3) The Commission may, as specified by regulations, prevent the destruction of books and papers of a company which has been wound up.]

(4) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 2 on the standard scale.

414. Power of Court to declare dissolution of company void.—(1) Where a company has been dissolved, the Court may at any time within two years of the date of the dissolution, on an application being made for the purpose by the liquidator of the company or by any other person who appears to the Court to be interested, make an order, upon such terms as the Court thinks fit, declaring the dissolution to have been void, and thereupon such proceedings may be taken as might have been taken if the company had not been dissolved.

¹ Words "five years" were substituted by the Companies (Amendment) Act, 2020, dated 26th August, 2020. The Ordinance was not approved by the Parliament. The Ordinance lapse after 120 days of its promulgation, therefore, original position is being restored.

² Sub-section (3) substituted by the Companies (Amendment) Act, 2020, dated 26th August, 2020. Earlier it was substituted by the Companies (Amendment) Ordinance, 2020, dated April 30, 2020. The Ordinance was not approved by the Parliament and collapsed, therefore, original position was reversed to null the amendment.

(2) It shall be the duty of the person on whose application the order was made, within fifteen days after the making of the order, to file with the registrar a certified copy of the order, and if that person fails so to do he shall be punishable a daily penalty specified in level 1 on the standard scale.

415. Information as to pending liquidations.- (1) Where a company is being wound up, if the winding up is not concluded within one year after its commencement, the liquidator shall, once in each half year and at intervals of not more than one hundred and eighty days, or such shorter period as may be prescribed, until the winding up is concluded, file in the Court or with the registrar, as the case may be, a statement in the prescribed form and containing the prescribed particulars with respect to the accounts, proceedings in and position of the liquidation alongwith the report of auditors.

(2) Any person stating himself in writing to be a creditor or contributory of the company shall be entitled, by himself or by his agent, at all reasonable times, on payment of the prescribed fee, to inspect the statement, and to receive a copy thereof or extract therefrom; but any person untruthfully so stating himself to be a creditor or contributory shall be deemed to be guilty of an offence under section 182 of the Pakistan Penal Code, 1860 (Act XLV of 1860), and shall be punishable accordingly on the application of the liquidator.

(3) When the statement is filed in the Court a copy shall simultaneously be filed by the liquidator with the registrar and shall be kept by him along with the other records of the company.

(4) If a liquidator fails to comply with the requirements of this section, he shall be liable to a penalty of level 1 on the standard scale.

416. Payments by liquidator into bank.- (1) Every liquidator of a company shall, in such manner as may be prescribed, pay and keep all moneys received by him or which become available with him or come under his control in his capacity as such in a special account opened by him in that behalf in a scheduled bank in the name of the company.

(2) If any such liquidator at any time retains or allows any money to be not so paid and kept as aforesaid or utilises otherwise for more than three days a sum exceeding ten thousand rupees or such other amount as the Court may on the application of the liquidator authorise him to retain then he shall pay surcharge on the amount so retained at the rate of two percent per month or part thereof and shall be liable to (a) disallowance of all or such part of his remuneration as the Court may think just; (b) to make good any loss suffered by the company personally and (c) be removed from the office by the Court of its own motion or on application of the registrar or a creditor or contributory of the company, and shall also be liable personally for any loss occasioned by the default.

(3) No liquidator shall pay into his personal account or any account other than the liquidation account of the particular company in liquidation any sums received by him as liquidator.

(4) Every liquidator who makes default in complying with the provisions of this section shall, in addition to his other liabilities, be punishable with imprisonment for a term which may extend to three years and with fine which may extend to the amount of loss caused to the company or wrongful gain or five hundred thousand rupees, whichever is higher.

417.Unclaimed dividends and undistributed assets to be paid to the account maintained under section 244.- (1) Without prejudice to the provision of section 244, where any company is being wound up, if the liquidator has in his hands or under his control any money of the company representing unclaimed dividends or undistributed assets payable to any contributory which have remained unclaimed or undistributed for one hundred and eighty days after the date on which they became payable the liquidator shall forthwith deposit the said money in the account to be maintained under section 244 of this Act and the liquidator shall, on the dissolution of the company, similarly pay into the said account any money representing unclaimed dividends or undistributed assets in his hands at the date of dissolution.

(2) The liquidator shall when making any payment referred to in sub-section (1) furnish to the Commission a statement in the specified form setting forth in respect of all sums included in such payment the nature of the sums, the names and last known addresses of the persons entitled to participate therein, the amount to which each is entitled and the nature of his claim thereto, and such other particulars as may be specified, alongwith the official receipt of the receipt of the State Bank of Pakistan or National Bank of Pakistan, as the case may be.

(3) The receipt of the State Bank of Pakistan or National Bank of Pakistan, as the case may be, for any money paid to it under sub-section (1) shall be an effectual discharge of the liquidator in respect thereof.

(4) The liquidator shall, when filing a statement in pursuance of sub-section (1) of section 415 indicate the sum of money which is payable to the State Bank of Pakistan or National Bank of Pakistan, as the case may be, under sub-section (1) which he has had in his hands or under his control during the one hundred and eighty days preceding the date to which the said statement is brought down and shall within fourteen days of the date of filing the said statement, pay that sum into the account maintained under section 244.

(5) Any person claiming to be entitled to any money paid into the account maintained under section 244 may apply to the Commission for payment thereof in the manner prescribed under said section.

(6) Any liquidator retaining any money which should have been paid by him into the account maintained under section 244 shall, in addition to such money, pay surcharge on the amount retained at the rate of two per cent per month or part thereof and shall also be liable to pay any expenses or losses occasioned by reason of his default and he shall also be liable to disallowance of all or such part of his remuneration as the Court may think just and to be removed from his office by the Court on an application by the Commission.

418.Books of accounts and other proceedings to be kept by liquidators.- (1) Every liquidator shall maintain at the registered office proper books of accounts in the manner required in the case of companies under section 220 and the

provisions of that section shall apply mutatis mutandis to companies being wound up.

(2) Every liquidator shall also keep at the registered office proper books and papers in the manner required under section 338.

(3) Any creditor or contributory may, subject to the control of the Court, inspect any books and papers kept by the liquidator under sub-section (1) and (2).

(4) The concerned Minister-in-Charge of the Federal Government may alter or add to any requirements of this section by a general or special order in which case the provisions so altered or added shall apply.

(5) If any liquidator contravenes any provisions of this section, he shall be punishable with imprisonment for a term, which may extend to two years and with fine, which may extend to five hundred thousand rupees.

419. Application of provisions relating to audit.- The provisions of this Act relating to audit of accounts, rights, powers, duties, liabilities and report of auditors of companies and the duties of companies and their officers as applicable to companies shall apply mutatis mutandis to companies being wound up, books of account and books and papers kept by the liquidator and his statements of accounts subject as follows-

- (a) all reference therein to officers of the company shall include references to the liquidator;
- (b) the appointment of auditor shall be made by the Court, members or creditors, as the case may be, who appointed the liquidator, who shall also fix his remuneration which shall be paid by the liquidator from the funds of the company:

Provided that if no appointment of auditor is made by the members or creditors, as the case may be, the liquidator shall apply to the Commission who shall make the appointment and fix his remuneration.

420. Enforcement of duty of liquidator to make return.- (1) If any liquidator who has made any default in complying with any provision of this Act or committed any other irregularity in the performance of his duties fails to make good the default or undo the irregularity, as the case may be, within thirty days after the service on him of a notice requiring him to do so, the Court may of its own motion or on an application made to it by any contributory or creditor of the company or by the registrar, make an order directing the liquidator and any other person involved to make good the default or undo the irregularity or otherwise make amends as the circumstances may require, within such time as may be specified in the order:

Provided that, where an application under this section is made by the registrar, the Court shall dispose of the same within fourteen days of the submission thereof.

(2) Any such order may provide that all costs of, and incidental to, the application shall be borne by the liquidator.

(3) Nothing in this section shall be taken to prejudice the operation of any enactment imposing penalty on a liquidator in respect of any such default or irregularity as aforesaid.

421. Notification that a company is in liquidation.- (1) Where a company is being wound up, whether by or under the supervision of the Court or voluntarily, every advertisement, notice, invoice, order for goods, business letter or other communication or document issued by or on behalf of the company or a liquidator of the company or a receiver or manager of the property of the company, being a document on or in which the name of the company appears, shall contain a statement that the company is being wound up and about the mode of its winding up.

(2) If default is made in complying with this section, the company and any of the following persons who authorises or permits the default, namely, any officer of the company, any liquidator of the company and any receiver or manager, shall be liable to a penalty of level 1 on the standard scale.

422. Court or person before whom affidavit may be sworn.- (1) Any affidavit required to be sworn under the provisions or for the purposes of this Part may be sworn-

- (a) in Pakistan, before any Court, judge, or person lawfully authorised to take and receive affidavits; and
- (b) elsewhere before a Pakistan Consul or Vice-Consul.

(2) All courts, judges, justices, commissioners, and persons acting judicially in Pakistan shall take judicial notice of the seal or stamp or signature, as the case may be, of any such court, judge, person, Consul or Vice-Consul, attached, appended or subscribed to any such affidavit or to any other document to be used for the purposes of this Part.

423. Power to make rules.- (1) The Supreme Court may, in consultation with the Courts or, where the Supreme Court advises the Federal Government to do so, the Federal Government may in consultation with the Courts, from time to time, make rules, consistent with this Act, concerning the mode of proceedings to be held for winding up a company in a Court and in the courts subordinate thereto, and for voluntary winding up (both members and creditors), for the holding of meetings of creditors and members in connection with proceedings under section 279 of this Act, and for giving effect to the provisions as to the reduction of the capital and the scheme of reorganisation of a company and generally for all applications to be made to the Court and all other proceedings or matters coming within the purview or powers or duties of the Court under the provisions of this Act and shall make rules providing for all matters relating to the winding up of companies which, by this Act, are to be prescribed.

(2) Without prejudice to the generality of the foregoing powers, such rules may enable or require all or any of the powers and duties conferred and imposed on the Court by this Act in respect of the matters following, to be exercised or performed by the official liquidator, and subject to control of the Court, that is to say, the powers and duties of the Court in respect of-

- (a) holding and conducting meetings to ascertain the wishes of creditors and contributories;
- (b) settling lists of the contributories and rectifying the register of members where required, and collecting and applying the assets;
- (c) requiring delivery of property or documents to the liquidator;

- (d) making calls;
- (e) fixing a time within which debts and claims must be proved:

Provided that the official liquidator shall not, without the special leave of the Court, rectify the register of members, and shall not make any call without the special leave of the Court.

424. Inactive Company.- (1) Where a company, other than a listed company, is formed for a future project or to hold an asset or intellectual property and has no significant accounting transaction, such a company or an inactive company may make an application to the registrar in such manner as may be specified for obtaining the status of an inactive company.

Explanation.- For the purposes of this section-

- (a) "**inactive company**" means a company, other than a listed company, which has not been carrying on any business or operation, or has not made any significant accounting transaction during the last two financial years;
- (b) "**significant accounting transaction**" means any transaction other than-
 - (i) payments made by it to fulfill the requirements of this Act or any other law;
 - (ii) allotment of shares to fulfill the requirements of this Act; and
 - (iii) payments for maintenance of its office and records.

(2) The registrar on consideration of the application shall allow the status of inactive company to the applicant and issue a certificate in such form as may be specified to that effect.

(3) The registrar shall maintain a register of inactive companies in such form as may be specified.

(4) In case of a company which has not filed financial statements or annual returns for two financial years consecutively, the registrar shall issue a notice to that company and enter the name of such company in the register maintained for inactive companies.

(5) An inactive company shall have such minimum number of directors, file such documents as may be specified by the Commission through regulations to the registrar to retain its inactive status in the register and pay such annual fee as prescribed in the Seventh Schedule and may become an active company on an application made in this behalf accompanied by such documents as may be specified by the Commission through regulations on payment of such fee as prescribed in the Seventh Schedule.

(6) The registrar shall strike off the name of an inactive company from the register of inactive companies, which has failed to comply with the requirements of this section.

(7) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 2 on the standard scale and in case false or misleading information has been given to obtain the status of an inactive company, the directors and other officers of the company in default shall be liable to imprisonment for a term which may extend to three years.

425. Registrar may strike defunct company off register.-(1) Where the registrar has reasonable cause to believe that a company is not carrying on business or is not in operation, he may send to the company by post a letter inquiring whether the company is carrying on business or is in operation.

(2) If the registrar does not within fifteen days of sending the letter receive any answer thereto, he may send to the company by registered post another letter referring to the first letter, and stating that no answer thereto has been received and that, if an answer is not received to the second letter within thirty days from the date thereof, a notice will be published in the newspaper with a view to striking the name of the company off the register.

(3) If the registrar either receives an answer from the company to the effect that it is not carrying on business or is not in operation, or does not within fifteen days after sending the second letter receive any answer, he may publish in the newspaper having wide circulation, and send to the company by post a notice that, at the expiration of thirty days from the date of that notice, the name of the company mentioned therein will, unless cause is shown to the contrary, be struck off the register and the company will be dissolved.

(4) Without prejudice to any other provisions, if, in any case where a company is being wound up, the registrar has reasonable cause to believe either that no liquidator is acting or that the affairs of the company are fully wound up, and the returns required to be made by the liquidator have not been made for a period of three consecutive months after notice by the registrar demanding the returns has been sent by post to the company, or to the liquidator at his last known place of business, the registrar may publish in the newspaper having wide circulation and send to the company a like notice as is provided in the last preceding sub-section.

(5) At the expiration of the time mentioned in the notice the registrar may, unless cause to the contrary is previously shown by the company or the liquidator, as the case may be, strike its name off the register, and shall publish notice thereof in the official Gazette, and, on the publication in the official Gazette of this notice, the company shall be dissolved:

Provided that the liability criminal, civil or otherwise (if any) of every director, officer, liquidator and member of the company shall continue and may be enforced as if the company had not been dissolved:

Provided further that nothing in this section shall affect the powers of the Court to wind up a company the name of which has been struck off the register.

(6) If a company or any member or creditor thereof feels aggrieved by the company having been struck off the register, the Court, on the application of the company or a member or creditor made before the expiry of three years from the publication in the official Gazette of the notice aforesaid, may, if satisfied that the company was at the time of the striking off carrying on business or in operation, or otherwise that it is just that the company be restored to the register, order the name of the company to be restored to the register and, upon the filing of a certified copy of such order with the registrar, the company shall be deemed

to have continued in existence as if its name had not been struck off, and the Court may by the order give such directions and make such provisions as seem just for placing the company and all other persons in the same position as nearly as may be as if the name of the company had not been struck off.

(7) A letter or notice under this section may be addressed to the company at its registered office, or if no office has been registered, to the care of some director, chief executive or other officer of the company whose name and address are known to the registrar or if no such address is known to the registrar, may be sent to each of the persons who subscribed the memorandum, addressed to him at the address mentioned in the memorandum.

(8) The provisions of this section shall not apply to a company which has any known assets and liabilities, and such company shall be proceeded against for winding up.

(9) If due to inadvertence or otherwise the name of any company which has any assets and liabilities or which has been in operation or carrying on business or about whose affairs any enquiry or investigation may be necessary has been struck off the register, the registrar may, after such enquiries as he may deem fit, move the Commission to have the name of the company restored to the register and thereupon the Commission may, if satisfied that it will be just and proper so to do, order the name of the company to be restored and shall exercise the powers of the Court in the manner provided in sub-section (6).

(10) The provisions of this section shall *mutatis mutandis* apply to a company established outside Pakistan but having a place of business in Pakistan as they apply to a company registered in Pakistan.

426. Easy exit of a defunct company.- (1) A company which ceases to operate and has no known assets and liabilities, may apply to the registrar in the specified manner, seeking to strike its name off the register of companies on payment of such fee mentioned in the Seventh Schedule.

(2) After examination of the application, the registrar on being satisfied, may publish a notice in terms of sub-section (3) of section 425 of this Act, in the Official Gazette stating that at the expiration of ninety days from the date of that notice, unless cause is shown to the contrary, the name of the applicant company will be struck off the register of companies and the company will be dissolved. Such notice shall also be posted on the Commission's website.

(3) At the expiration of the time mentioned in the notice, the registrar may, unless any objection to the contrary is received by him, strike its name off the register, and shall publish a notice thereof in the official Gazette, and, on the publication of such notice, the company shall stand dissolved:

Provided that the liability criminal, civil or otherwise (if any) of every director, officer and member of the company shall continue and may be enforced as if the company had not been dissolved.

PART XI
WINDING UP OF UNREGISTERED COMPANIES

427. Meaning of “unregistered company”.- For the purposes of this Part, the expression “unregistered company” shall not include a railway company incorporated by Act of Parliament of the United Kingdom or by a Pakistan law, nor a company registered under any previous Companies Act or under this Act, but save as aforesaid, shall include any partnership, association or company consisting of more than seven members.

428. Winding up of unregistered companies.- (1) Subject to the provisions of this Part, any unregistered company may be wound up under this Act, and all the provisions of this Act with respect to winding up shall apply to an unregistered company, with the following exceptions and additions-

- (a) an unregistered company shall, for the purpose of determining the Court having jurisdiction in the matter of the winding up, be deemed to be registered in the Province where its principal place of business is situated or, if it has a principal place of business situate in more than one Province then in each Province where it has a principal place of business; and the principal place of business situate in the Province in which proceedings are being instituted shall, for all the purposes of the winding up, be deemed to be the registered office of the company;
- (b) no unregistered company shall be wound up under this Act voluntarily or subject to supervision of the Court;
- (c) the circumstances in which an unregistered company may be wound up are as follows (that is to say)-
 - (i) if the company is dissolved, or has ceased to carry on business or is carrying on business only for the purpose of winding up its affairs;
 - (ii) if the company is unable to pay its debts;
 - (iii) if the Court is of opinion that it is just and equitable that the company should be wound up;
- (d) an unregistered company shall, for the purposes of this Act, be deemed to be unable to pay its debts-
 - (i) if a creditor, by assignment or otherwise, to whom the company is indebted in a sum exceeding fifty thousand rupees then due, has served on the company, by leaving at its principal place of business, or by delivering to the secretary, or some director, manager or principal officer of the company, or by otherwise serving in such manner as the Court may approve or direct, a demand under his hand requiring the company to pay the sum so due, and the company has for thirty days after the service of the

demand neglected to pay the sum, or to secure or compound for it to the satisfaction of the creditor;

- (ii) if any suit or other legal proceeding has been instituted against any member for any debt or demand due or claimed to be due, from the company or from him in his character of member, and notice in writing of the institution of the suit or other legal proceeding having been served on the company by leaving the same at its principal place of business or by delivering it to the secretary, or some director, manager or principal officer of the company or by otherwise serving the same in such manner as the Court may approve or direct, the company has not within fifteen days after service of the notice paid, secured or compounded for the debt or demand, or procured the suit or other legal proceeding to be stayed, or indemnified the defendant to his reasonable satisfaction against the suit or other legal proceeding, and against all costs, damages and expenses to be incurred by him by reason of the same;
- (iii) if execution or other process issued on a decree or order obtained in any Court or other competent authority in favour of a creditor against the company, or any member thereof as such, or any person authorised to be sued as nominal defendant on behalf of the company, is returned unsatisfied in whole or in part;
- (iv) if it is otherwise proved to the satisfaction of the Court that the company is unable to pay its debts; and, in determining whether a company is unable to pay its debts, the Court shall take into account the contingent and prospective liabilities of the company and its solvency.

(2) Nothing in this Part shall affect the operation of any enactment which provides for any partnership, association or company being wound up, or being wound up as a company or as an unregistered company, under any previous Companies Act:

Provided that references in any such enactment to any provision contained in any previous Companies Act shall be read as references to the corresponding provision (if any) of this Act.

(3) Where a company incorporated outside Pakistan which has been carrying on business in Pakistan ceases to carry on business in Pakistan, it may be wound up as an unregistered company under this Part, notwithstanding that it has been dissolved or otherwise ceased to exist as a company under or by virtue of the laws of the country under which it was incorporated.

429. Contributors in winding up of unregistered companies.— (1) In the event of an unregistered company being wound up, every person shall be deemed to be a contributory who is liable to pay or contribute to the payment of

any debt or liability of the company or to pay or contribute to the payment of any sum for the adjustment of the rights of the members among themselves, or to pay or contribute to the payment of the cost and expenses of winding up the company, and every contributory shall be liable to contribute to the assets of the company all sums due from him in respect of any such liability as aforesaid.

(2) In the event of any contributory dying or being adjudged insolvent, the provisions of this Act with respect to the legal representatives and heirs of deceased contributories, and to the assignees of insolvent contributories, shall apply.

430. Power to stay or restrain proceedings.-The provisions of this Act with respect to staying and restraining suits and legal proceedings against a company at any time after the presentation of a petition for winding up and before the making of a winding up order shall, in the case of an unregistered company where the application to stay or restrain is by a creditor; extend to suits and legal proceedings against any contributory of the company.

431. Suits stayed on winding up order.-Where an order has been made for winding up an unregistered company, no suit or other legal proceedings shall be proceeded with or commenced against any contributory of the company in respect of any debt of the company, except by leave of the Court, and subject to such terms as the Court may impose.

432. Directions as to property in certain cases.- If an unregistered company has no power to sue and be sued in a common name, or if for any reason it appears expedient, the Court may, by the winding up order, or by any subsequent order, direct that all or any part of the property, movable or immovable, including all interests and rights in, to and out of property, movable and immovable, and including obligations and actionable claims as may belong to the company or to trustees on its behalf, is to vest in the official liquidator by his official name and thereupon the property or any part thereof specified in the order shall vest accordingly; and the official liquidator may, after giving such indemnity (if any) as the Court may direct, bring or defend in his official name any suit or other legal proceeding relating to that property, or necessary to be brought or defended for the purposes of effectually winding up the company and recovering its property.

433. Provisions of this part cumulative.- The provisions of this Part with respect to unregistered companies shall be in addition to, and not in derogation of, any provisions hereinbefore, in this Act contained with respect to winding up of companies by the Court and the Court or official liquidator may exercise any powers or do any act in the cases of unregistered companies which might be exercised or done by it or him in winding up companies formed and registered under this Act; but an unregistered company shall not, except in the event of its being wound up, be deemed to be a company under this Act, and then only to the extent provided by this Part.

PART XII
**COMPANIES ESTABLISHED OUTSIDE PAKISTAN PROVISIONS AS
 TO ESTABLISHMENT OF PLACES OF BUSINESS IN PAKISTAN**

434. Application of this Part to foreign companies.— This Part shall apply to all foreign companies, that is to say, companies incorporated or formed outside Pakistan which, after the commencement of this Act, establish a place of business within Pakistan or which have, before the commencement of this Act, established a place of business in Pakistan and continue to have an established either a place of business within Pakistan or conduct business in Pakistan through an agent or any other means at the commencement of this Act.

435. Documents to be delivered to registrar by foreign companies.— (1) Every foreign company which, after the commencement of this Act, establishes a place of business in Pakistan shall, within thirty days of the establishment of the place of business or conduct of business activity, deliver to the registrar—

- (a) a certified copy of the charter, statute or memorandum and articles of the company, or other instrument constituting or defining the constitution of the company, and if the instrument is not written in the English or Urdu language, a certified translation thereof in the English or Urdu language;
- (b) the full address of the registered or principal office of the company;
- (c) a list of the directors, chief executive and secretary (if any) of the company;
- ¹(d) a return showing the full present and former names and surnames, present and former nationality, full address in Pakistan and such other particulars, as may be specified, of the principal officer of the company in Pakistan by whatever name called; and
- (e) the full present and former names and surnames, full addresses and such other particulars as may be specified of some one or more persons resident in Pakistan authorised to accept on behalf of the company service of process and any notice or other document required to be served on the company together with his consent to do so;]
- (f) the full address of that office of the company in Pakistan which is to be deemed its principal place of business in Pakistan of the company.

Explanation.— For the purposes of this section the term “conduct of business activity” includes any business to be undertaken by a foreign company by virtue of its memorandum and articles of association or as licensed or authorized by any law.

(2) The list referred to in clause (c) of sub-section (1) shall contain the following particulars, that is to say—

¹ Clauses (d) & (e) substituted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

- (a) with respect to each director ¹[and chief executive] -
 - (i) in the case of an individual, his present and former name and surname in full, his usual residential address, his nationality, and if that nationality is not the nationality of origin, his nationality of origin, and his business occupation, if any, and any other directorship which he holds;
 - (ii) in the case of a body corporate, its corporate name and registered or principal office; and the full name, address, nationality and nationality of origin, if different from that nationality, of each of its director;
- (b) with respect to the secretary, or where there are joint secretaries, with respect to each of them-
 - (i) in the case of an individual, his present and former name and surname, and his usual residential address;
 - (ii) in the case of a body corporate, its corporate name and registered or principal office:

Provided that, where all the partner in a firm are joint secretaries of the company, the name and principal office of the firm may be stated instead of the particulars mentioned in clause (b).

(3) Every foreign company, other than a company mentioned in sub-section (1) shall, if it has not delivered to the registrar before the commencement of this Act the documents and particulars specified in section 451 of the Companies Ordinance, 1984 (XLVII of 1984), shall continue to be subject to the obligation to deliver those documents and particulars and be liable to penalties in accordance with the provisions of that Ordinance.

²[(4) The registrar shall maintain a register of foreign companies on paper or in any electronic form under this Act in such form and manner as may be specified.]

436.Return to be delivered to registrar by foreign companies whose documents altered.- If any alteration is made or occurs in-

- (a) the charter, statute or memorandum and articles of a foreign company or any such instrument as is referred to in section 435;
- (b) the address of the registered or principal office of the company
- (c) the directors, chief executive or secretary or in the particulars contained in the list referred to in section 435;
- (d) the principal officer referred to in section 435;
- (e) the name or addresses or other particulars of the persons authorised to accept service of process, notices and other documents on behalf of the company as referred to in the preceding section 435, or
- (f) the principal place of business of the company in Pakistan;

the company shall, within thirty days of the alteration, deliver to the registrar for registration a return containing the specified particulars of the alteration and in the case of change in persons authorised to accept service of process, notices and other documents on behalf of the company, also his consent to do so.

¹ Words inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

² Sub-section (4) inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

437. Accounts of foreign companies.- (1) Every foreign company shall in every year make out and file with the registrar, together with a list of Pakistani members and debenture-holders and of the places of business of the company in Pakistan-

- (a) such number of copies of financial statements, not being less than three, as may be specified, in such form, audited by such person, containing such particulars and including or having annexed or attached thereto such documents (including, in particular documents relating to every subsidiary of the company) as nearly as may be as under the provisions of this Act it would, if it were a company formed and registered under this Act, be required to file in accordance with the provisions of this Act, in respect of the company's operations in Pakistan as if such operations had been conducted by a separate public company formed and registered in Pakistan under this Act; and
- (b) in a case where, by the law for the time being in force of the country in which the company is incorporated, such company is required to file with the public authority an annual statement of financial position and profit and loss accounts, also such number of copies of that statement of financial position and profit and loss account together with any documents annexed thereto as may be specified, and if the same is not in the English language a certified translation thereof in the English language; or
- (c) in a case where a company is not required to file with the public authority of the country in which the company is incorporated an annual statement of financial position and profit and loss account as referred to in clause (b), the specified number of copies, not being less than three, of the statement of financial position and profit and loss account and the report of auditors and other documents annexed thereto, in such form and manner as under the provisions of this Act it would, if it had been a public company within the meaning of this Act, be required to make out and lay before the company in general meeting.

(2) The period within which the documents, returns or reports referred to in sub-section (1) are to be filed with the registrar shall be a period of forty five days from the date of submission of such documents or returns to the public authority of the country of incorporation or within one hundred and eighty days of the date up to which the relevant accounts are made up, whichever is earlier.

438. Certain obligations of foreign companies.- Every foreign company shall-

- (a) maintain at its principal place of business in Pakistan, or, if it has only one place of business in Pakistan, in that place of business, a register of Pakistani members and debenture-holders, directors and officers, which shall be open to inspection and copies thereof supplied as in the case of similar registers maintained by a company under this Act;
- (b) in every prospectus inviting subscriptions for its shares or debentures in Pakistan, state the country in which the company is incorporated;

- (c) conspicuously exhibit on the outside of every place where it carries on business in Pakistan the name of the company and the country in which the company is incorporated in letter easily legible in English or Urdu characters and also, if any place where it carries on business is beyond the local limits of the ordinary original civil jurisdiction of a Court, in the characters of one of the vernacular language used in that place;
- (d) cause the name of the company and of the country in which the company is incorporated mentioned in legible English or Urdu characters in all bill-heads and letter papers, and in all notices, advertisements, documents and other official publications of the company; and
- (e) if the liability of the members of the company is limited, cause notice of that fact to be stated in legible English or Urdu characters in every prospectus inviting subscriptions for its shares, and in all bill-heads and letter papers, notices, advertisements and other official publications of the company in Pakistan, and to be exhibited on the outside of every place where it carries on business in Pakistan.

439. Power of the Commission to require information from foreign companies.- (1) The Commission may, at any time, call upon a foreign company to furnish information of shareholding including beneficial ownership or such other information or document, as may be required for the purposes of this Act or in connection with any inspection, inquiry or investigation and it shall be the duty of the company and its officers to furnish such information or document within specified time.

(2) Any person who fails to provide any information or document required under sub-section (1) shall commit an offence liable to a penalty of level 3 on standard scale.

440. Service on foreign company.- Any process, notice or other document required to be served on such company as is referred to in this Part shall be deemed to be sufficiently served if addressed to any person whose name has been so filed with the registrar as aforesaid and left at or sent by post to the address which has been so filed:

Provided that-

- (a) where any such company makes default in delivering to the registrar the name and address of a person resident in Pakistan who is authorised to accept on behalf of the company service of process, notices or other documents; or
- (b) if at any time all the persons whose names and addresses have been so filed are dead or have ceased to so reside, or refuse to accept service on behalf of the company or for any reason cannot be served; a document may be served on the company against an acknowledgement or by post or courier service to, any place of business established by the company in Pakistan or through electronic means or in any other manner as may be specified.

441. Company's failure to comply with this part not to affect its liability under contracts.- Any failure by a foreign company to comply with any of the requirement or section 435 or section 436 shall not affect the validity of any contract, dealing or transaction entered into by the company or its liability to be sued in respect thereof; but the company shall not be entitled to bring any suit, claim any set-off, make any counter-claim or institute any legal proceeding in respect of any such contract, dealing or transaction, until it has complied with the provisions of section 435 and section 436.

442. Provisions relating to names, inquiries to apply to foreign companies.- The provisions of sections 10 to 13 relating to names and changes in the names of companies shall, as far as applicable, also apply to companies to which this Part applies; and the power of inspection, inquiries and investigation conferred by this Act on the registrar and the Commission in respect of companies shall likewise extend to such companies.

443. Intimation of ceasing to have place of business to be given.- (1) Any company to which this Part applies shall at least thirty days before it intends to cease to have any place of business in Pakistan,-

- (a) give a notice of such intention to the registrar; and
- (b) publish a notice of such intention at least in two daily newspapers circulating in the Province or Provinces in which such place or places of business are situate.

(2) As from the date of intention to cease to have any place of business in Pakistan stated in the notice referred to in sub-section (1), unless the said date is by a similar notice altered, the obligation of the company to delivery any document to the registrar shall cease, provided it has no other place of business in Pakistan.

444. Penalties.- (1) If any foreign company fails to comply with any of the provisions of this Part, except section 439, the company, and every officer or agent of the company who authorises or permits the default, shall be liable to a penalty of level 1 on the standard scale.

(2) If a foreign company or any of its directors or other persons as referred in section 439 fails to comply with the provisions of said section, shall be liable to a penalty of level 2 on the standard scale.

445. Interpretation of provisions of this Part.- For the purposes of this Part-

- (a) the expression "certified" means certified in the specified manner to be a true copy or a correct translation;
- (b) the expression "director", in relation to a company includes any person in accordance with whose directives or instructions the directors of the company are accustomed to act;
- (c) the expression "place of business" includes a branch, management, share transfer or registration office, factory, mine or other fixed place of business, but does not include an agency unless the agent has, and

habitually exercise, a general authority to negotiate and conclude contracts on behalf of the company or maintains a stock of merchandise belonging to the company from which he regularly fills orders on its behalf:

Provided that:

- (i) a company shall not be deemed to have an established place of business in Pakistan merely because it carries on business dealings in Pakistan through a bona fide broker or general commission agent acting in the ordinary course of his business as such;
- (ii) the fact that a company has a subsidiary which is incorporated, resident, or carrying on business in Pakistan (whether through an established place of business or otherwise) shall not of itself constitute the place of business of that subsidiary an established place of business of the company; and
- (d) the expression "secretary" includes any person occupying the position of secretary, by whatever name called.

PROSPECTUS

446.Issue of prospectus.- No person shall issue, circulate or distribute in Pakistan any prospectus offering for subscription securities of a foreign company or soliciting deposits of money, whether the company has or has not established, or when formed will or will not establish, a place of business in Pakistan unless authorised to do so by the Commission under the relevant law or as may be specified.

447.Restriction on canvassing for sale of securities.- (1) No person shall go from house to house offering securities of a foreign company for subscription or purchase to the public or any member of the public.

Explanation.- In this sub-section, "house" shall not include an office used for business purposes.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 3 on the standard scale.

448. Registration of charges.- (1) The provision of sections 100 to 112 both inclusive, shall extend to charges on properties in Pakistan which are created, and to charges on property in Pakistan which is acquired, by a foreign company which has an established place of business in Pakistan:

Provided that references in the said sections to the registered office of the company shall be deemed to be reference to the principal place of business in Pakistan of the company:

Provided further that, where a charge is created outside Pakistan or the completion of the acquisition of property takes place outside Pakistan, clause of the proviso to sub-section (1) and sub-section (4) of section 100 shall apply as if the property wherever situated were situated outside Pakistan.

(2) Where a company to which this section applies creates, or has created at any time before establishing a place of business in Pakistan, a charge on any property otherwise registerable under this Act it shall register the same with the registrar in accordance with the provisions of this Act-

- (a) within thirty days of the establishment of a place of business in Pakistan; or
- (b) if the charge was created before the commencement of this Act and subsisted immediately before such commencements, within ninety days thereof.

449. Notice of appointment of receiver.- The provisions of section 113 and 114 shall *mutatis mutandis* apply to the case of all foreign companies having an established place of business in Pakistan and the provisions of section 220 shall apply to such companies to the extent of requiring them to keep at their principal place of business in Pakistan the books of account required by that section with respect to money received and expended, sales and purchases made, and assets and liabilities in relation to its business in Pakistan:

Provided that references in the said section to the registered office of the company shall be deemed to be reference to the principal place of business in Pakistan of the company.

450. Notice of liquidation.- (1) If a foreign company having an established place of business in Pakistan goes into liquidation in the country of its incorporation, it shall—

- (a) within thirty days give notice thereof to the registrar, and simultaneously publish a notice at least in two daily newspapers circulating in the Province or Provinces or the part of Pakistan not forming part of a Province, as the case may be, in which its place or places of business are situated and furnish to the registrar within thirty days of the conclusion of the liquidation proceedings all returns relating to the liquidation and the liquidation account in respect of such portion of the company's affairs as relates to its business in Pakistan; and
- (b) cause, in legible letters, a statement to appear, on every invoice, order, bill-head, letter paper, notice of other publication in Pakistan, to the effect that the company is being wound up in the country of its incorporation.

(2) Where a company to which this section applies has been dissolved, or has otherwise ceased to exist, no person shall, after the date of such dissolution or cessation, carry on, or purport to carry on, any business in Pakistan in the name or on behalf of such company.

(3) Nothing in this section shall be construed as preventing a company to which this section applies from being wound up in Pakistan in accordance with the provisions of this Act, notwithstanding that it has neither been dissolved nor otherwise ceased to exist in the country of its incorporation.

PART XIII

GENERAL

451. Certification of Shariah compliant companies and *Shariah* compliant securities.-(1) No company shall claim that it is a Shariah compliant company unless it has been declared Shariah compliant in such form and manner as may be specified.

(2) No person shall claim that a security, whether listed or not, is Shariah compliant unless it has been declared Shariah compliant in such form and manner as may be specified.

(3) For the purposes of sub-section (1) and (2), no company shall appoint or engage any person for Shariah compliance, Shariah advisory, or Shariah audit unless that person meets the fit and proper criteria and fulfills such terms and conditions as may be specified:

Provided that the person already appointed or engaged by a company for the purpose of sub-section 3 shall have 180 days to meet the fit and proper criteria and fulfill such terms and conditions as may be specified.

(4) Every person who is responsible for contravention of this section shall without prejudice to other liabilities be liable to a penalty not exceeding level 3 on the standard scale.

(5) Nothing in sub-section (1) and (3) shall apply to a banking company or any other company which is required to follow the Shariah governance framework prescribed by the State Bank of Pakistan.

452. Companies' Global Register of Beneficial Ownership.-(1) Every substantial shareholder or officer of a company incorporated under the Company law, who is citizen of Pakistan within the meaning of the Citizenship Act, 1951 (II of 1951), including dual citizenship holder whether residing in Pakistan or not having shareholding in a foreign company or body corporate shall report to the company his shareholding or any other interest as may be notified by the Commission, on a specified form within thirty days of holding such position or interest.

Explanation.- For the purposes of this section the expression "foreign company" means a company or body corporate incorporated or registered in any form, outside Pakistan regardless of the fact that it has a place of business or conducts any business activity or has a liaison office in Pakistan or not.

(2) The company shall submit all the aforesaid information received by it during the year to the registrar along with the annual return.

(3) Any investment in securities or other interest as may be notified in sub-section (1) by a company incorporated under this Act, in a foreign company or body corporate or any other interest shall also be reported to the registrar along with the annual return.

(4) All the above information shall be reported to the registrar through a special return on a specified form within sixty days from the commencement of this Act and thereafter in accordance with the sub-section (2).

(5) Any contravention or default in complying with requirements of this section shall be an offence liable to a fine of level 1 on the standard scale and

the registrar shall make an order specifying time to provide information under sub-section (1) and (3).

(6) Any person who fails to comply with the direction given under sub-section (5) by the registrar shall be punishable with imprisonment which may extend to three years and with fine upto five hundred thousand rupees or both.

(7) The Commission shall keep record of the information in the Companies' Global Register of Beneficial Ownership.

(8) The Commission shall provide the information maintained under sub-section (7) to the Federal Board of Revenue or to any other agency, authority and court.

453. Prevention of offences relating to fraud, money laundering and terrorist financing.— (1) Every officer of a company shall endeavor to prevent the commission of any fraud, offences of money laundering including predicated offences as provided in the Anti-Money Laundering Act, 2010 (VII of 2010) with respect to affairs of the company and shall take adequate measures for the purpose.

(2) Whosoever fails to comply with the provisions of this section shall be liable to punishment of imprisonment for a term which may extend to three years and with fine which may extend to one hundred million rupees:

Provided that where any such officer has taken all reasonable measures available under the applicable laws within his capacity to prevent commission of such offence, shall not be liable under this section.

Provided further that the punishment provided under this section shall be in addition to any punishment attracted due to active involvement of such officer in commission of an offence of money laundering under Anti-Money Laundering Act, 2010 (VII of 2010).

454. Free Zone Company.— (1) A company incorporated for the purpose of carrying on business in the export processing zone or an area notified by the Federal Government as free zone, shall be eligible to such exemptions from the requirements of this Act as may be notified in terms of section 459.

(2) The Commission may, for the protection of foreign investors and to secure foreign investment, restrict the disclosure of information maintained by the registrar regarding promoters, shareholders and directors of the company incorporated under sub-section (1), who are foreign nationals unless such disclosure of information is authorized by the company in writing:

Provided that the restriction of non-disclosure contained in this section shall not apply to the revenue authorities collecting tax, duties and levies or requirement or obligation under international law, treaty or commitment of the Government.

(3) A company formed for the purposes stated in sub-section (1) may be dispensed with the words "Private Limited" or "Limited" as the case may be, and called as the "Free Zone Company" having the parenthesis and alphabets "FZC" at the end of its name.

(4) A Free Zone Company shall pay the annual renewal fee as specified in the Seventh Schedule.

455. Filing of documents through intermediaries.- (1) A person may, for the purpose of filing of documents under this Act, avail services of intermediary as may be specified.

(2) An intermediary intending to provide services in terms of sub-section (1) must possess the requisite qualification and be registered with the Commission in the manner as may be specified.

(3) The registration as intermediary under this section shall be liable to be cancelled by the Commission on such grounds and in such manner as may be specified after providing an opportunity of being heard.

456. Acceptance of advances by real estate companies engaged in real estate projects.- (1) Notwithstanding anything contained in this Act or any other law, any company which invites advances from public for real estate project shall comply with the provisions of this section in addition to those provided in the other provisions of this Act.

(2) A company engaged in real estate project shall-

- (a) not announce any real estate project, unless it has obtained the approval of the Commission and all necessary approvals, permissions or NOCs etc., of the concerned authorities required as per applicable general, special and local laws, having jurisdiction over area under which the real estate project is being developed or undertaken to the satisfaction of the Commission and subject to such additional disclosure requirements as may be notified;
- (b) not make any publication or advertisement of real estate projects, unless it has obtained the approval of the Commission and all necessary approvals, permissions or NOCs etc., of the concerned authorities required as per applicable general, special and local laws, having jurisdiction over area under which the real estate project is being developed or undertaken to the satisfaction of the Commission and subject to such additional disclosure requirements as may be notified;
- (c) not accept any advances or deposits in any form whatsoever against any booking to sell or offer for sale or invite persons to purchase any land, apartment or building, as the case may be, in any real estate project or part of it, unless it has obtained the approval of the Commission and all necessary approvals, permissions or NOCs, of the concerned authorities required as per applicable general, special and local laws, having jurisdiction over area under which the real estate project is being developed or undertaken to the satisfaction of the Commission and subject to such additional disclosure requirements as may be notified;
- (d) not accept a sum against purchase of the apartment, plot or building, as the case may be, as an advance payment from a person without first entering into a written agreement for sale with such person except nominal fee for application;
- (e) maintain and preserve such books of account, records and documents in the manner as may be specified;

- (f) deposit any sum obtained from the allottees, from time to time, in a separate escrow account opened in the name of the project as may be specified;
- (g) comply with any directions notified by the Commission and accounting framework as may be notified; and
- (h) do or not to do any act or activity as may be specified.

(3) For the purposes of this section the escrow accounts shall be dedicated exclusively for carrying out the project and no attachment shall be imposed on the payment of such escrow accounts for the benefit of creditors of the real estate company except for the purpose of project and the real estate company shall recognize its income in accordance with International Financial Reporting Standards notified by the Commission.

(4) The Commission shall provide copy of any returns or information submitted by real estate company free of cost to the concerned authority, on their request, to enable such authority to regulate real estate project under its jurisdiction in accordance with the applicable laws.

(5) The conditions laid down under this section shall be in addition to and not in derogation of requirement of law and concerned authority under whose jurisdiction the project is being undertaken by the real estate company shall continue to exercise its authority in a manner provided in the relevant law.

(6) Any person who contravenes the provisions of this section shall be guilty of an offence which is liable to a penalty of level 3 on the standard scale.

Explanations.-For the purposes of this section the-

- (i) expression “**real estate project**” shall include projects for the development and construction of residential or commercial buildings or compounds and shall not include other construction project;
- (ii) expression “**authority**” shall include authority created or prescribed under any law which has powers to give permission for planning and development of real estate project in specific area.]

457. Agriculture Promotion Companies.-(1) Notwithstanding anything contained in this Act or any other law for the time being in force, any person, having its Principal line of business related to produce for agriculture promotion or managing produce as collateral or engaged in any activity connected with or related to any Produce or other related activities may establish Agriculture Promotion Company under this section in such form and manner and subject to such terms, conditions and limitations as may be specified.

Explanation.-For the purpose of this section:

- (a) “**Agriculture Promotion Company**” includes a Producer Company or a Collateral Management Company involved in Produce or any other company or class of companies or corporate body or any other entity as the concerned Minister-in-Charge of the Federal Government may, by notification in the official Gazette specify as Agriculture Promotion Company under this section;

(b) "Produce" means-

- (i) produce of farmers, arising from agriculture (including animal husbandry, forest products, re-vegetation, bee raising and farming plantation products), or from any other activity or service which promotes the farming business; or
- (ii) any product resulting from any of the above activities, including by-products of such products;
- (iii) any activity which is intended to increase the production of anything referred to in above sub-clauses or improve the quality thereof;

(2) Producer Company means any company, with or without share capital, formed under this section by farmers and engaged in any activity connected with or related to any Produce including the following matters-

- (a) production, harvesting, procurement, grading, pooling, handling, marketing, selling, export of produce of the members or import of goods or services for their benefit;
- (b) processing including preserving, drying, distilling, brewing, canning and packaging of produce of its members;
- (c) rendering technical services, consultancy services, training research; and development and all other activities for the promotion of the interests of its Members;
- (d) arranging insurance of produce; and
- (f) financing of procurement, processing, marketing, extending of credit facilities including microfinance subject to such terms and conditions as may be specified, or any other financial services to its members;

(3) Every Producer Company shall deal primarily with the produce of its members for carrying out any of its activities.

(4) For the purposes of this section, member of a Producer Company means farmers as promoters and sponsors of a Producer Company and farmers admitted to membership after registration in accordance with requirements as specified in the regulations.

(5) Collateral Management Company means any company formed under this section to engage in the activity of managing produce as collateral, including but not limited to the following matters:

- (a) warehousing, i.e. provision of quality storage and preservation services for a range of agricultural commodities;
- (b) issuance of credible warehouse receipts for agricultural commodity financing; and
- (c) stock audit and verification services;

(6) If an Agriculture Promotion Company or Collateral Management Company or Producer Company or their members indulges in any activity which is prejudicial to the interests of farmers, members, lending institutions, commodity exchange, consumers, or other stakeholders, shall be liable to a penalty of level 3 on the standard scale.

(7) Any dues outstanding against agriculture promotion company under this section shall be recoverable as arrears of land revenue.

(8) Notwithstanding any provision of this section, the Government or any institution or authority owned and controlled by the Government may form an Agriculture Promotion Company.

458. Power to give exemptions by the Federal Government.-Notwithstanding anything contained in this Act or any other law, the concerned Minister-in-Charge of the Federal Government may, by notification in the official Gazette exempt companies under sections 454, 456 and 457 from any provisions of law for the time being in force.

¹[458A. Measures for greater ease of doing business.]— Notwithstanding anything contained in this Act or in any other law for the time being in force, the Commission may implement measures for providing greater ease of doing business, improving regulatory quality and efficiency and facilitating innovation and the use of technology in conducting business by the corporate sector, including but not limited to-

- (a) formalizing existing practices through regulations and implementing other measures for attaining international standards of regulatory quality and efficiency for greater ease of doing business;
- (b) specifying modes and procedures for enabling greater ease of entry into and exit from the market to startup companies;
- (c) constituting special task groups from the corporate sector for encouraging the use of financial technology in the conduct of business;
- (d) creating environments for testing and examining the impact of innovation, new processes or technologies outside the existing regulatory framework including but not limited to crowdfunding, digital assets, open application programming interface (APIs), smart contracts, cloud based solutions and allowing the establishment and use of regulatory sandboxes;
- (e) encouraging the use of technology for providing and meeting regulatory reporting requirements, risk assessment, customer due diligence, the issuance of suspicious transaction reports, keeping records and such other requirements as may be specified to meet anti-money laundering and counter-terrorism financing standards;
- (f) improving regulatory compliance and specifying proportionate data-driven standards for the corporate sector to take measures for cyber-security, data sovereignty and algorithm supervision;
- (g) specifying exemptions and incentives under the prevailing laws with the object of fostering innovation, promoting startups and entrepreneurship ecosystem in line with international best practices;
- (h) improving regulatory monitoring, reporting and compliance requirements; and

¹ Section 458A inserted by the Companies (Amendment) Act, 2021, dated December 3, 2021.

- (i) prescribing such other frameworks as may be notified by the Commission for stimulating innovation and financial inclusion in the conduct of business by the corporate sector through the use of financial technology, regulatory technology and supervisory technology:

Provided that the Commission may take such other measures prior to the issuance of regulations as it may deem fit through guidelines, policy papers, frameworks or any other modes or mechanisms."

459. Quota for persons with disabilities in the public interest companies.- Every public interest company, employing one hundred or more employees shall ensure special quota for employment of persons with disabilities of two percent or such higher percentage as may be specified or required under the applicable Federal and Provincial law:

Provided that in case of any conflict between this Act and any other Federal or Provincial law for persons with disabilities, the later shall apply.

460. Valuation by registered valuers.-(1) Where a valuation is required to be made in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets (herein referred to as the assets) or net worth of a company or its liabilities under the provisions of this Act, it shall be valued by a person having such qualifications and experience and registered as a valuer in such manner, on such terms and conditions as may be specified.

(2) The valuer appointed under sub-section (1) shall-

- (a) make an impartial, true and fair valuation of any assets which may be required to be valued;
- (b) exercise due diligence while performing the functions as valuer; and
- (c) not undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time before submission of the report.

(3) The valuer shall prepare his report in such manner and applying such approaches, as may be specified.

(4) If a valuer contravenes the provisions of this section or the regulations made thereunder, the valuer shall be liable to a penalty of level 2 on the standard scale:

Provided that if the valuer has contravened such provisions with the intention to defraud the company, its members or creditors, he shall be punishable with imprisonment for a term which may extend to one year and with fine which may extend to five hundred thousand rupees.

(5) Where a valuer has been convicted under sub-section (4), he shall be liable to-

- (a) refund the remuneration received by him to the company; and
- (b) pay for damages to the company or to any other person for loss arising out of incorrect or misleading statements of particulars made in his report.

(6) The registration as valuer under this section shall be liable to be cancelled by the Commission on such grounds and in such manner as may be specified after providing an opportunity of being heard.

461. Security clearance of shareholder and director.—The Commission may require the security clearance of any shareholder or director or other office bearer of a company or class of companies as may be notified by the concerned Minister-in-charge of the Federal Government.

REGISTRATION OFFICES AND FEES

462. Registration offices.—(1) For the purposes of the registration of companies and other work under this Act, there shall be offices at such places as the Commission thinks fit.

(2) The Commission may appoint such registrars as it thinks necessary for the registration of companies and performing other duties under this Act, and may make regulations with respect to their duties.

(3) While performing their functions and duties under this Act, all registrars shall observe and follow the order and instructions of the Commission.

(4) The Commission may direct a seal or seals to be prepared for the authentication of documents required for or connected with the registration of companies.

(5) Any person may, in the manner as may be specified, inspect the documents kept by the registrar and may require a certified copy of certificate of incorporation or any other certificate of any company, or a copy or extract of any other document or register maintained by the registrar or any part thereof on payment of the fees specified in the Seventh Schedule.

(6) A copy of or an extract from any document filed or lodged, whether in electronic or physical form, with the Commission or the registrar under this Act or the rules or regulations made thereunder or supplied or issued by the Commission or the registrar and certified to be a true copy thereof or extract therefrom under the hand and seal of an officer of the Commission or the registrar, shall be admissible in evidence in any proceedings as of equal validity as the original document.

(7) Where a document is filed or lodged, whether in electronic or physical form, with the Commission or the registrar, the Commission or the registrar shall not be liable for any loss or damage suffered by any person by reason of any error or omission of whatever nature arising or appearing in any document obtained by any person under the e-service or in physical form under this Act or the rules or regulations made thereunder, if such error or omission was made in good faith and in the ordinary course of the discharge of the duties of the Commission or the registrar or occurred or arose as a result of any defect or breakdown in the service or in the equipment used for the provision of the e-service.

(8) Wherever any act is by this Act directed to be done to or by the registrar it shall, until the Commission otherwise directs, be done to or by the existing Registrar of Companies or in his absence to or by such person as the Commission may for the

time being authorise; but, in the event of the Commission altering the constitution of the existing registration offices or any of them, any such act shall be done to or by such officer and at such place with reference to the local situation of the registered offices of the companies to be registered as the Commission may appoint.

463. Production of documents kept by registrar.-(1) No process for compelling the production of any document or register kept by the registrar shall issue from any court except with the special leave of that court for reasons to be recorded; and any such process, if issued, shall bear thereon a statement that it is issued with the special leave of the court so granted and state the reasons for grant of such leave.

(2) A copy of, or extract from, any document or register kept and registered at any of the offices for the registration of companies under this Act, certified to be a true copy under the hand of the registrar (whose official position it shall not be necessary to prove) shall, in all legal proceedings, be admissible in evidence as of equal validity with the original document.

(3) Notwithstanding anything contained in any other law, no one shall, without the permission of the Commission in writing, take over or remove any original document or register from the custody of the registrar.

464. Registrar not to accept defective documents.-(1) Where, in the opinion of the registrar, any document required or authorised by or under this Act to be filed or registered with the registrar-

- (a) contains any matter contrary to law, or does not otherwise comply with the requirements of law;
- (b) is not complete owing to any defect, error or omission;
- (c) is insufficiently legible or is written upon paper which is not durable; or
- (d) is not properly authenticated;

the registrar may require the company to file a revised document in the form and within the period to be specified by him.

(2) If the company fails to submit the revised document within the specified period, the registrar may refuse to accept or register the document and communicate his decision in writing to the company.

(3) Subject to the provisions of sub-sections (4) and (5), if the registrar refuses to accept any document for any of the reasons aforesaid, the same shall not be deemed to have been delivered to him in accordance with the provisions of this Act unless a revised document in the form acceptable to the registrar is duly delivered within such time, or such extended time, as the registrar may specify in this behalf.

(4) If registration of any document is refused, the company may either supply the deficiency and remove the defect pointed out or, within thirty days of the order of refusal, prefer an appeal-

- (a) where the order of refusal has been passed by an additional registrar, a joint registrar, an additional joint registrar, a deputy registrar, an assistant registrar or such other officer as may be designated by the Commission, to the registrar; and

(b) where the order of refusal has been passed, or upheld in appeal, by the registrar, to the Commission.

(5) An order of the Commission under sub-section (4) shall be final and shall not be called in question before any court or other authority.

(6) If a document has been accepted for record and its data or any of the information contained therein or any of the supporting documents subsequently found to be defective or incorrect or false or forged, the registrar concerned may for special reasons to be recorded in writing, after obtaining such evidence as he may deem appropriate, allow the rectification in such document or allow the filing of a revised document in lieu thereof.

(7) If a document has been accepted for record and its data or any of the information contained therein or any of the supporting documents subsequently found to be defective or incorrect which is not possible of rectification or false or forged or it was accepted by mistake, the registrar concerned may for special reasons to be recorded in writing, after obtaining such evidence as he may deem appropriate cancel the recording thereof.

465. Special return to rectify the data.-(1) The Commission or the registrar may at any time, by a general or specific order, require a company or class of companies or all the companies to file a special return signed by all the directors to rectify the record.

(2) The information provided in the special return filed under this section shall be a conclusive evidence of all the relevant facts and shall not be called in question by any of the person who has signed it.

(3) The persons who have signed the special return shall be responsible for the loss caused to any person on account of incorrect information provided in the return filed under this section.

(4) A company shall inform the registrar about any change of more than twenty five percent in its shareholding or membership or voting rights in a manner as may be specified by the Commission.

466.Jurisdiction in the disputes relating to shareholding and directorship.- The registrar shall have no jurisdiction to determine the rights of the parties relating to shareholding and directorship.

467.Approval of transfer of shares by the agents licenced by the Commission.- (1) In case of companies to be notified for the purpose, before making any application for registration of the transfer of shares to the board the transferor and the transferee shall appear before the agent licenced by the Commission under this section; who shall record the statement of both the parties and forward a certified copy of the statement so recorded to the company for further necessary action in such form and manner and subject to such conditions as may be specified:

Provided that the provision of this sub-section shall not apply to transfer or transmission of shares by operation of law.

(2) The agent licenced under this section shall maintain complete record of all the statements recorded by him including the documents submitted by the parties, for a period of ten years.

(3) The licence under this section may be granted by the Commission in the manner and subject to such conditions, and to the persons having such qualification and infrastructure, as may be specified.

(4) An agent licenced under this section shall be responsible for the loss caused to any person due to any fault on his part, as determined by the Court while deciding a case under section 126.

(5) The agent licenced under this section may charge the fee for the services rendered by him, not exceeding the limit notified by the Commission.

(6) The Commission may at any time revoke a licence granted under this section on being satisfied that the agent has failed to comply with any of the terms or conditions to which the licence is subject:

Provided that, before a licence is so revoked, the Commission shall give to the agent notice in writing of its intention to do so, and shall afford the association an opportunity to be heard.

468. Acceptance of documents presented after prescribed time.- (1) Notwithstanding anything contained in section 479, where any document required under this Act to be filed or registered with the registrar is presented after the expiry of the prescribed period, the registrar may accept the same, on payment of the fee as specified below-

- (a) within ninety days, a fee equivalent to two times;
- (b) within one hundred and eighty days, a fee equivalent to three times;
- (c) within one year, a fee equivalent to four times;
- (d) within two years, a fee equivalent to five times;

of the prescribed fee payable in respect thereof:

Provided that nothing contained in this sub-section shall be applicable to the public interest company.

(2) No such document as aforesaid shall be deemed to have been filed with the registrar until the specified fee, has been paid in full.

(3) The acceptance of the document by the registrar under sub-section (1) shall not absolve the defaulting company or other person concerned of any other liability arising from the default in complying with the requirements of this Act:

Provided that no proceeding shall be initiated against the company or any of its officers on account of delay in filing of any document required under this Act to be filed or registered with the registrar which is presented by the company or other person concerned on the payment of fee as specified under sub-section (1) and within the period as specified therein.

471. Filing of documents electronically.- (1) The Commission may provide any means or mode for filing, any document, return or application required to be filed, lodged or submitted with the Commission or the registrar under this Act or the rules or regulations made thereunder electronically.

(2) Any additional information or document required to be submitted along with any document to be filed under this Act shall also be submitted through electronic means including in a scanned form.

(3) Any document to be submitted electronically shall be authenticated by the companies by affixing electronic signature or advanced electronic signature, as required under the Electronic Transactions Ordinance, 2002, (LI of 2002).

(4) From the date appointed by the Commission through notification in the official Gazette any document, return or application required to be filed, lodged or submitted with the Commission or the registrar under this Act or the rules or regulations made thereunder, shall only be lodged, filed or submitted electronically through e-service or any other means or service provided by the Commission for this purpose:

Provided that the Commission may relax the requirement of this section for a company or class of companies, for such document, return or application and for such time as may be notified from time to time.

472. Destruction of physical record.- The record of the companies including the statutory returns and applications, maintained by the registrar and the Commission under this Act or the company law shall be preserved for such period as the Commission may determine and may be destroyed in the manner as may be specified:

Provided further that the physical record converted into electronic form in terms of first proviso, shall be admissible as an evidence in all legal proceedings and for all purposes.

473. Supply of documents, information, notices to the members electronically.- (1) After a date notified by the Commission, the information, notices and accounts or any other document to be provided by the company to its members under this Act, shall only be provided electronically on the email address provided by the members.

(2) A member requiring the supply of any of the document mentioned in sub-section (1) in physical form shall bear the cost as fixed by the company.

498. Liability of directors for allotment of shares for inadequate consideration.—(1) Any director, creditor or member of a company may apply to the Court for a declaration that any shares of the company specified in the application have been allotted for inadequate consideration.

(2) Every director of the company who is a party to making the allotment of such shares shall be liable, jointly and severally with his co-directors, to make good to the company the amount by which the consideration actually received by the company for the shares is found by the Court, after full inquiry into the circumstances of the transaction, to be less than the consideration that the company ought to have received for such shares, if it is proved, as to any such first mentioned director, that such director-

- (a) had knowledge that the consideration so received by the company was inadequate; or
- (b) failed to take reasonable steps to ascertain whether such consideration so received by the company was in fact adequate.

500. Penalty for carrying on *ultra vires* business.—If any business or part of business carried on or any transaction made, by a company is *ultra vires* of the company shall be an offence and every person who acted as a director or officer of the company and is responsible for carrying on such business shall be liable to a penalty of level 3 on the standard scale, and shall also be personally liable for the liabilities and obligations arising out of such business or transaction.

505. Application of Act to companies governed by special enactments.—

(1) The provisions of this Act shall apply—

- (a) to insurance companies, except in so far as the said provisions are inconsistent with the provisions of the Insurance Ordinance, 2000 (XXXIX of 2000);
- (b) to banking companies, except in so far as the said provisions are inconsistent with the provisions of the Banking Companies Ordinance, 1962 (LVII of 1962);
- (c) to *modaraba* companies and *modarabas*, except in so far as the said provisions are inconsistent with the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- (d) to any other company governed by any special enactment for the time being in force, except in so far as the said provisions are inconsistent with the provisions of such special enactments.

(2) The provisions of sections 130, 132, 220 to 239, 247 to 267, 270 and 271 shall *mutatis mutandis* apply to listed companies or corporations established by any special enactment for the time being in force whose securities are listed and in the said sections the expression “company” shall include a listed company so established:

Provided that the Commission may, by notification in the official Gazette, direct that the provisions of any of the aforesaid sections specified in the notification shall, subject to such conditions, if any, as may be so specified, not apply to any listed company or securities so specified.

SCHEDULES

FIRST SCHEDULES

TABLE A

(See sections 2 and 36)

PART I

**REGULATIONS FOR MANAGEMENT OF
A COMPANY LIMITED BY SHARES**

PRELIMINARY

- 1.(1) In these regulations-
 - (a) "section" means section of the Act;
 - (b) "the Act" means the Companies Act, 2017; and
 - (c) "the seal" means the common seal or official seal of the company as the case may be.
- (2) Unless the context otherwise requires, words or expressions contained in these regulations shall have the same meaning as in this Act; and words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include feminine, and words importing persons shall include bodies corporate.

BUSINESS

2. The directors shall have regard to the restrictions on the commencement of business imposed by section 19 if, and so far as, those restrictions are binding upon the company.

SHARES

3. In case of shares in the physical form, every person whose name is entered as a member in the register of members shall, without payment, be entitled to receive, within thirty days after allotment or within fifteen days of the application for registration of transfer, a certificate under the seal specifying the share or shares held by him and the amount paid up thereon:

Provided that if the shares are in book entry form or in case of conversion of physical shares and other transferable securities into book-entry form, the company shall, within ten days after an application is made for the registration of the transfer of any shares or other securities to a central depository, register such transfer in the name of the central depository.

4. The company shall not be bound to issue more than one certificate in respect of a share or shares in the physical form, held jointly by several persons and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

5. If a share certificate in physical form is defaced, lost or destroyed, it may be renewed on payment of such fee, if any, not exceeding one hundred rupees, and on such terms, if any, as to evidence and indemnity and payment of expenses incurred by the company in investigating title as the directors think fit.
6. Except to the extent and in the manner allowed by section 86, no part of the funds of the company shall be employed in the purchase of, or in loans upon the security of, the company's shares.

TRANSFER AND TRANSMISSION OF SHARES

7. The instrument of transfer of any share in physical form in the company shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain holder of the share until the name of the transferee is entered in the register of members in respect thereof.
8. Shares in physical form in the company shall be transferred in the following form, or in any usual or common form which the directors shall approve:

Form for Transfer of Shares

(1st Schedule to the Companies Act, 2017)

I..... s/o r/o..... (hereinafter called "the transferor") in consideration of the sum of rupees paid to me by..... s/o r/o..... (hereinafter called "the transferee"), do hereby transfer to the said transferee..... the share (or shares) with distinctive numbers fromto.....inclusive, in the..... Limited, to hold unto the said transferee, his executors, administrators and assigns, subject to the several conditions on which I held the same at the time of the execution hereof, and I, the said transferee, do hereby agree to take the said share (or shares) subject to the conditions aforesaid.

As witness our hands this..... day of....., 20.....

<p>Signature</p> <p>Transferor</p> <p>Full Name, Father's / Husband's Name CNIC Number (in case of foreigner, Passport Number) Nationality Occupation and usual Residential Address</p>	<p>Signature</p> <p>Transferee</p> <p>Full Name, Father's / Husband's Name CNIC Number (in case of foreigner, Passport Number) Nationality Occupation and usual Residential Address Cell number Landline number, if-any Email address</p>
<p>Witness 1:</p> <p>Signature date Full Name, CNIC Number and Address</p>	<p>Witness 2:</p> <p>Signature date Name, CNIC Number and Full Address</p>

**Bank Account Details of Transferee
for Payment of Cash Dividend**

(Mandatory in case of a listed company or optional for any other company)

It is requested that all my cash dividend amounts declared by the company, may be credited into the following bank account:

Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	

It is stated that the above mentioned information is correct and that I will intimate the changes in the above-mentioned information to the company and the concerned Share Registrar as soon as these occur.

.....
Signature of the Transferee(s)

- 9.(1) Subject to the restrictions contained in regulation 10 and 11, the directors shall not refuse to transfer any share unless the transfer deed is defective or invalid. The directors may also suspend the registration of transfers during the ten days immediately preceding a general meeting or prior to the determination of entitlement or rights of the shareholders by giving seven days' previous notice in the manner provided in the Act. The directors may, in case of shares in physical form, decline to recognise any instrument of transfer unless-
- a) a fee not exceeding fifty rupees as may be determined by the directors is paid to the company in respect thereof; and
 - b) the duly stamped instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

- (2) If the directors refuse to register a transfer of shares, they shall within fifteen days after the date on which the transfer deed was lodged with the company send to the transferee and the transferor notice of the refusal indicating the defect or invalidity to the transferee, who shall, after removal of such defect or invalidity be entitled to re-lodge the transfer deed with the company.

Provided that the company shall, where the transferee is a central depository the refusal shall be conveyed within five days from the date on which the instrument of transfer was lodged with it notify the defect or invalidity to the transferee who shall, after the removal of such defect or invalidity, be entitled to re-lodge the transfer deed with the company.

TRANSMISSION OF SHARES

10. The executors, administrators, heirs, or nominees, as the case may be, of a deceased sole holder of a share shall be the only persons recognised by the company to deal with the share in accordance with the law. In the case of a share registered in the names of two or more holders, the survivors or survivor, or the executors or administrators of the deceased survivor, shall be the only persons recognised by the company to deal with the share in accordance with the law.
11. The shares or other securities of a deceased member shall be transferred on application duly supported by succession certificate or by lawful award, as the case may be, in favour of the successors to the extent of their interests and their names shall be entered to the register of members.
12. A person may on acquiring interest in a company as member, represented by shares, at any time after acquisition of such interest deposit with the company a nomination conferring on a person, being the relatives of the member, namely, a spouse, father, mother, brother, sister and son or daughter, the right to protect the interest of the legal heirs in the shares of the deceased in the event of his death, as a trustee and to facilitate the transfer of shares to the legal heirs of the deceased subject to succession to be determined under the Islamic law of inheritance and in case of non-Muslim members, as per their respective law.
13. The person nominated under regulation 12 shall, after the death of the member, be deemed as a member of company till the shares are transferred to the legal heirs and if the deceased was a director of the company, not being a listed company, the nominee shall also act as director of the company to protect the interest of the legal heirs.
14. A person to be deemed as a member under regulation 11, 12 and 13 to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share and exercise any right conferred by membership in relation to meetings of the company.

ALTERATION OF CAPITAL

15. The company may, by special resolution-
 - (a) increase its authorised capital by such amount as it thinks expedient;
 - (b) consolidate and divide the whole or any part of its share capital into shares of larger amount than its existing shares;
 - (c) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum;
 - (d) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the share so cancelled.

16. Subject to the provisions of the Act, all new shares shall at the first instance be offered to such persons as at the date of the offer are entitled to such issue in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by letter of offer specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will deem to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the directors may dispose of the same in such manner as they think most beneficial to the company. The directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this regulation.
17. The new shares shall be subject to the same provisions with reference to transfer, transmission and otherwise as the shares in the original share capital.
18. The company may, by special resolution-
 - (a) consolidate and divide its share capital into shares of larger amount than its existing shares;
 - (b) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum of association, subject, nevertheless, to the provisions of section 85;
 - (c) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
19. The company may, by special resolution, reduce its share capital in any manner and with, and subject to confirmation by the Court and any incident authorised and consent required, by law.

GENERAL MEETINGS

20. The statutory general meeting of the company shall be held within the period required by section 131.
21. A general meeting, to be called annual general meeting, shall be held, in accordance with the provisions of section 132, within sixteen months from the date of incorporation of the company and thereafter once at least in every year within a period of one hundred and twenty days following the close of its financial year.
22. All general meetings of a company other than the statutory meeting or an annual general meeting mentioned in sections 131 and 132 respectively shall be called extraordinary general meetings.
23. The directors may, whenever they think fit, call an extraordinary general meeting, and extraordinary general meetings shall also be called on such requisition, or in default, may be called by such requisitionists, as provided by section 133. If at any time there are not within Pakistan sufficient directors

capable of acting to form a quorum, any director of the company may call an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be called by the directors.

24. The company may provide video-link facility to its members for attending general meeting at places other than the town in which general meeting is taking place after considering the geographical dispersal of its members:

Provided that in case of listed companies if the members holding ten percent of the total paid up capital or such other percentage of the paid up capital as may be specified, are resident in any other city, the company shall provide the facility of video-link to such members for attending annual general meeting of the company, if so required by such members in writing to the company at least seven days before the date of the meeting.

NOTICE AND PROCEEDINGS OF GENERAL MEETINGS

25. Twenty-one days' notice at the least (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given) specifying the place, the day and the hour of meeting and, in case of special business, the general nature of that business, shall be given in manner provided by the Act for the general meeting, to such persons as are, under the Act or the regulations of the company, entitled to receive such notice from the company; but the accidental omission to give notice to, or the non-receipt of notice by, any member shall not invalidate the proceedings at any general meeting.
26. All the business transacted at a general meeting shall be deemed special other than the business stated in sub-section (2) of section 134 namely; the consideration of financial statements and the reports of the board and auditors, the declaration of any dividend, the election and appointment of directors in place of those retiring, and the appointment of the auditors and fixing of their remuneration.
27. No business shall be transacted at any general meeting unless a quorum of members is present at that time when the meeting proceeds to business. The quorum of the general meeting shall be—
(a) in the case of a public listed company, not less than ten members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;
(b) in the case of any other company having share capital, two members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies.
28. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the

- next week at the same time and place, and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present, being not less than two, shall be a quorum.
29. The chairman of the board of directors, if any, shall preside as chairman at every general meeting of the company, but if there is no such chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for the meeting, or is unwilling to act as chairman, any one of the directors present may be elected to be chairman, and if none of the directors is present, or willing to act as chairman, the members present shall choose one of their number to be chairman.
 30. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for fifteen days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
 31. (1) At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded. Unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.
(2) At any general meeting, the company shall transact such businesses as may be notified by the Commission, only through postal ballot.
 32. A poll may be demanded only in accordance with the provisions of section 143.
 33. If a poll is duly demanded, it shall be taken in accordance with the manner laid down in sections 144 and 145 and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
 34. A poll demanded on the election of chairman or on a question of adjournment shall be taken at once.
 35. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall have and exercise a second or casting vote.
 36. Except for the businesses specified under sub-section (2) of section 134 to be conducted in the annual general meeting, the members of a private

company or a public unlisted company (having not more than fifty members), may pass a resolution (ordinary or special) by circulation signed by all the members for the time being entitled to receive notice of a meeting. The resolution by circulation shall be deemed to be passed on the date of signing by the last of the signatory member to such resolution.

VOTES OF MEMBERS

37. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote except for election of directors in which case the provisions of section 159 shall apply. On a poll every member shall have voting rights as laid down in section 134.
38. In case of joint-holders, the vote of the senior who tenders a vote, whether in person or by proxy or through video-link shall be accepted to the exclusion of the votes of the other joint-holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
39. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on show of hands or on a poll or through video link, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.
40. On a poll votes may be given either personally or through video-link, by proxy or through postal ballot:

Provided that nobody corporate shall vote by proxy as long as a resolution of its directors in accordance with the provisions of section 138 is in force.

41. (1) The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing.
- (2) The instrument appointing a proxy and the power-of-attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, shall be deposited at the registered office of the company not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
42. An instrument appointing a proxy may be in the following form, or a form as near thereto as may be:

INSTRUMENT OF PROXY

..... Limited

"I s/o r/o
being a member of the Limited, hereby
appoint s/o
r/o as my proxy to attend and vote on my behalf at

the (statutory, annual, extraordinary, as the case may be) general meeting of the company to be held on the day of, 20..... and at any adjournment thereof."

43. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the company at the office before the commencement of the meeting or adjourned meeting at which the proxy is used.

DIRECTORS

44. The following subscribers of the memorandum of association shall be the first directors of the company, so, however, that the number of directors shall not in any case be less than that specified in section 154 and they shall hold office until the election of directors in the first annual general meeting:
1. ab
 2. cd
 3. ef
 4. gh
45. The remuneration of the directors shall from time to time be determined by the company in general meeting subject to the provisions of the Act.
46. Save as provided in section 153, no person shall be appointed as a director unless he is a member of the company.

POWERS AND DUTIES OF DIRECTORS

47. The business of the company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the company, and may exercise all such powers of the company as are not by the Act or any statutory modification thereof for the time being in force, or by these regulations, required to be exercised by the company in general meeting, subject nevertheless to the provisions of the Act or to any of these regulations, and such regulations being not inconsistent with the aforesaid provisions, as may be prescribed by the company in general meeting but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.
48. The directors shall appoint a chief executive in accordance with the provisions of sections 186 and 187.
49. The amount for the time being remaining undischarged of moneys borrowed or raised by the directors for the purposes of the company (otherwise than by the

issue of share capital) shall not at any time, without the sanction of the company in general meeting, exceed the issued share capital of the company.

50. The directors shall duly comply with the provisions of the Act, or any statutory modification thereof for the time being in force, and in particular with the provisions in regard to the registration of the particulars of mortgages, charges and pledge affecting the property of the company or created by it, to the keeping of a register of the directors, and to the sending to the registrar of an annual list of members, and a summary of particulars relating thereto and notice of any consolidation or increase of share capital, or sub-division of shares, and copies of special resolutions and a copy of the register of directors and notifications of any changes therein.

MINUTE BOOKS

51. The directors shall cause records to be kept and minutes to be made in book or books with regard to-
 - (a) all resolutions and proceedings of general meeting(s) and the meeting(s) of directors and Committee(s) of directors, and every member present at any general meeting and every director present at any meeting of directors or Committee of directors shall put his signature in a book to be kept for that purpose;
 - (b) recording the names of the persons present at each meeting of the directors and of any committee of the directors, and the general meeting; and
 - (c) all orders made by the directors and Committee(s) of directors:

Provided that all records related to proceedings through video-link shall be maintained in accordance with the relevant regulations specified by the Commission which shall be appropriately rendered into writing as part of the minute books according to the said regulations.

THE SEAL

52. The directors shall provide for the safe custody of the seal and the seal shall not be affixed to any instrument except by the authority of a resolution of the board of directors or by a committee of directors authorized in that behalf by the directors and in the presence of at least two directors and of the secretary or such other person as the directors may appoint for the purpose; and those two directors and secretary or other person as aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

DISQUALIFICATION OF DIRECTORS

53. No person shall become the director of a company if he suffers from any of the disabilities or disqualifications mentioned in section 153 or disqualified or debarred from holding such office under any of the provisions of the Act as the case may be and, if already a director, shall cease to hold such office from the date he so becomes disqualified or disabled:

Provided, however, that no director shall vacate his office by reason only of his being a member of any company which has entered into contracts with, or done any work for, the company of which he is director, but such director shall not vote in respect of any such contract or work, and if he does so vote, his vote shall not be counted.

PROCEEDINGS OF DIRECTORS

54. The directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings, as they think fit. A director may, and the secretary on the requisition of a director shall, at any time, summon a meeting of directors. Notice sent to a director through email whether such director is in Pakistan or outside Pakistan shall be a valid notice.
55. The directors may elect a chairman of their meetings and determine the period for which he is to hold office; but, if no such chairman is elected, or if at any meeting the chairman is not present within ten minutes after the time appointed for holding the same or is unwilling to act as chairman, the directors present may choose one of their number to be chairman of the meeting.
56. At least one-third (1/3rd) of the total number of directors or two (2) directors whichever is higher, for the time being of the company, present personally or through video-link, shall constitute a quorum.
57. Save as otherwise expressly provided in the Act, every question at meetings of the board shall be determined by a majority of votes of the directors present in person or through video-link, each director having one vote. In case of an equality of votes or tie, the chairman shall have a casting vote in addition to his original vote as a director.
58. The directors may delegate any of their powers not required to be exercised in their meeting to committees consisting of such member or members of their body as they think fit; any committee so formed shall, in the exercise of the powers so delegated, conform to any restrictions that may be imposed on them by the directors.
59. (1) A committee may elect a chairman of its meetings; but, if no such chairman is elected, or if at any meeting the chairman is not present within ten minutes after the time appointed for holding the same or is unwilling to act as chairman, the members present may choose one of their number to be chairman of the meeting.
(2) A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present. In case of an equality of votes, the chairman shall have and exercise a second or casting vote.
60. All acts done by any meeting of the directors or of a committee of directors, or by any person acting as a director, shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such directors

or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

61. A copy of the draft minutes of meeting of the board of directors shall be furnished to every director within seven working days of the date of meeting.
62. A resolution in writing signed by all the directors for the time being entitled to receive notice of a meeting of the directors shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held.

FILLING OF VACANCIES

63. At the first annual general meeting of the company, all the directors shall stand retired from office, and directors shall be elected in their place in accordance with section 159 for a term of three years.
64. A retiring director shall be eligible for re-election.
65. The directors shall comply with the provisions of sections 154 to 159 and sections 161, 162 and 167 relating to the election of directors and matters ancillary thereto.
66. Any casual vacancy occurring on the board of directors may be filled up by the directors, but the person so chosen shall be subject to retirement at the same time as if he had become a director on the day on which the director in whose place he is chosen was last elected as director.
67. The company may remove a director but only in accordance with the provisions of the Act.

DIVIDENDS AND RESERVE

68. The company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the directors.
69. The directors may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the company.
70. Any dividend may be paid by a company either in cash or in kind only out of its profits. The payment of dividend in kind shall only be in the shape of shares of listed company held by the distributing company.
71. Dividend shall not be paid out of unrealized gain on investment property credited to profit and loss account.
72. Subject to the rights of persons (if any) entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid on the shares.
73. (1) The directors may, before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve or reserves which shall, at the discretion of the directors, be applicable for meeting contingencies, or for equalizing dividends, or for any other purpose to which the profits of the company may be properly applied,

and pending such application may, at the like discretion, either be employed in the business of company or be invested in such investments (other than shares of the company) as the directors may, subject to the provisions of the Act, from time to time think fit.

- (2) The directors may carry forward any profits which they may think prudent not to distribute, without setting them aside as a reserve.
- 74. If several persons are registered as joint-holders of any share, any one of them may give effectual receipt for any dividend payable on the share.
- 75. (1) Notice of any dividend that may have been declared shall be given in manner hereinafter mentioned to the persons entitled to share therein but, in the case of a public company, the company may give such notice by advertisement in a newspaper circulating in the Province in which the registered office of the company is situate.
- (2) Any dividend declared by the company shall be paid to its registered shareholders or to their order. The dividend payable in cash may be paid by cheque or warrant or in any electronic mode to the shareholders entitled to the payment of the dividend, as per their direction.
- (3) In case of a listed company, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders.
- 76. The dividend shall be paid within the period laid down under the Act.

ACCOUNTS

- 77. The directors shall cause to be kept proper books of account as required under section 220.
- 78. The books of account shall be kept at the registered office of the company or at such other place as the directors shall think fit and shall be open to inspection by the directors during business hours.
- 79. The directors shall from time to time determine whether and to what extent and at what time and places and under what conditions or regulations the accounts and books or papers of the company or any of them shall be open to the inspection of members not being directors, and no member (not being a director) shall have any right of inspecting any account and book or papers of the company except as conferred by law or authorised by the directors or by the company in general meeting.
- 80. The directors shall as required by sections 223 and 226 cause to be prepared and to be laid before the company in general meeting the financial statements duly audited and reports as are referred to in those sections.
- 81. The financial statements and other reports referred to in regulation 80 shall be made out in every year and laid before the company in the annual general meeting in accordance with sections 132 and 223.

82. A copy of the financial statements and reports of directors and auditors shall, at least twenty-one days preceding the meeting, be sent to the persons entitled to receive notices of general meetings in the manner in which notices are to be given hereunder.
83. The directors shall in all respect comply with the provisions of sections 220 to 227.
84. Auditors shall be appointed and their duties regulated in accordance with sections 246 to 249.

NOTICES

85. (1) A notice may be given by the company to any member to his registered address or if he has no registered address in Pakistan to the address, if any, supplied by him to the company for the giving of notices to him against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified by the Commission.
(2) Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice and, unless the contrary is proved, to have been effected at the time at which the letter will be delivered in the ordinary course of post.
86. A notice may be given by the company to the joint-holders of a share by giving the notice to the joint-holder named first in the register in respect of the share.
87. A notice may be given by the company to the person entitled to a share in consequence of the death or insolvency of a member in the manner provided under regulation 85 addressed to them by name, or by the title or representatives of the deceased, or assignees of the insolvent, or by any like description, at the address, supplied for the purpose by the person claiming to be so entitled.
88. Notice of every general meeting shall be given in the manner hereinbefore authorised to (a) every member of the company and also to (b) every person entitled to a share in consequence of the death or insolvency of a member, who but for his death or insolvency would be entitled to receive notice of the meeting, and (c) to the auditors of the company for the time being and every person who is entitled to receive notice of general meetings.

WINDING UP

89. (1) In the case of members' voluntary winding up, with the sanction of a special resolution of the company, and, in the case of creditors' voluntary winding up, of a meeting of the creditors, the liquidator shall exercise any of the powers given by sub-section (1) of section 337 of the Act to a liquidator in a winding up by the Court including inter-alia divide amongst the members, in specie or kind, the whole or any part of

the assets of the company, whether they consist of property of the same kind or not.

- (2) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.
- (3) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, thinks fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

90. Every officer or agent for the time being of the company may be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of his dealings in relation to the affairs of the company, except those brought by the company against him, in which judgment is given in his favour or in which he is acquitted, or in connection with any application under section 492 in which relief is granted to him by the Court.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of these articles of association, and we respectively agree to take the number of shares in the capital of the company set opposite our respective names:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of each subscriber (in figures and words)	Signatures
Total number of shares taken (in figures and words)							

Dated the _____ day of _____, 20____

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)

(Digital Signature Certificate Provider)

Name:

Address:

PART II

REGULATIONS FOR MANAGEMENT OF A SINGLE MEMBER PRIVATE COMPANY LIMITED BY SHARES

INTERPRETATION

1. In the interpretation of these articles the following expressions shall have the following meanings unless repugnant to or inconsistent with the subject articles—
 - (a) “company” or “this company” means _____ (SMC-Private) Limited;
 - (b) “directors” or “board of directors” means board of directors consist of only the sole director or more than one directors if so appointed under the relevant provisions of the Act;
 - (c) “member director” means a director who is a member of the company;
 - (d) “non-member director” means an individual who is not a member, but has been nominated under the provisions of the Act;
 - (e) “private company” means a private company having two more members;
 - (f) “sole member” means the single member of the company; and
 - (g) “sole director” means the director of the company who is for the time being the only director and includes a non-member director of the company.
2. Unless the context otherwise requires, words or expressions contained in these regulations shall have the same meaning as in the Act; and words importing the singular shall include the plural, and vice versa, and words importing the

masculine gender shall include feminine, and words importing persons shall include bodies corporate.

PRELIMINARY

3. Any provision of the Act or rules and regulations made thereunder which apply in relation to a private company limited by shares incorporated under the Act shall, in the absence of any express provision to the contrary, apply in relation to a single member company as it applies in relation to such a company which is formed by two or more persons or which has two or more persons as members and the provisions contained in part I of Table A of First Schedule in the Act shall be deemed part of these articles of association in so far as these are not inconsistent with or repugnant to the provisions contained herein below.

SINGLE MEMBER COMPANY

4. The company is a single member company and as such being a private company limited by shares-
 - (a) it shall not invite the public to subscribe for any shares of the company;
 - (b) the company shall not register any share(s) in the name of two or more persons to hold one or more shares jointly; and
 - (c) number of the members of the company shall be limited to one.

SHARES

5. The company may alter its share capital in accordance with section 85.
6. Share certificate shall be issued under the seal of the Company and shall be signed by the member director or the non-member director, as the case may be.

TRANSFER AND TRANSMISSION OF SHARES

7. The company shall not transfer all of the shares of a single member to two or more persons or part of shares of single member to other person(s) or allot further shares to any person other than the single member or, at any time, allow transfer of shares or allotment of shares or both resulting in number of members to become two or more, except for change of status from single member company to private company and to alter its articles accordingly.
8. The single member may transfer all of his shares to a single person whereby the company shall remain a single member company as it was before such transfer.
9. The sole member shall nominate a person who, in the event of death of the sole member, shall be responsible to.-
 - (a) transfer the shares to the legal heirs of the deceased subject to succession to be determined under the Islamic law of inheritance and in case of a non-Muslim members, as per their respective law; and
 - (b) manage the affairs of the company as a trustee, till such time the title of shares are transferred:

Provided that where the transfer by virtue of the above provision is made to more than one legal heir, the company shall cease to be a single member company and comply with the provisions of section 47 of the Act.

CHANGE OF STATUS

10. The company may convert itself from single member private company to a private company in accordance with the provisions of section 47.

MEETINGS, VOTES AND ELECTION OF DIRECTORS

11. All the requirements of the Act regarding calling of, holding and approval in general meeting, board meeting and election of directors in case of a single member company, shall be deemed complied with; if the decision is recorded in the relevant minutes book and signed by the sole member or sole director as the case may be.

DIRECTOR(S)

12. The company shall always have the sole member or in case it is not a natural person its nominee, as a director but it may have such number of other director(s) who fulfil the conditions as specified in section 153.
13. The board shall not have the power to remove the member director provided that where the sole member is not a natural person, it may change its nominee.
14. The sole member shall have the power to remove any director, chief executive or secretary through a resolution.
15. The director(s) shall appoint a chief executive in accordance with the provisions of sections 186 and 187.
16. The directors may hold their meetings through tele or video link provided that the minutes of such meeting are approved and signed subsequently by all the directors.
17. The directors shall cause records to be kept and minutes to be made in book or books with regard to-
 - (a) all resolutions and proceedings of the meeting(s) of directors and Committee(s) of directors, and every director present at any meeting of directors or Committee of directors shall put his signatures in a book to be kept for that purpose;
 - (b) recording the names of the persons present at each meeting of the directors and of any committee of the directors, and the general meeting; and
 - (c) all orders made by the directors and Committee(s) of directors:

Provided that all records related to proceedings through video-link shall be maintained in accordance with the relevant regulations specified by the Commission which shall be appropriately rendered into writing as part of the minute books according to the said regulations.

SECRETARY

18. The company may appoint a secretary who shall be responsible for discharge of duties and functions normally discharged by a secretary under the corporate laws and secretarial practice.

CONTRACTS WITH THE SINGLE MEMBER

19. Where a single member company enters into a contract with the single member of the company, the single member company shall, unless the contract is in writing, ensure that the terms of the contract are forthwith set out in a written memorandum or are recorded in the minutes of the first meeting of the directors of the company following the making of the contract.

DIVIDENDS AND RESERVES

20. The company may declare dividends and pay in accordance with the provisions of the Act.

ACCOUNTS

21. The director(s) shall cause to keep proper books of account in accordance with the provisions of section 220.
22. Auditors shall be appointed and their duties regulated in accordance with the provisions of sections 246 to 249.

THE SEAL

23. The director shall provide for safe custody of the seal and the seal shall not be affixed to any instrument except by the authority of a resolution of the board of directors or by a committee of directors authorized in that behalf by the member director or the non-member director and in the presence of at least member director or the non-member director and of the secretary or such other person as the directors may appoint for the purpose and the member director or the non-member director and the secretary or other person as aforesaid shall sign every instrument to which the seal of the company is affixed in their presence.

WINDING UP

24. The company shall follow, in case of its winding up, the relevant provisions of the Act.

INDEMNITY

25. Every officer or agent for the time being of the company may be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal arising out of his dealings in relation to the affairs of the company, except those brought by the company against him, in which judgment is given in his favour or in which he is acquitted, or in connection with any application under section 487 in which relief is granted to him by the Court.

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of these articles of association and agree

to take the number of shares in the capital of the company as set opposite my name:

Name and surname (present & former) in full	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures

Dated the ____ day of _____, 20_____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted online*)

(*Digital Signature Certificate Provider*)

Name:

Address:

TABLE B
(See section 41)
MEMORANDUM OF ASSOCIATION OF
COMPANY LIMITED BY SHARES

1. The name of the company is "ABC Textile Limited/(Private) Limited/(SMC-Private) Limited".
2. The registered office of the company will be situated in the Province of Sindh.
3. (i) The principal line of business of the company shall be to carry-out the manufacturing, sale, import and export of textiles.
(ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.
(iii) ¹[Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT management Services, Housing Finance Services, Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba management company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.]
(iv) It is hereby undertaken that the company shall not:
(a) engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;
(b) launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;
(c) engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.
4. The liability of the members is limited.
5. The authorized capital of the company is Rs.1,000,000/- (Rupees one Million only) divided into 100,000 (one hundred thousand) ordinary shares of Rs.10/- (Rupees ten only) each.

1 Clause 3(iii) substituted by Notification No. SRO 378(I)/2023, dated 17.03.2023.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company as set opposite our respective names:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures
			Total number of shares taken (in figures and words)				

Dated the ____ day of _____, 20 ____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)

(*Digital Signature Certificate Provider*)

Name:

Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of this memorandum of association and agree to take the number of shares in the capital of the company as set opposite my name:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures

Dated the ____ day of ____ , 20 ____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)

(Digital Signature Certificate Provider)

Name:

Address:

TABLE C
(See section 41)

**MEMORANDUM AND ARTICLES OF ASSOCIATION OF A COMPANY
 LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL**

MEMORANDUM OF ASSOCIATION

1. The name of the company is "The ABC Hospital (Guarantee) Limited."
2. The registered office of the company will be situated in the Province of Baluchistan.
3. (i) The principal line of business of the company shall be to establish, run and manage hospitals.
 (ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.
 (iii) ¹[Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT management Services, Housing Finance Services, Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba management company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.]
 (iv) It is hereby undertaken that the company shall not:
 - (a) engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;
 - (b) launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;
 - (c) engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.
4. The liability of the members is limited.
5. Every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year afterwards, for payment of the debts and liabilities of the company

1 Clause 3(iii) substituted by Notification No. SRO 378(I)/2023, dated 17.03.2023.

contracted before he ceases to be a member, and the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding rupees.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of this memorandum of association:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Signatures

Dated the ____ day of ____ , 20 ____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)

(Digital Signature Certificate Provider)

Name:

Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of this memorandum of association:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Signatures

Dated the ____ day of _____, 20 ____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)

(*Digital Signature Certificate Provider*)

Name:

Address:

**ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING A SHARE CAPITAL****INTERPRETATION**

1. (1) In these articles-
 - (a) "section" means section of the Act;
 - (b) "the Act" means the Companies Act, 2017.
 - (c) "the seal" means the common seal or official seal of the company as the case may be.

(2) Unless the context otherwise requires, words or expressions contained in these articles shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which these regulations become binding on the company.

MEMBERS

2. The number of members with which the company proposes to be registered is 200, but the directors may, from time to time, whenever the company or the business of the company requires it, register an increase of members.
3. The subscribers to the memorandum and such other persons as the directors shall admit to membership shall be members of the company.

GENERAL MEETINGS

4. A general meeting, to be called annual general meeting, shall be held within sixteen months from the date of incorporation of the company and thereafter once at least in every year within a period of one hundred and twenty days following the close of its financial year as may be determined by the directors.
5. All general meetings other than annual general meetings shall be called extraordinary general meetings.
6. The directors may, whenever they think fit, call an extraordinary general meeting.

PROCEEDINGS AT GENERAL MEETINGS

7. All business shall except the businesses stated in sub-section (2) of section 134 shall be deemed special that is transacted at a general meeting.
8. (1) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.
(2) Save as otherwise provided, three members present in person or through video-link who represent not less than twenty five per cent of the total voting power either of their own account or as proxies in person, shall be a quorum.

9. (1) If within half an hour from the time appointed for a meeting a quorum is not present, the meeting, if called upon the requisition of members shall be dissolved.
(2) In any other case, the meeting shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and such other time and place as the directors may determine.
(3) If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the members present shall be a quorum.
10. (1) The Chairman, if any, of the board of directors shall preside as chairman at every general meeting of the company.
(2) If there is no such chairman, or if he is not present within fifteen minutes after the time appointed for the meeting or is unwilling to act as chairman of the meeting, the directors present shall choose one of their number to be chairman of the meeting.
(3) If at any meeting no director is willing to act as chairman or if no director is present within fifteen minutes after the time appointed for the meeting, the members present shall choose one of their number to be the chairman of the meeting.
11. (1) The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place.
(2) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
(3) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
(4) Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
12. At any general meeting a resolution put to the vote to the meeting shall be decided on a show of hands and a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the minutes of proceedings shall be conclusive evidence of the fact without proof of the number of votes recorded in favour or against the resolution.
13. In the case of an equality of votes, the chairman of the meeting shall have and exercise a second or casting vote.

VOTES OF MEMBERS

14. Every member shall have one vote.
15. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, by his committee or

- other legal guardian, and any such committee or guardian may, vote by proxy.
16. No member shall be entitled to vote at any general meeting unless all moneys presently payable by him to the company have been paid.
 17. (1) Votes may be given on any matter by the members either personally or through video-link or by proxy or by means of postal ballot.
 (2) At any general meeting, the company shall transact such businesses only through postal ballot as may be notified by the Commission.
 18. (1) No objection shall be raised to the qualification of any voter except at a meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes.
 (2) Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.
 19. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed:
 Provided that no intimation in writing of such death, insanity or revocation shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.
 20. An instrument appointing a proxy shall be in writing and shall be deposited at the office of the company or the place of meeting at least forty-eight hours before the meeting at which it is to be used.

DIRECTORS

21. The following subscribers of the memorandum of association shall be the first directors of the company, so, however, that the number of directors shall not in any case be less than that specified in section 154 and they shall hold office until the election of directors in the annual general meeting:

1. ab
2. cd
3. ef
4. gh

ELECTION OF DIRECTORS

22. (i) The directors of the company shall be elected in accordance with provisions of sub-sections (1) to (4) of section 159 of the Act, in the following manner:
 - (a) the directors of the company shall be elected by the members of the company in general meeting;
 - (b) each member shall have votes equal to the number of directors to be elected;

- (c) a member may give all his votes to a single candidate or divide them, not being in fractions, between more than one of the candidates in such manner as he may choose; and
 - (d) the candidate who gets the highest number of votes shall be declared elected as director and then the candidate who gets the next highest number of votes shall be so declared and so on until the total number of directors to be elected has been so elected.
- (ii) If the number of persons who offer themselves to be elected is not more than the number of directors fixed by the directors under sub-section (1) of section 159, all persons who offered themselves shall be deemed to have been elected as directors.

POWER AND DUTIES OF DIRECTORS

22. The business of the company shall be managed by the directors, who may exercise all such powers of the company as are not by the Act required to be exercised by the company in general meeting.

PROCEEDINGS OF DIRECTORS

23. (1) The Directors may meet for the dispatch of business, adjourn and otherwise regulate their meetings, as they think fit.
- (2) A director may, and the chief executive or secretary on the requisition of a director shall, at any time, summon a meeting of the directors.
- 24 (1) Save as otherwise expressly provided in the Act, questions arising at any meeting of the directors shall be decided by a majority of votes.
- (2) In case of any equality of votes, the chairman shall have and exercise a second or casting vote.
25. The continuing directors may act notwithstanding any vacancy but, if and so long as their number is reduced below the minimum fixed by the Act, the continuing directors or director may act for the purpose of increasing the number of directors to that minimum or for summoning a general meeting of the company, but for no other purpose.
26. (1) The directors may elect a chairman and determine the period for which he is to hold office within the limits prescribed by the Act.
- (2) If no such chairman is elected, or if at any meeting the Chairman is not present within fifteen minutes after the time appointed for the meeting or is unwilling to act as chairman, the directors present may choose one of their number to be chairman of the meeting.
27. All acts done by any meeting of the directors or by any person acting as director, shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of any such director or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.

28. At least one-third (1/3rd) of the total number of directors or two (2) directors whichever is higher, for the time being of the company, present personally or through video-link, shall constitute a quorum.
28. A resolution in writing, signed by all the directors for the time being entitled to receive notice of a meeting, shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held.

MINUTE BOOKS

29. The directors shall cause records to be kept and minutes to be made in book or books with regard to-
 - (a) all resolutions and proceedings of general meeting(s) and the meeting(s) of directors and committee(s) of directors, and every member present at any general meeting and every director present at any meeting of directors or committee of directors shall put his signature in a book to be kept for that purpose;
 - (b) recording the names of the persons present at each meeting of the directors and of any committee of the directors, and the general meeting; and
 - (c) all orders made by the directors and committee(s) of directors:

Provided that all records related to proceedings through video-link shall be maintained in accordance with the relevant regulations specified by the Commission which shall be appropriately rendered into writing as part of the minute books according to the said regulations.

CHIEF EXECUTIVE

30. Subject to the provisions of the Act, a chief executive shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit.

THE SEAL

31. The directors shall provide for the safe custody of the seal and the seal shall not be affixed to any instrument except by the authority of a resolution of the board of directors or by a committee of directors authorized in that behalf by the directors and in the presence of at least two directors and of the secretary or such other person as the directors may appoint for the purpose; and those two directors and secretary or other person as aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of these articles of association:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Signatures

Dated the _____ day of _____, 20 ____.

Witness to above signatures: (For the documents submitted in physical form)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (For the documents submitted electronically)

(Digital Signature Certificate Provider)

Name:

Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of these articles of association:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Signatures

Dated the ____ day of ____ , 20 ____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)

(*Digital Signature Certificate Provider*)

Name:

Address:

TABLE D
[See section 41]

**MEMORANDUM AND ARTICLES OF ASSOCIATION OF A COMPANY
 LIMITED BY GUARANTEE AND HAVING A SHARE CAPITAL**

MEMORANDUM OF ASSOCIATION

1. The name of the company is "The ABC Hospital (Guarantee) Limited."
2. The registered office of the company will be situated in the Province of Baluchistan.
3. (i) The principal business of the company shall be to establish, run and manage hospitals.
 (ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.
 (iii) ¹[Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT management Services, Housing Finance Services, Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba management company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.]
 (iv) It is hereby undertaken that the company shall not:
 - a. engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;
 - b. launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;
 - c. engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.
4. The liability of the members is limited.
5. Every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year afterwards, for payment of the debts and liabilities of the company contracted before he ceases to be a member, and the costs, charges and

1 Clause 3(iii) substituted by Notification No. SRO 378(I)/2023, dated 17.03.2023.

expenses of winding up and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding _____ rupees.

6. The authorized capital of the company is Rs.1,000,000/- (Rupees one Million only) divided into 100,000 (one hundred thousand) ordinary shares of Rs.10/- (Rupees ten only) each.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company as set opposite our respective names:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures
Total number of shares taken (in figures and words)							

Dated the ____ day of ____ , 20 ____ .

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)

(Digital Signature Certificate Provider)

Name:

Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of this memorandum of association and agree to take the number of shares in the capital of the company as set opposite my name:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures

Dated the ____ day of ____ , 20 ____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)

(Digital Signature Certificate Provider)

Name:

Address:

**ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY
GUARANTEE AND HAVING A SHARE CAPITAL**

PRELIMINARY

1. (1) In these regulations-
 - (a) "section" means section of the Act;
 - (b) "the Act" means the Companies Act, 2017; and
 - (c) "the seal" means the common seal or official seal of the company as the case may be.
- (2) Unless the context otherwise requires, words or expressions contained in these regulations shall have the same meaning as in the Act; and words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include feminine, and words importing persons shall include bodies corporate.
2. The number of members with which the company proposes to be registered is 100, but the directors may from time to time register an increase of members.
3. All the regulations in Table A of this Schedule shall be deemed to be incorporated with these articles and shall apply to the company.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of these articles of association, and we respectively agree to take the number of shares in the capital of the company as set opposite our respective names:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures
Total number of shares taken (in figures and words)							

Dated the _____ day of _____, 20_____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)
(Digital Signature Certificate Provider)

Name:

Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of these articles of association and agree to take the number of shares in the capital of the company as set opposite my name:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures

Dated the ____ day of ____ , 20 ____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (*For the documents submitted electronically*)
(Digital Signature Certificate Provider)

Name:

Address:

TABLE E

(See section 41)

MEMORANDUM AND ARTICLES OF ASSOCIATION OF AN UNLIMITED COMPANY HAVING A SHARE CAPITAL**MEMORANDUM OF ASSOCIATION**

1. The name of the company is "Khyber Fruit Products Company Unlimited".
2. The registered office of the company will be situated in the Province of Sindh.
3. (i) The principal line of business of the company shall be preservation, canning and marketing of fruit and fruit products.
(ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.
(iii) ¹[Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT management Services, Housing Finance Services, Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba management company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.]
(iv) It is hereby undertaken that the company shall not:
 - (a) engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;
 - (b) launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;
 - (c) engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.
4. The liability of the members is unlimited.
5. The authorized capital of the company is Rs.1,000,000/- (Rupees one Million only) divided into 100,000 (one hundred thousand) ordinary shares of Rs.10/- (Rupees ten only) each.

¹ Clause 3(iii) substituted by Notification No. SRO 378(I)/2023, dated 17.03.2023.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company as set opposite our respective names:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No.)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures
		Total number of shares taken (in figures and words)					

Dated the ____ day of _____, 20 ____.

Witness to above signatures: (For the documents submitted in physical form)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (For the documents submitted electronically)

(Digital Signature Certificate Provider)

Name:

Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of this memorandum of association and agree to take the number of shares in the capital of the company as set opposite my name:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures

Dated the ____ day of ____ , 20 ____.

Witness to above signatures: *(For the documents submitted in physical form)*

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: *(For the documents submitted electronically)*

(Digital Signature Certificate Provider)

Name:

Address:

ARTICLES OF ASSOCIATION OF AN UNLIMITED COMPANY
PRILIMINARY

1. (1) In these regulations-
 - (a) "section" means section of the Act;
 - (b) "the Act" means the Companies Act, 2017; and
 - (c) "the seal" means the common seal or official seal of the company as the case may be.
- (2) Unless the context otherwise requires, words or expressions contained in these regulations shall have the same meaning as in the Act; and words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include feminine, and words importing persons shall include bodies corporate.
2. All the regulations in Table A of this Schedule shall be deemed to be incorporated with these articles and shall apply to the company.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of these articles of association, and we respectively agree to take the number of shares in the capital of the company as set opposite our respective names:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures
		Total number of shares taken (in figures and words)					

Dated the _____ day of _____, 20 ____.

Witness to above signatures: (For the documents submitted in physical form)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (For the documents submitted electronically)
 (Digital Signature Certificate Provider)

Name:
 Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of these articles of association and agree to take the number of shares in the capital of the company as set opposite my name:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures

Dated the ____ day of ____ , 20 ____.

Witness to above signatures: (For the documents submitted in physical form)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (For the documents submitted electronically)

(Digital Signature Certificate Provider)

Name:
 Address:

TABLE F

(See section 42)

**MEMORANDUM AND ARTICLES OF ASSOCIATION OF
A COMPANY LICENCED UNDER SECTION 42**

[A company set up under Section 42 of the Companies Act, ¹[2017]]

MEMORANDUM OF ASSOCIATION

- I. The name of the company is "XYZ Association".
- II. The registered office of the company will be situated in the Province of Baluchistan.
- III. The object for which the company is established, are as follows:
 - (1) To promote education in the country by establishing, maintaining, assisting, running and managing schools and colleges for the low income segment in society in rural and urban areas.
 - (2) To
 - (3) To
- IV. In order to achieve its object, the company shall exercise the following powers:
 - (1) To appeal, solicit or accept contributions, donations, grants and gifts, in cash or in kind, from lawful sources and to apply the same or income thereof for the objects of the company.
 - (2) To open and operate bank accounts in the name of the company and to draw, make, accept, endorse, execute and issue promissory notes, bills, cheques and other instruments.
 - (3) To acquire, alter, improve, charge, take on lease, exchange, hire, sell, let or otherwise dispose of any movable or immovable property and any rights and privileges whatsoever for any of the objects or purposes specified herein above. Provided that the company shall not undertake the business of real estate or housing schemes.
 - (4) To borrow or raise money, with or without security, required for the purposes of the company upon such terms and in such manner as may be determined by the company for the promotion of its objects.
 - (5) To mortgage the assets of the company and / or render guarantee for the performance of any contract made, discharge of any obligation incurred or repayment of any moneys borrowed by the company.
 - (6) To purchase, sell, exchange, take on lease, hire or otherwise acquire lands, construct, maintain or alter any building and any other moveable or immovable properties or any right or privileges necessary or convenient for the use and purposes of the company.

¹ Substituted for the figure "2016" by Notification No. SRO 732(I)/2018, dated 07.06.2018.

- (7) To nominate delegates and advisors to represent the company at conferences, government bodies and other gatherings.
- (8) To co-operate with other charitable trusts, societies, associations, institutions or companies formed for all or any of these objects and statutory authorities operating for similar purposes and to exchange information and advice with them.
- (9) To pay out of the funds of the company the costs, charges and expenses of and incidental to the formation and registration of the company.
- (10) To invest the surplus moneys of the company not immediately required, in such a manner as may from time to time be determined by the company.
- (11) To create, establish, administer and manage funds including endowment fund conducive for the promotion of the objects of the company.
- (12) To enter into agreements, contracts and arrangements with organizations, institutions, bodies and individuals for the purpose of carrying out the functions and activities of the company.
- (13) To take such actions as are considered necessary to raise the status or to promote the efficiency of the company.
- (14) To conduct, hold and arrange symposia, seminars, conferences, lectures, workshops and dialogue and to print, publish and prepare journals, magazines, books, circulars, reports, catalogues and other works relating to any of the objects of or to the work done by the company, subject to the permission, if required of the relevant authorities.
- (15) To do all other such lawful acts and things as are incidental or conducive to the attainment of the above objects or any one of them.

¹[V. The company shall achieve the above said objects subject to the conditions specified in Associations with Charitable and Not for Profit Objects Regulations, 2018 and any additional condition mentioned in the license.]

VI. The territories to which the object of the company shall extend are declared to include whole of Pakistan.

VII. The liability of the members is limited.

VIII. Every member of the company undertakes that he shall contribute to the assets of the company in the event of its being wound up while he is a member or within one year afterwards, for payment of the debts or liabilities of the company contracted before he ceases to be a member and the costs, charges and expenses of winding up and for adjustment of the rights of the contributors among themselves ²[an amount of rupees _____ but not less than one hundred thousand rupees or such other amount as may be notified by the Commission].

¹ Paragraph V substituted by Notification No. SRO 732(I)/2018, dated 07.06.2018.

² Substituted for the words etc. "such amount as may be required but not exceeding Rs.100,000/- (Rupees One Hundred Thousand Only" by Notification No. SRO 732(I)/2018, dated 07.06.2018.

'[]

- X. In the case of winding up or dissolution of the company, any surplus assets or property, after the satisfaction of all debts and liabilities, shall not be paid or disbursed among the members, but shall be given or transferred to some other company established under section 42 of the Companies Act, 2017, preferably having similar or identical objects to those of the company and with the approval required under the relevant provisions of the Income Tax Act, 2001 and under intimation to the Securities and Exchange Commission of Pakistan.

We, the several, persons whose names and addresses are subscribed below are desirous of being formed into a company in pursuance of this memorandum of association:-

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Signatures

Dated the ____ day of ____ , 20 ____ .

Witness to above signatures: (For the documents submitted in physical form)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

'[]

[A company set up under Section 42 of the Companies Act, 2017]

ARTICLES OF ASSOCIATION

1. In these Articles, unless the context or the subject matter otherwise requires:
 - (a) "the company" means 'XYZ Association'.
 - (b) "the office" means the registered office for the time being of the company.
 - (c) "the directors" mean the directors for the time being of the company.

1 Paragraph IX omitted by Notification No. SRO 732(I)/2018, dated 07.06.2018.

2 Expressions omitted by Notification No. SRO 732(I)/2018, dated 07.06.2018.

- (d) "the seal" means the common seal or official seal of the company as the case may be.
 - (e) "the Act" means the Companies Act, 2017.
 - (f) "the Commission" means the Securities and Exchange Commission of Pakistan.
 - (g) "the registrar" means the registrar of companies as defined in the Companies Act, 2017.
 - (h) "the register" means the register of the members to be kept in pursuant to section 119 of the Act.
 - (i) "chief executive" means the chief executive of the company.
 - (j) "secretary" means the company secretary of the company.
 - (k) "memorandum" means the memorandum of association of the company.
 - (l) "person" includes an individual, company, corporation and body corporate.
 - (m) "articles" means the articles of association of the company.
 - (n) "board" means the board of directors of the company.
 - (o) "year" used in the context of financial matters shall mean financial year of the company.
 - (p) Expressions referring to writing shall be construed as including references to typewriting, printing, lithography, photography and other modes of representing or reproducing words in visible form.
 - (q) Words importing the singular number include the plural number and vice versa and words importing the masculine gender include the feminine gender.
 - (r) Unless the context otherwise requires words or expressions contained in these Articles shall be of the same meaning as in the Act or any statutory modification thereof in force at the date at which these Articles become binding on the company.
2. The number of members with which the company proposes to be registered is, but the minimum number of members shall not be, at any time, less than three (3). However, the directors may, from time to time, whenever the company or the business of the company requires, increase the number of members.
 3. The company in general meeting may from time to time lay down the qualifications and conditions subject to which any person or class of persons shall be admitted to membership of the company.
 4. The rights and privileges of a member shall not be transferable and shall cease on his death or otherwise ceasing to be a member.
 5. The subscribers to the memorandum and such other persons as the directors shall admit to membership shall be members of the company.

6. One person shall have the right to hold one membership.

ADMISSION TO MEMBERSHIP

7. The application for seeking membership of the company shall be required to be seconded by an existing member whereupon the board of directors shall decide the matter of his admission as member or otherwise within ninety days of making of such application. No minor or lunatic shall be admitted as a member of the company.
8. Every person, upon applying for admission to membership, shall submit to the company an undertaking on the stamp paper of appropriate value that:
 - (a) I have not been associated with any money laundering or terrorist financing activities and neither have approved receipt of nor received such monies and likewise neither have approved disbursement of nor disbursed such monies in any manner for money laundering or terrorist financing purposes; and
 - (b) I have not been associated with any illegal banking business, deposit taking or financial dealings or any other illegal activities.

9. The board shall subject to the Articles, accept or reject any application for admission to membership. The board's decision shall be final and it shall not be liable to give any reasons thereof.

CESSATION / EXPULSION FROM MEMBERSHIP

10. A member renders himself liable to expulsion or suspension by the board if:
 - (a) he refuses or neglects to give effect to any decision of the board; or
 - (b) he infringes any of the regulations of the articles; or
 - (c) he is declared by a court of competent jurisdiction to have committed a fraud, or to be bankrupt, or to be insane or otherwise incompetent; or
 - (d) he is held by the Committee of the company to have been guilty of any act discreditible to a member of the company; or
 - (e) he is acting or is threatening to act in a manner prejudicial to the objects, interest or functioning of the company or any other institute, body corporate, society, association or institution in which the company has an interest.
11. The company in general meeting may, on an appeal of the aggrieved member and after giving an opportunity of hearing, annul or modify the decision of the board with regard to expulsion of the member by resolution supported by two-thirds majority. The person expelled shall be reinstated as a member from the date of the resolution of the general meeting annulling the decision of the board.
12. Termination of membership shall occur automatically:
 - (a) in the event of the death of a member; and
 - (b) in the event a member fails to pay any amount due by him to the company within three (3) months after such obligation has become due.

GENERAL MEETINGS AND PROCEEDINGS
ANNUAL GENERAL MEETING

13. A general meeting to be called annual general meeting, shall be held, in accordance with the provisions of Section 132, within sixteen months (16) months from the date of incorporation of the company and thereafter once at least in every calendar year within a period of four (4) months following the close of its financial year as may be determined by the directors.

OTHER GENERAL MEETINGS

14. All other meetings of the members of the company other than an annual general meeting shall be called "extraordinary general meetings".

EXTRAORDINARY GENERAL MEETINGS

15. The directors may, whenever they think fit, call an extraordinary general meeting, and extraordinary general meeting shall also be called on such requisition(s), as is provided by section 133 of the Act.

NOTICE OF GENERAL MEETINGS

16. Twenty-one (21) days' notice at least (exclusive of the day on which the notice is served or deemed to be served, but inclusive of the day for which notice is given) specifying the place, the day and the hour of meeting and, in case of special business, the general nature of that business, shall be given in the manner provided by the Act for the general meeting, to such persons as are, under the Act or the Articles of the company, entitled to receive such notices from the company but the accidental omission to give notice to or the non-receipt of notice by any member shall not invalidate the proceedings at any general meeting.

SPECIAL BUSINESS

17. All business that is transacted at an extra ordinary general meeting and that is transacted at an annual general meeting with the exception of the consideration of the financial statements and the reports of the director and auditors, the election of directors, the appointment of and the fixing of remuneration of the auditors shall be deemed special business.

QUORUM

18. No business shall be transacted at any general meeting unless a quorum of members representing not less than two (2) members or twenty-five percent of the total number of members of the company, whichever is greater, is present personally or through video-link at the time when the meeting proceeds to business-
 - (a) in the case of a public listed company, unless the articles provide for a larger number, not less than ten members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;

- (a)* in the case of any other company having share capital, unless the articles provide for a larger number, two members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies.

EFFECT OF QUORUM NOT BEING PRESENT

19. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved and in any other case, it shall stand adjourned to the same day in the next week at the same time and place and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present in person or through video-link, being not less than two, shall be a quorum.

CHAIRMAN OF MEETING

20. The chairman of the board of directors, shall preside as chairman at every general meeting of the company, but if he is not present within fifteen minutes after the time appointed for the meeting, or is unwilling to act as chairman, any of the directors present may be elected to be the chairman and if none of the directors present is willing to act as chairman, the members present shall choose one of their number to be the chairman.

ADJOURNMENT

21. The chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for fifteen (15) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

VOTING

22. At any general meeting a resolution put to the vote to the meeting shall be decided on a show of hands and a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

CASTING VOTE

23. In the case of an equality of votes, the chairman of the meeting shall have and exercise a second or casting vote.

VOTES OF MEMBERS

24. (1) Votes may be given on any matter by the members either personally or through video-link or by proxy or by means of postal ballot.
- (2) At any general meeting, the company shall transact such businesses only through postal ballot as may be notified by the Commission.

OBJECTION TO VOTE

25. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given and tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

MANAGEMENT AND ADMINISTRATION

26. There shall be, for the overall management of the company's affairs, a board of directors, which will be elected from amongst the members.
27. One term of the board of directors would be for three years.
28. No person shall be appointed as a director if he is ineligible to hold office of director of a company under section 153 of the Act.
29. No member / person shall hold more than one office in the company, such as those of Chief Executive / director or company secretary simultaneously.

FIRST DIRECTORS

30. The following subscribers of the memorandum of association shall be the first directors of the company, so, however, that the number of directors shall not in any case be less than that specified in section 154 and they shall hold office until the election of directors in the annual general meeting:

1. ab
2. cd
3. ef
4. gh

NUMBER OF DIRECTORS

31. The number of directors shall not be less than three (3)¹[]. The directors of a company shall, subject to section 154, fix the number of elected directors of the company not later than thirty-five days before the convening of the general meeting at which directors are to be elected, and the number so fixed shall not be changed except with the prior approval of a general meeting of the company such that the minimum number of directors shall not be, at any time, less than three (3). A retiring director shall be eligible for re-election.

¹ Words etc. "and not more than nine (9)" omitted by Notification No. SRO 732(I)/2018, dated 07.06.2018.

PROCEDURE FOR ELECTION OF DIRECTORS

32. (i) The directors of the company shall be elected in accordance with provisions of sub-sections (1) to (4) of section 159 of the Act, in the following manner:
- (a) the directors of the company shall be elected by the members of the company in general meeting;
 - (b) each member shall have votes equal to the number of directors to be elected;
 - (c) a member may give all his votes to a single candidate or divide them, not being in fractions, between more than one of the candidates in such manner as he may choose; and
 - (d) the candidate who gets the highest number of votes shall be declared elected as director and then the candidate who gets the next highest number of votes shall be so declared and so on until the total number of directors to be elected has been so elected.
- (ii) If the number of persons who offer themselves to be elected is not more than the number of directors fixed by the directors under sub-section (1) of section 159, all persons who offered themselves shall be deemed to have been elected as directors.

CASUAL VACANCY AND ALTERNATE OR SUBSTITUTE DIRECTORS

33. (a) Any casual vacancy occurring among the directors may be filled up by the directors within thirty days of the vacancy and the person so appointed shall hold office for the remainder of the term of director in whose place he is appointed.
- (b) An existing director may, with the approval of the board of directors, appoint an alternate director to act for him during his absence from Pakistan of not less than ninety days. The alternate director so appointed shall ipso facto vacate office if and when the director appointing him returns to Pakistan.
- (c) A person shall be eligible for appointment against casual vacancy or to act as alternate director only if he is a member and is not already a director of the company.

REMOVAL OF DIRECTOR

34. The company may remove a director through a resolution passed in a general meeting of members in accordance with section 163 of the Act.

CHAIRMAN OF THE BOARD

35. The directors may elect one of their members as the Chairman of the board. The Chairman of the board shall preside at all meetings of the board but, if at any meeting the chairman is not present within ten minutes after the time appointed for holding the same or is unwilling to act as chairman, the

directors present in person or through video-link may choose one of their member to be chairman of the meeting.

DUTIES AND POWERS OF THE BOARD

36. The board shall conduct and manage all the business affairs of the company, exercise all the powers, authorities and discretion of the company, obtain or oppose the application by others for all concessions, grants, charters and legislative acts and authorization from any government or authority, enter into such contracts and do all such other things as may be necessary for carrying on the business of the company, except only such of them as under the statutes and Articles are expressly directed to be exercised by general meetings and (without in any way prejudicing or limiting the extent of such general powers) shall have the following special powers and duties:
- (a) To present to the general meeting of the company any matters which the directors feel are material to the company, its objects or interests or affecting the interests of members and make suitable recommendations regarding such matters.
 - (b) To regulate, through articles, the admission of members.
 - (c) To appoint, remove or suspend the legal advisors, bankers, or other officers on such terms and conditions as they shall think fit and as may be agreed upon.
 - (d) To determine the remuneration, terms and conditions and powers of such appointees and from time to time, revoke such appointments and name another person of similar status to such office except for the auditor in which case the relevant provisions of the Act shall be followed.
 - (e) To delegate, from time to time, to any such appointee all or any of the powers and authority of the board and to reconstitute, restrict or vary such delegations.
 - (f) To appoint any qualified person as a first auditor(s) subject to provisions of the Act;
 - (g) To agree upon and pay any expenses in connection with the company's objects and undertakings and pay all the expenses incidental to the formation and regulation of the company.
 - (h) To constitute from time to time committee(s) from among themselves or co-opt other persons for the purpose and delegate to them such functions and powers as the board may deem fit to carry out the objects of the company.
 - (i) Subject to the provisions of section 183 of the Act, the directors may exercise all the powers of the company to borrow and mortgage or charge its undertaking, property and assets (both present and future) or

issue securities, whether outright security for any debt, liability or obligation of the company.

PROCEEDINGS OF THE BOARD

37. The board shall meet at least once in each quarter of every year, subject thereto meetings of the board shall be held at such time as the directors shall think fit. All meetings of the board shall be held at the registered office of the company or at such other place as the board shall from time to time determine. The meetings of the board shall be called by the chairman on his own accord or at the request of the chief executive (or any three directors) by giving at least seven (7) days' notice to the members of the board.
38. At least one-third (1/3rd) of the total number of directors or two (2) directors whichever is higher, for the time being of the company, present personally or through video-link, shall constitute a quorum.
39. Save as otherwise expressly provided in the Act, every question at meetings of the board shall be determined by a majority of votes of the directors present in person or through video-link, each director having one vote. In case of an equality of votes or tie, the chairman shall have a casting vote in addition to his original vote as a director.
40. The directors shall cause records to be kept and minutes to be made in book or books with regard to-
 - (a) all resolutions and proceedings of general meeting(s) and the meeting(s) of directors and committee(s) of directors, and every member present at any general meeting and every director present at any meeting of directors or committee of directors shall put his signature in a book to be kept for that purpose;
 - (b) recording the names of the persons present at each meeting of the directors and of any committee of the directors, and the general meeting; and
 - (c) all orders made by the directors and committee(s) of directors:

Provided that all records related to proceedings through video-link shall be maintained in accordance with the relevant regulations specified by the Commission which shall be appropriately rendered into writing as part of the minute books according to the said regulations.

RESOLUTION THROUGH CIRCULATION

41. A resolution in writing signed by all directors for the time being entitled to receive notice of the meeting of directors or affirmed by them in writing shall be as valid and effectual as if it had been passed at a meeting of the directors duly convened and held.
- 42.

CHIEF EXECUTIVE

43. The directors may appoint a person to be the Chief Executive of the company and vest in him such powers and functions as they deem fit in relation to the management and administration of the affairs of the company subject to their general supervision and control. The Chief Executive, if not already a director, shall be deemed to be a director of the company and be entitled to all the rights and privileges and subject to all the liabilities of that office.

QUALIFICATION OF THE CHIEF EXECUTIVE

44. No person who is not eligible to become a director of the company under section 153 of the Act, shall be appointed or continue as the Chief Executive of the company.

REMOVAL OF CHIEF EXECUTIVE

45. The directors by passing resolution by not less than three-fourths of the total number of directors for the time being or the company may by a special resolution passed in a general meeting remove a chief executive before the expiry of his term in office.

MINUTE BOOKS

46. The directors shall cause records to be kept and minutes to be made in book or books with regard to—

- (a) all resolutions and proceedings of general meeting(s) and the meeting(s) of directors and committee(s) of directors, and every member present at any general meeting and every director present at any meeting of directors or committee of directors shall put his signature in a book to be kept for that purpose;
- (b) recording the names of the persons present at each meeting of the directors and of any committee of the directors, and the general meeting; and
- (c) all orders made by the directors and committee(s) of directors:

Provided that all records related to proceedings through video-link shall be maintained in accordance with the relevant regulations specified by the Commission which shall be appropriately recorded into writing and made part of the minute books according to the said regulations.

SECRETARY

47. The Secretary shall be appointed (or removed) by the chairman of the company with the approval of the board.
48. The Secretary shall be responsible for all secretarial functions and shall ensure compliance with respect to requirements of the Act concerning the meetings and record of proceedings of the board, committees and the general meeting of members, review the applications for admission to membership and the recommendations accompanying the same to ensure

that they are in the form prescribed, ensure that all notices required by these Articles or under the Act are duly sent and that all returns required under the Act are duly filed with concerned Company Registration Office.

COMMITTEES

49. The directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit and they may from time to time revoke such delegation. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the directors.

CHAIRMAN OF COMMITTEE MEETINGS

50. A committee may elect a chairman of its meetings, but, if no such chairman is elected, or if at any meeting the chairman is not present within fifteen (15) minutes after the time appointed for holding the same or is unwilling to act as chairman, the members present may choose one of them to be the chairman of the meeting.

PROCEEDINGS OF COMMITTEE MEMBERS

51. A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present. In case of an equality of votes, the chairman shall have and exercise a second or casting vote.

VALIDITY OF DIRECTORS' ACTS

52. All acts done by any meeting of the directors or of a committee of directors, or by any person acting as a director, shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of such directors or persons acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

THE SEAL

53. The directors shall provide for the safe custody of the seal, which shall not be affixed to any instrument except by the authority of a resolution of the board or by a committee of directors authorized in that behalf by the directors, and two directors or one director and the Secretary of the company shall sign every instrument to which the seal shall be affixed.

FINANCES

54. The funds of the company shall be applied in defraying the expenses and shall be applicable in or towards the acquisition by purchase, lease or otherwise and furnishing and maintenance of suitable premises and assets for the use of the company and shall be subject to the general control and direction of the board.
55. No person, except persons duly authorized by the board and acting within the limits of the authority as conferred, shall have authority to sign any

cheque or to enter into any contract so as thereby to impose any liability on the company or to pledge the assets of the company.

ACCOUNTS BOOKS OF ACCOUNT

56. The directors shall cause to be kept proper books of account as required under Section 220 of the Act so that such books of account shall be kept at the registered office or at such other place as the directors think fit as provided in the said section 220 and shall be open to inspection by the directors during business hours.

INSPECTION BY MEMBERS

57. The directors shall from time to time determine the time and places for inspection of the accounts and books of the company by the members not being directors, and no member (not being a director) shall have any right to inspect any account and book or papers of the company except as conferred by law or authorized by the directors or by the company in general meeting.

ANNUAL ACCOUNTS

58. The directors shall as required by section 223 of the Act cause to be prepared and to be laid before the company in annual general meeting such financial statements duly audited and reports of the auditors and the directors as are required under the Act.

COPY OF ACCOUNTS TO BE SENT TO MEMBERS

59. A copy of financial statements alongwith the reports of directors and auditors of the company shall, at least twenty-one (21) clear days before the holding of the general meeting, be sent to all the members and the persons entitled to receive notices of general meetings, in the manner in which notices are to be given as provided in section 55 of the Act.

AUDIT

60. Auditors shall be appointed and their duties regulated in accordance with Sections 246 to 249 of the Act.

NOTICE TO MEMBERS

61. Notice shall be given by the company to members and auditors of the company and other persons entitled to receive notice in accordance with section 55 of the Act.

INDEMNITY

62. Every officer or agent for the time being of the company may be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, arising out of his dealings in relation to the affairs of the company, except those brought by the company against him in which judgment is given in his favour or in which he is acquitted, or in connection with any application under section 492 in which relief is granted to him by the Court.

SECRECY

63. Every director, secretary, auditor, trustee, member of a committee, officer, servant, agent, accountant, or other person employed in the business of the company shall observe strict secrecy representing all transactions of the company, and the state of account with individuals and in matters relating thereto and shall not reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the directors or the company in general meeting or by a court of law, and except so far as may be necessary in order to comply with any of the provisions herein contained.

WINDING UP

63. In the case of winding up or dissolution of the company, any surplus assets or property, after the satisfaction of all debts and liabilities, shall not be paid or disbursed among the members, but shall be given or transferred to some other company established under section 42 of the Act, preferably having similar or identical objects to those of the company and with the approval required under the relevant provisions of the Income Tax Ordinance, 2001 and under intimation to the Securities and Exchange Commission of Pakistan.
64. With regard to winding up, the company shall comply with the relevant provisions of the Act and the conditions of licence granted under section 42 of the Act or any directions contained in a revocation order passed by the Commission under the said section 42.

SUPPLEMENTARY PROVISIONS RELATING TO TAX

65. The company shall abide by and adhere to the following rules:
- (i) The company shall get its annual accounts audited from a firm of Chartered Accountants.
 - ¹[(ii) The company shall, in the event of its dissolution, after meeting all liabilities, transfer all its assets to another company licensed under section 42, preferably having similar or identical objects to those of the company, which is an approved non-profit organization, and intimation of such transfer will be given to Commissioner, Federal Board of Revenue, within ninety days of the dissolution.]
 - (iii) The company shall utilize its money, property or income or any part thereof, solely for promoting its objects.
 - (iv) The company shall not pay or transfer any portion of its money, property or income, directly by way of dividend, bonus or profit, to any of its members(s) or the relative or relatives of member or members.
 - (v) The company shall maintain its banks accounts with a scheduled bank or in a post office or national saving organization, National Bank of Pakistan or national commercialized banks.
 - (vi) The company shall regularly maintain its books of accounts in accordance with generally accepted accounting principles and permit their inspection to the interested members of the public, without any hindrance, at all reasonable times.

¹ Clause (ii) substituted by Notification No. SRO 239(I)/2024, dated 16.02.2024.

- (vii) Without prejudice to the powers conferred on the Commission under section 42 of the Act, the association shall not change its memorandum and articles of association without approval of Commissioner, Income Tax, if it has been approved by him as a non-profit organization.
- (viii) The company shall restrict the surpluses or monies validly set apart, excluding restricted funds, up to twenty five percent (25%) of the total income of the year. Provided that such surpluses or monies set apart are invested in Government Securities, a collective investment scheme authorized or registered under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, mutual funds, a real estate investment trust approved and authorized under Real Estate Investment Trust Regulations, 2008 or scheduled banks.

We, the several, persons whose names and addresses are subscribed below are desirous of being formed into a company in pursuance of these articles of association:-

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Signatures

Dated the ____ day of ____ , 20 ____.

Witness to above signatures: (*For the documents submitted in physical form*)

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

¹[]

¹ Expressions omitted by Notification No. SRO 732(I)/2018, dated 07.06.2018.

SECOND SCHEDULE
**FORM OF STATEMENT IN LIEU OF PROSPECTUS TO BE
DELIVERED TO REGISTRAR BY A COMPANY WHICH DOES NOT
ISSUE A PROSPECTUS**

SECTION 1

FORM OF STATEMENT AND PARTICULARS TO BE CONTAINED THEREIN

(Pursuant to section 19 of the Companies Act, 2017)

1.	Name of the company	
2.	Corporate Universal Identification No. (CUIN):	
3.	Registered Office:	
4.	Telephone No.	
5.	Fax No.	
6.	Website Address:	
7.	E-mail Address:	

8. Authorized share capital of the company:-

S. No.	Kind of shares	Class of shares	Face/nominal value Rs.	Number of shares	Total Amount (Rs.)	Special rights in case of oilier than ordinary shares
1.						
2.						
3.						

9. Description of the business to be actually undertaken:-

10. Future prospects of the said business:-

11. Particulars of chief executive, directors, company secretary, chief accountant, chief financial officer, auditor, legal advisor and managing agent (if any) of the company:

Name *	Father's/ Husband's name	CNIC No.	Occupation and directorship in other company **	Tele. No.	Cell No.	E-mail Address	Residential Address ***
(a) Chief Executive							

(b) Directors:-							
1.							
2.							
3.							
4.							
5.							
6.							
7.							
(c) Company Secretary:-							
(d) Chief Accountant/Chief Financial Officer:-							
(e) Auditor(s) of the company:-							
(f) Legal advisor:-							
(g) Managing agent; if any:-							

12. Remuneration payable to the persons referred to in 11 above:-

S. No.	Position in the Company	Remuneration payable	Relevant provision of article, if any	Relevant clause of agreement if any
(a)	Chief Executive			
(b)	Directors			
	(1)			
	(2)			
	(3)			
	(4)			
	(5)			
	(6)			
	(7)			
(c)	Company Secretary			
(d)	Chief Accountant/ Chief Financial Officer			
(e)	Auditor			
(f)	Legal Advisor			
(g)	Managing Agent			

13. Number and amount of shares issued, including those agreed to be taken by virtue of Memorandum of Association for cash:-

S. No.	Kind of shares	Class of shares	Face/ Nominal Value	Number of shares	Amount	Names of allottee

14. Number and amount of shares agreed to be issued for consideration otherwise than in cash:-

Number of shares	Face / nominal Value	Amount	Details of consideration otherwise than in cash	Date for exercising the option	To whom option offered

15. Commission agreed to be paid for arranging the subscribers of shares:-

Nature of the commission	Number of shares agreed to be subscribed against the commission	Rate of the commission	Amount of the commission paid	Amount of the commission payable	Direct or indirect interest if any, of the person, stated in clause 11

16. Number and amount of debentures agreed to be issued for cash:-

Number of debentures	Face / Nominal Value	Amount	Date for exercising the option	To whom option offered	Whether offer accepted Yes / No

17. Number and amount of debentures agreed to be issued for consideration otherwise than in cash:-

Number of debentures	Face Value	Amount	Details of consideration	Date for exercising the option	To whom option offered

18. Commission agreed to be paid for arranging the subscribers of debentures:-

Nature of the commission	Number of debentures agreed to be subscribed against the commission	Rate of the commission	Amount of the commission paid	Amount of the commission payable	Direct or indirect interest if any, of the persons, stated in clause 11

19. Details of the every agreement entered into since the date of incorporation relating to property or other intangible assets of the value exceeding Rs.100,000/-:-

Name(s) & address(es) of the vendor/purchaser	Particulars of the property or other intangible assets intended to be purchased or sold	Amount intended to be paid or received in cash	Consideration	Direct or indirect Interest if any, of the persons, stated in clause 11

20. Details of all other material contracts executed or intended to be executed by the company:-

S. No.	Nature of contract	Dates and place of execution of contracts	Time and place for inspection of contracts	Name of the parties to contracts	Important terms & conditions of contracts	Direct or indirect interest if any, of the persons, narrated in clause 11
1.						
2.						
3.						

(Copies of contracts to be enclosed. If a contract is not reduced in writing, a memorandum giving full particulars and if not in English, its translation in English or Urdu shall be enclosed)

21. In case it is proposed to acquire a running business, net profit / loss of that business as certified by the auditor for the last 5 years:-

Year ended	Amount of net profit /loss	Business carried on since (date)	Direct or indirect if any, of the persons, seated in clause 11

22. Details of preliminary expenses:-

S. No.	Particulars of payment	Amount of preliminary expenses	Paid/Payable to	Paid by	Payable by	Consideration (in cash or kind to be specified)
1.						
2.						
3.						
4.						

23. Minimum subscription and its proposed utilization

Amount of minimum subscription		
Proposed utilization of minimum subscription:-		
(i)	Price of any property purchased or to be purchased	
(ii)	Preliminary expenses payable by the company.	
(iii)	Commission payable to any person in consideration of his agreeing to subscribe or procure any shires in the company	
(iv)	Repayment of any moneys borrowed by the company in respect of any of the foregoing matters.	
(v)	Working capital.	
(vi)	Other expenditures.	

24. Amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of minimum subscription and the sources out of which those amount to be provided.

S. No	Amount	Source of funds

25. Signatures of the Directors or their agents authorized in writing.

S. No	Name	Signature

Date: -----

Note: --In case of Auditor and Legal Advisor, being a firm the name of firm shall be mentioned.

--The occupation of the individual and the name(s) of the company(s) in which he holds the office of Chief Executive/Director shall be mentioned.

--- -In case of Auditor and Legal Advisor, the address of his/its office shall be mentioned.

SECTION 2
REPORTS TO BE SET OUT

1. Where it is proposed to acquire a business, a report made by auditors (who are named in the statement) upon:-
 - (a) the profits or losses of the business in respect of each of the five financial years immediately preceding the delivery of the statement to the registrar; and
 - (b) the assets and liabilities of the business as at the last date to which the accounts of the business were made up.
2. (1) where it is proposed to acquire shares in a body corporate, which by reason of the acquisition or anything to be done in consequence thereof or in connection therewith will become a subsidiary of the company, a report made by auditors (who shall be named in the statement) with respect to the profits and losses and assets and liabilities of the other body corporate in respect of each of the five financial years immediately preceding the delivery of the statement to the registrar;
- (2) If the other body corporate has no subsidiaries, the report referred to in sub-clause (1) shall-
 - (a) so far as regards profits and losses, deal with the profits or losses of the body corporate in respect of each of the five financial years immediately preceding the delivery of the statement to the registrar; and
 - (b) so far as regards assets and liabilities, deal with the assets and liabilities of the body corporate as at the last date to which the accounts of the body corporate were made up.
- (3) If the other body corporate has subsidiaries the report referred to in sub-clause(1) shall-
 - (a) so far as regards profits and losses, deal separately with other body corporate's profits or losses as provided by sub-clause (2), and in addition either-
 - (i) as a whole with the combined profits or losses of its subsidiaries so far as they concern members of the other body corporate; or
 - (ii) individual with the profits or losses of each subsidiary, so far as they concern member of the other body corporate; or instead of dealing separately with the other body corporate's profits or losses, deal as a whole with the profits or losses of the other body corporate and, so far as they concern members

- of the other body corporate, with the combined profits or losses of its subsidiaries; and
- (b) so far as regards assets and liabilities deal separately with the other body corporate's assets and liabilities as provided by sub-clause (2) and, in addition, deal either-
- (i) as a whole with the combined assets and liabilities of its subsidiaries, with or without the other body corporate's assets and liabilities; or
- (ii) individually with the assets and liabilities of each subsidiary; and shall indicate, as respects the assets and liabilities of the subsidiaries, the allowance to be made for persons other than members of the company.

COMPENDIUM
OF
CORPORATE LAWS

SECTION 3
PROVISIONS APPLYING TO SECTIONS 1 AND 2 OF THIS

STATEMENT

3. (1) Every person shall, for the purposes of the statement, be deemed to be a vendor who has entered into any contract, absolute or conditional, for the sale or purchase, or for any option of purchase, of any property to be acquired by the company, in any case where-
 - (a) the purchase money is not fully paid at the date of the issue of the statement;
 - (b) the purchase money is to be paid or satisfied, wholly or in part, out of the proceeds of the issue offered for subscription; or
 - (c) the contract depends for its validity or fulfilment on the result of that issue.

(2) In case the company was incorporated or the body corporate referred above was established less than five years before the making of the statement, reference to five financial years in sections 1 and 2 shall be deemed replaced for the actual period.

- 4. Any report required by section 2 of the statement shall either-
 - (a) indicate by way of note any adjustments as respects and figures of any profits or losses or assets and liabilities dealt with by the report which appears to the person making the report necessary; or
 - (b) make those adjustments and indicate that adjustments have been made.
- 5. Any report by auditors required by section 2 of the statement, shall be made by auditors qualified under the Act for appointment as auditors of a company.

COMPANIES (POSTAL BALLOT) REGULATIONS, 2018

S.R.O. 254(I)/2018, Islamabad, the 22nd February, 2018.— In exercise of powers conferred by section 512 read with section 134 of the Companies Act, 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan hereby makes the following Regulations, the same having been previously published vide S.R.O. 3(I)/2018 dated 1st January 2018 as required by section 512 of the said Act, namely:-

CHAPTER I Preliminary

1. Short title and commencement. - (1) These regulations shall be called Companies (Postal Ballot) Regulations, 2018.

(2) They shall come into force at once.

2. Definitions. - (1) In these regulations, unless there is anything repugnant in the subject or context, -

- (a) “Act” means the Companies Act, 2017 (XIX of 2017);
- (b) “authentication” means authentication through email and SMS codes for ensuring communication with legitimate member;
- (c) “Commission” means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (d) “cyber security” includes protecting information, equipment, devices, computer, computer resource, communication device and information stored therein, from unauthorized access, use, disclosures, disruption, modification or destruction;
- (e) “electronic signature” shall be the same as defined under clause (n) of section 2 of the Electronic Transactions Ordinance, 2002 (LI of 2002);¹ []
- (f) “electronic voting or (e-voting)” means voting through electronic mode²; and]
- ³[(g) “scrutinizer” means scrutinizer appointed under regulation 11 of this regulation.]

(2) All words and expressions used but not defined in these Regulations shall have the same meanings as in the Act and the Electronic Transactions Ordinance, 2002 (LI of 2002).

3. Applicability. - The right of vote through postal ballot shall be provided to members of-

1 Word “and” omitted by SRO 2192(I)/2022 dated December 5, 2022.

2 Substituted for the full-stop by SRO 2192(I)/2022 dated December 5, 2022

3 Clause (g) inserted by SRO 2192(I)/2022 dated December 5, 2022

- (a) every company, subject to the requirements of sections 143 and 144 of the Act; and
- (b) a listed company ¹[for all businesses classified as special business under the Act and in case of election of directors, if the number of persons who offer themselves to be elected is more than the number of directors fixed under sub-section (1) of section 159 of the Act].

CHAPTER II

ELECTRONIC VOTING

4. Responsibility of company.- ²[(1) The right of vote through postal ballot shall be provided to members of every company, subject to the requirements of sections 143 and 144 of the Act.

(1A) The right to vote through electronic voting facility and voting by post shall be provided to members of every listed company for all businesses classified as special business under the Act and in case of election of directors, if the number of persons who offer themselves to be elected is more than the number of directors fixed under sub-section (1) of section 159 of the Act.]

³[(1B)] For the purposes of e-voting and related matters a company shall maintain record of email and mobile number of members and the board of the company shall approve: -

- (a) procedure for appointment of e-voting service provider in accordance with these regulations and the articles of association of the company;
- (b) mode of provision of information to foreign shareholders to enable them to cast vote through e-voting.

(2) Subject to the requirements of sections 143 and 144 of the Act, where poll is demanded in the general meeting, a company shall within seven days from the day on which it is demanded send to all members complete information, including but not limited to the following, for casting vote in a secured manner as well as enable them to cast vote through e-voting:-

- (a) web address, login details, password, date of casting e-vote and other necessary details through email; and
- (b) security codes through SMS from web portal of e-voting service provider; or electronic signature.

(3) Company shall ensure that agenda items for which poll was demanded are correctly uploaded in the web portal of e-voting service provider and shall resolve any grievances of members to enable them to cast vote through e-voting.

⁴[(4) In case of election of directors and transactions specified as special business under the Act, a listed company shall send ⁵[the required] information to members as provided in sub-regulations (2) and (3) along with the information about scrutinizer, where required under Regulation 11, including but not limited to, -

1 Substituted for the words "in case of election of directors" by SRO 2192(I)/2022 dated December 5, 2022.

2 Sub-regulations (1) and (1A) inserted by SRO 2192(I)/2022 dated December 5, 2022.

3 Sub-regulation (1) renumbered as (1B) by SRO 2192(I)/2022 dated December 5, 2022.

4 Sub-regulation (4) inserted by SRO 2192(I)/2022 dated December 5, 2022.

5 Words inserted by SRO 905(I)/2023 dated July 7, 2023.

- (a) his /her name,
- (b) qualification and experience; and
- (c) purpose of his/her appointment,

not later than seven days before the date of general meeting and the provisions of regulation 7 shall apply.]

5. E-voting service provider.- For the purposes of e-voting and related matters, company shall appoint e-voting service provider subject to the fulfillment of eligibility and other requirements specified under these regulations.

6. Eligibility of e-voting Service Provider.- Following persons shall be eligible for appointment as e-voting service provider:-

- (a) central depository licensed under Securities Act, 2015 (III of 2015); or
- (b) a share registrar and balloter as registered under the Share Registrars and Ballotters Regulations, 2017, subject to the following minimum requirements that -
 - (i) it owns a web portal and secured system based on process of display of electronic ballots, recording of votes of the members and the number of votes polled in favour or against along with text of the resolutions, in such a manner that the entire voting exercised by way of electronic means accurately gets registered and counted in electronic registry in a centralized server with adequate cyber security;
 - (ii) its entire system is certified by independent external auditors or expert regarding information security standards (e.g. ISO Certification), penetration testing, cyber security protection, business continuity and disaster recovery arrangements;
 - (iii) its web portal and secured system shall use following security features:
 - (I) electronic signature or authentication for communication with members;
 - (II) maintenance of passwords in the encrypted mode in the database;
 - (III) completely automated public turning test to tell computers and humans apart (CAPTCHA) mechanism upon login of e-voting portal;
 - (IV) secure communication by use of hypertext transfer protocol secure (HTTPs) protocol and secure sockets layer (SSL) certificate;
 - (V) significant activity by web portal users shall be logged;
 - (VI) backup of database for data loss prevention;
 - (iv) it is not an associated company or associated undertaking or related party of the company appointing it as an e-voting provider.

7. Procedure for e-voting. - (1) The facility for e-voting shall remain open for not less than three days and shall close at 1700 hours (Pakistan Standard Time) on the date preceding the date of the poll.

(2) Identity of the members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.

(3) Members shall cast vote online during the time specified in sub-regulation (1), provided that once the vote on a resolution is casted by a member, he shall not be allowed to change it subsequently.

(4) The e-voting service provider shall be required to keep the result of e-voting confidential and provide access to the chairman of the general meeting in which poll was demanded to unblock result of e-voting on the day of poll.

CHAPTER III VOTING THROUGH BALLOT PAPER

8. Responsibility of Company.- (1) Subject to sections 143 and 144 of the Act, a company shall, within three working days from the day of general meeting, in which poll is demanded, ¹[upload the ballot paper on its website and publish the same] in English and Urdu languages at least in one issue each of a daily newspaper of respective language having nationwide circulation substantially on the format as provided in Annexure I containing the draft resolution and following information:

- (a) business address and contact details of chairman of the general meeting in which poll was demanded, where duly filled ballot paper has to be sent by members;
- (b) detailed procedure for submission of ballot papers.

²[(2) Where, in addition to e-voting, the option of voting through ballot paper is provided by the Company in case of election of directors or transactions specified as special business under the Act, the Company shall publish the ballot paper and information as provided in sub-regulation (1) in newspapers and also upload the ballot paper on its website not later than seven days before the general meeting and the provisions of regulation 9 shall apply].

9. Procedure for voting through ballot paper.-(1) The members shall ensure that duly filled and signed ballot paper along with copy of Computerized National Identity Card (CNIC) should reach the chairman of the meeting through post or email one day before the day of poll, during working hours. The signature on the ballot paper shall match with the signature on CNIC.

(2) In case of foreign members and representatives of a body corporate, corporation and Federal Government, acceptability of other identification documents in lieu of CNIC shall be approved by the board of the company.

¹ Substituted for the words "publish ballot paper" by SRO 2192(I)/2022 dated December 5, 2022.

² Sub-regulation (2) substituted by SRO 2192(I)/2022 dated December 5, 2022.

CHAPTER IV

RESULT OF POLL

10. Responsibility of Chairman of meeting.- (1) The chairman of the general meeting shall record the time and date of receipt of ballot papers, keep them in safe custody and ensure confidentiality of the result till it is formally announced after the conclusion of the voting in the meeting.

(2) The decision of chairman of the meeting regarding validity of the vote shall be final.

(3) The chairman of the meeting shall immediately after the conclusion of poll, count votes cast during time of poll in person, through proxy, video-link and post and in case of e-voting unblock result of e-voting in the presence of a representative of the members demanding the poll ¹[and two witnesses not in employment of the Company. The Chairman of the meeting shall ensure completeness and accuracy of the results of the voting] ²[:]

³[Provided where voting in separate categories for the election of directors is held by the Company, votes shall be counted or unblocked, as the case may be, separately for each category of female directors, independent directors and other directors.]

(4) Result of poll shall be announced in the meeting by the chairman of the meeting and it shall also be published on the company's website at the earliest but not later than twenty four hours from the conclusion of the general meeting.

(5) The chairman, after announcement of result of poll shall send execution report of poll, substantially on the format as provided in Annexure II, to the company who shall preserve it safely in accordance with the provisions of section 151 of the Act.

⁴[(6) Where a scrutineer has been appointed under Regulation 11 by the Board, the Chairman shall also, -

- (a) ensure that the scrutineer(s) is provided, prior to members meeting, with the register of members, specimen signature of the members, relevant details pertaining to members and any other document related to the voting process including an independent certification report and flow chart of the e-voting system;
- (b) ensure presence of scrutineer while unblocking the results of e-voting;
- (c) record the time and date of receipt of the report submitted by the scrutineer under Regulation 11 A (3);
- (d) immediately after the receipt of the scrutineer's report as per Regulation 11A (3), announce the result in the meeting and place the same along with the scrutineer's report, on the website of the Company.; and
- (e) ensure that the company maintains record of shareholders, either manually or electronically, of the assent and dissent received including the votes that are considered invalid, along with the particulars of name, folio number and total number of shares held, as mentioned but not limited to the format provided in Annexure II.]

1 Words etc. inserted by SRO 2192/(I)/2022 dated December 5, 2022.

2 Substituted for the full-stop by SRO 905/(I)/2023 dated July 7, 2023.

3 Proviso inserted by SRO 905/(I)/2023 dated July 7, 2023.

4 Sub-regulation (6) inserted by SRO 2192/(I)/2022 dated December 5, 2022.

CHAPTER V

¹[APPOINTMENT AND RESPONSIBILITIES OF SCRUTINIZER]

²[11. Appointment of Scrutinizer.] (1) The Board of a listed company shall appoint a scrutinizer for the purpose of voting in the meeting where following businesses are to be transacted, -

- (a) businesses mentioned in section 183 (3) (a) and (b) of the Act;
- (b) investment in associated companies as mentioned in section 199 of the Act except where investment is made in wholly owned subsidiary; and
- (c) election of directors:

Provided that listed companies are required to appoint scrutinizer under this regulation after three months from date of publication of this amending notification.

(2) The scrutinizer appointed under sub-regulation (1) shall, -

- (a) be the statutory auditor of the company or any other auditor fulfilling requirements stated in section 247 of the Act and having satisfactory QCR Rating from the Institute of Chartered Accountants of Pakistan (ICAP); and
- (b) shall in the opinion of the Board has necessary knowledge and experience to independently scrutinize the voting process.

(3) The scrutinizer appointed under sub-regulation (1), may take assistance of any person who is not in employment of the company for the purpose of fulfilling his/her responsibilities.]

³[11A. Responsibility of Scrutinizer.] - (1) The scrutinizer appointed under Regulation 11 shall,

- (a) observe that satisfactory procedures of the voting process including adequate precautionary measures to comply with the requirements of these regulations are in place;
- (b) validate the voting results compiled by the Company which includes votes cast in person, through proxy, video-link and postal ballot immediately after the conclusion of the voting;
- (c) in case of e-voting, ensure presence at the time of unblocking the votes by the chairman to observe and oversee the process;
- (d) be available in the general meeting and observe the count of the votes cast, either manually or electronically;
- (e) observe that there is no duplication of votes cast, either manually or electronically;
- (f) maintain a record of shareholders, either manually or electronically, to record the assent and dissent received along with the particulars of name, folio number and number of shares held;

1 Substituted for the words "election of directors" by SRO 2192(I)/2022 dated December 5, 2022.

2 Regulation 11 substituted by SRO 2192(I)/2022 dated December 5, 2022.

3 Regulation 11A inserted by SRO 2192(I)/2022 dated December 5, 2022.

- (g) maintain record of the votes that are considered invalid; and
- (h) perform any other role and responsibility as may be directed or specified by the Commission from time to time.

(2) The scrutinizer shall submit to the Chairman a duly signed consolidated report on voting process and votes casted as soon as possible on the same day of general meeting on the format as provided in Annexure III.]

¹[**CHAPTER VI**
MISCELLANEOUS

11B. Penalty for contravention of these regulations. — (1) Whoever fails or refuses to comply with, or contravenes any provision of these regulations, or authorizes or permits such failure, refusal or contravention shall be punishable with penalty as provided in sub-section (2) of section 512 of the Act.

(2) The penalty to be imposed under this regulation shall be in addition to any other actions that may be taken by the Commission.]

12. Repeal.- Companies (E-Voting) Regulations, 2016 issued vide S.R.O 43(I)/2016 dated January 22, 2016 is hereby repealed.

²[**Annexure I**

[Regulation 8]

Ballot paper for voting through post for poll to be held on (time, date and place of poll)

(Name of Company and Logo)

Complete contact details (including website address)

Designated email address of the Chairman at which the duly filled in ballot paper may be sent:

Name of shareholder/joint shareholders	
Registered Address	
Number of shares held and folio number	
CNIC Number (copy to be attached)	
Additional Information and enclosures (In case of representative of body corporate, corporation and Federal Government.)	

I/we hereby exercise my/our vote in respect of the following resolutions through postal ballot by conveying my/our assent or dissent to the following resolution by placing tick (✓) mark in the appropriate box below (delete as appropriate);

Sr. No.	Nature and Description of resolutions	No. of ordinary shares for which votes cast	I/We assent to the Resolutions (FOR)	I/We dissent to the Resolutions (AGAINST)

In case of election of directors for listed company

Calculation of votes for each category of election of directors

Category Female Director	Female director to be elected	No. of ordinary shares held	Total votes for female director = (number of voting shares X one female director to be elected)
Independent Director	Number of independent directors to be elected	No. of ordinary shares held	Total votes for independent directors = (number of voting shares X number of independent directors to be elected)

1 Chapter VI inserted by SRO 2192/(I)/2022 dated December 5, 2022.

2 Annexure I substituted by SRO 905/(I)/2023 dated July 7, 2023.

Non-independent director	Number of other directors to be elected	No. of ordinary shares held	Total votes for remaining directors = (number of voting shares X number of remaining directors to be elected)
Sr. No.	Name of directors	Category for which member is contesting i.e. Female, Independent & others	Number of votes given to the candidate

Signature of shareholder(s)

Place:

Date:

NOTES:

1. Dully filled postal ballot should be sent to chairman _____ (Name, business address, email of chairman).
2. Copy of CNIC should be enclosed with the postal ballot form.
3. Postal ballot forms should reach chairman of the meeting on or before _____ (last date of receiving postal ballot). Any postal ballot received after this date, will not be considered for voting.
4. Signature on postal ballot match with signature on CNIC.
5. Incomplete, unsigned, incorrect, defaced torn, mutilated, over written ballot paper will be rejected.
6. Company shall draft ballot paper whereby explicit information, terms and conditions and choice of selection is provided and ensure that no confusion arise for voters that may defeat the objective of voting.]

¹[Annexure-II

Regulation 10

Result of Voting on Resolutions/Execution Report

Name of the Company	
Date of the general meeting	
Date of poll	
Dates for casting e-voting	
Last date of receiving postal ballot	
Any other related information	

Resolutions:

Resolution 1	Details
Resolution 2	Details
Resolution 3	Details

(i) Result of Voting (other than election of directors)

Vote casted in person or through proxy:

Particulars			Result of resolutions					
Name of members* / Folio No.	Present in person or through proxy	No. of Shares held or no. of votes	No. of Votes Casted	No. of Invalid Votes	Resolution No. 1	Resolution No. 2	Resolution No. 3	
					Favor	Against	Favor	Against
Total:								

**In case of votes casted through proxy, mention the name of the proxy holder besides names of the member.*

Vote casted through e-voting:

Particulars			Result of resolutions					
Name of members* / Folio No.	Shares held on no. of votes	No. of Votes Casted	No. of Invalid Votes	Resolution No. 1	Resolution No. 2	Resolution No. 3		
				Favor	Against	Favor	Against	Favor
Total								

Vote casted through post:

Particulars			Result of resolutions					
Name of members* / Folio No.	Shares held on no. of votes	No. of Votes Casted	No. of Invalid Votes	Resolution No. 1	Resolution No. 2	Resolution No. 3		
				Favor	Against	Favor	Against	Favor
Total								

Consolidated Results of Voting:

S. No.	Resolutions	Total No. of Shares/ Votes Held	Total Number of Votes Casted	Total Number of Invalid Votes	Number of Invalid Votes	Number of Votes Casted in Favour	Number of Votes Casted Against	Percentage of Votes Casted in Favour	Resolution Passed/Not Passed	Remarks
1.	Resolution 1									
2.	Resolution 2									
3.	Resolution 3									

(ii) Result of Voting (In case of election of directors for listed companies)

Vote caste for the category of female director:

S. No.	Name of director	Number of votes given to the candidate	Remarks
Total		Xxxxxxx	

1 Annexure II substituted by SRO 905(I)/2023 dated July 7, 2023.

Vote caste for the category of independent director:

S. No.	Name of directors	Number of votes given to the candidate	Remarks

	Total	Xxxxxxx	

Vote caste for the category of other director:

S. No.	Name of directors	Number of votes given to the candidate	Remarks
	Total	Xxxxxxx	

(iii) Consolidated Result of voting for the election of directors of listed company:

S. No.	Names of Directors Elected	Category (Female/Independent/other director)	No. of votes cast	Remarks

Signature of Chairman

Place:

Date:]

¹[Annexure III
Report of Scrutinizer
[Regulation 11(A)]]

To,																																																		

Chairman																																																		
Annual / Extraordinary General Meeting of _____ Limited																																																		
Held on _____ at _____																																																		
Dear Sir,																																																		
I/We, _____, appointed as Scrutinizer by the board of directors of _____ ("the Company") under the Postal Ballot Regulations, 2018 ("the Regulations"), for the purpose of monitoring and validating the voting undertaken on the below mentioned resolution(s), as per the requirements of the Regulations, at the _____ meeting of the Company, held on _____ at _____, submit our report as required under the Regulations as under:																																																		
1. Details of voting taken place during the meeting are as following:																																																		
Vote casted in person or through proxy:																																																		
<table border="1"> <thead> <tr> <th colspan="3">Particulars</th> <th colspan="6">Result of resolutions (In case of election of directors amend accordingly)</th> </tr> <tr> <th>No. of Members present in Person</th> <th>No. of Members present through Proxy</th> <th>Total No. of Shares held or no. of votes</th> <th>Total No. of Votes Casted</th> <th>Total No. of Invalid Votes</th> <th>Resolution No. 1</th> <th>Resolution No. 2</th> <th>Resolution No. 3</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Favor</td> <td>Against</td> <td>Favor</td> <td>Against</td> <td>Favor</td> <td>Against</td> </tr> <tr> <td></td> </tr> <tr> <td>Total</td> <td></td> </tr> </tbody> </table>	Particulars			Result of resolutions (In case of election of directors amend accordingly)						No. of Members present in Person	No. of Members present through Proxy	Total No. of Shares held or no. of votes	Total No. of Votes Casted	Total No. of Invalid Votes	Resolution No. 1	Resolution No. 2	Resolution No. 3						Favor	Against	Favor	Against	Favor	Against												Total										
Particulars			Result of resolutions (In case of election of directors amend accordingly)																																															
No. of Members present in Person	No. of Members present through Proxy	Total No. of Shares held or no. of votes	Total No. of Votes Casted	Total No. of Invalid Votes	Resolution No. 1	Resolution No. 2	Resolution No. 3																																											
					Favor	Against	Favor	Against	Favor	Against																																								
Total																																																		

1 Annexure III inserted by SRO 2192/(I)/2022 dated December 5, 2022.

Vote casted through e-voting:

Particulars	Result of resolutions (In case of election of directors amend accordingly)
-------------	--

No. of Members Casting the Vote	Total No. of Shares held or no. of votes	Total No. of Votes Casted	Total No. of Invalid Votes	Resolution No. 1		Resolution No. 2		Resolution No. 3	
				Favor	Against	Favor	Against	Favor	Against
Total									

Vote casted through post:

Particulars		Result of resolutions (In case of election of directors amend accordingly)							
No. of Members Casting the Vote	Total No. of Shares held or no. of votes	Total No. of Votes Casted	Total No. of Invalid Votes	Resolution No. 1		Resolution No. 2		Resolution No. 3	
				Favor	Against	Favor	Against	Favor	Against
Total									

Consolidated Report of Voting:

S. No.	Resolutions (In case of election of directors, amend accordingly)	Total No. of Shares/Votes Held	Total Number of Votes Casted	Total Number of Invalid Votes	Number of Votes Casted in Favour	Number of Votes Casted Against	Percentage of Votes Casted in Favour	Resolution Passed/Not Passed	Remarks
1.	Resolution 1								
2.	Resolution 2								
3.	Resolution 3								

2. That the voting process was conducted by the Company as per the requirements of the Postal Ballot Regulations 2018 except for the matters disclosed below (if any):

3. Any other necessary information that the Scrutinizer would like to disclose for the information of members of the Company:

Other Details:

Date and Time of un-blocking of e-voting results by the Chairman.	
Last date and time of receiving postal ballot by the Company.	

Resolutions:

Resolution 1	Details
Resolution 2	Details
Resolution 3	Details

**Name & Signature of Scrutinizer:
Place:
Date:]**

*[Page No. 314G to 325 stands omitted due to repealed regulation
{Companies (General Provisions & Forms) Regulations, 2018, not
examinable for Winter Attempt 2024}]*

*[Page No. 314G to 325 stands omitted due to repealed regulation
{Companies (General Provisions & Forms) Regulations, 2018, not
examinable for Winter Attempt 2024}]*

COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017

S.R.O. 1240(I)/2017, Islamabad, the 6th December, 2017. – In exercise of powers conferred by section 512 read with clause (b) of sub-section (3) of section 199 of the Companies Act, 2017 (XIX of 2017), and having previously being published vide S.R.O. 1009(I)/2017 dated 5th October, 2017 as required by section 512 of the said Act, the Securities and Exchange Commission of Pakistan hereby makes the following Regulations, namely:-

CHAPTER I PRELIMINARY

1. Short title, commencement and application. – (1) These Regulations shall be called the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.

(2) These Regulations shall come into force at once.

(3) These Regulations shall apply to all companies except and to the extent those specifically exempted by the Commission through notification under clause (a) of sub-section (3) of section 199 of the Companies Act, 2017 (XIX of 2017).

2. Definitions.— (1) In these Regulations, unless there is anything repugnant in the subject or context, –

- (a) “Act” means the Companies Act, 2017 (XIX of 2017);
- (b) “associated companies” and “associated undertakings” shall have the same meaning assigned to it in clause (4) of sub-section (1) of section 2 of the Act;
- (c) “equity investment” includes investment in the shares of a company; and
- (d) “investment” shall have the same meaning as provided in the explanation to sub-section (1) of section 199.

(2) Words and expressions used but not defined in these regulations shall, unless there is anything repugnant in the subject or context, have the same meanings assigned to them in the Act, the Securities Act, 2015 or the Securities and Exchange Commission of Pakistan Act, 1997.

CHAPTER II NOTICE OF MEETING AND INFORMATION TO MEMBERS

3. Information to be disclosed to members.— (1) The company shall disclose following information in the statement annexed to the notice, pursuant to sub-section (3) of section 134 of the Act, of a general meeting called for considering investment decision under section 199 of the Act-

- (a) Disclosures for all types of investments,-
- (A) Regarding associated company or associated undertaking:-

- (i) name of associated company or associated undertaking;
- (ii) basis of relationship;
- (iii) earnings per share for the last three years;
- (iv) break-up value per share, based on latest audited financial statements;
- (v) financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and
- (vi) in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-
 - (I) description of the project and its history since conceptualization;
 - (II) starting date and expected date of completion of work;
 - (III) time by which such project shall become commercially operational;
 - (IV) expected time by which the project shall start paying return on investment; and
 - (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;

(B) General disclosures:-

- (i) maximum amount of investment to be made;
- (ii) purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;
- (iii) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,-
 - (I) justification for investment through borrowings;
 - (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and
 - (III) cost benefit analysis;
- (iv) salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;
- (v) direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;
- (vi) in case any investment in associated company or associated undertaking has already been made, the performance review of

such investment including complete information/justification for any impairment or write offs; and

- (vii) any other important details necessary for the members to understand the transaction;
- (b) In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-
 - (i) maximum price at which securities will be acquired;
 - (ii) in case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof;
 - (iii) maximum number of securities to be acquired;
 - (iv) number of securities and percentage thereof held before and after the proposed investment;
 - (v) current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and
 - (vi) fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;
- (c) In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-
 - (i) category-wise amount of investment;
 - (ii) average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for *Shariah* compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period;
 - (iii) rate of interest, mark up, profit, fees or commission etc. to be charged by investing company;
 - (iv) particulars of collateral or security to be obtained in relation to the proposed investment;
 - (v) if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and
 - (vi) repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.

(2) A listed company shall simultaneously dispatch a copy of aforesaid notice and the statement of material facts to the head office of the Securities and Exchange Commission of Pakistan, through fax or email and courier service on the same day it is dispatched to the members.

(3) The directors of the investing company while presenting the special resolution for making investment in an associated company or associated undertaking shall certify to the members of the investing company that they have carried out necessary due diligence for the proposed investment before recommending it for members' approval.

(4) The duly signed recommendations of the due diligence report shall be made available to the members for inspection in the general meeting called for approval of the special resolution for investment pursuant to section 199 of the Act.

4. Other information to be disclosed to the members.- (1) If the associated company or associated undertaking or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 199 of the Act.

(2) In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 199 of the Act is not fully implemented in line with the approval of members till the holding of subsequent general meeting, the status of the decision shall be explained to the members through a statement having the following details namely,-

- (a) total investment approved;
- (b) amount of investment made to date;
- (c) reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time; and
- (d) material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment.

(3) Latest annual audited financial statements of the associated company or associated undertaking along with the latest interim financial statements, if any, shall be made available for inspection of the members in the general meeting called for considering investment decisions in such associated company or associated undertaking pursuant to section 199 of the Act.

CHAPTER III RESTRICTIONS AND CONDITIONS

5. Restrictions and conditions applicable to a company making investment.- (1) Where investment is being made in unlisted equity securities of an associated company or associated undertaking, the fair value for such securities shall be determined by a person having such qualifications and experience and registered as a valuer in such manner and on such terms and conditions as may be specified by the Commission pursuant to section 460 of the Act.

(2) Where approval is granted by the members for investment in any securities of an associated company or associated undertaking up to a certain

limit, such approved limit shall stand exhausted upon the investment reaching that limit on a cumulative basis, whether such investment is made as a whole or on a piecemeal basis and such approval shall not be valid for any recurring investment even after divestment of the securities acquired by it in pursuance of the aforesaid approval.

(3) Share deposit money shall be transferred for equity investment only after announcement of the offer for issue of shares by the associated company or associated undertaking and if shares are not issued within ninety days or within the time prescribed by the relevant legal and regulatory framework, whichever is later, such share deposit money shall be treated as loan, which shall be subject to interest, mark up or return from the date of transfer of funds in accordance with the provisions of section 199 of the Act.

(4) The rate of return on loans, advances and debt securities etc. shall not be less than Karachi Inter Bank Offered Rate (KIBOR) for the relevant period or the borrowing cost of the investing company, whichever is higher:

Provided that where a company opts for *Shariah* compliant mode of financing, the transactions shall be structured in such a way that the rate of return on such facilities is not less than that earned by Islamic Banks or Islamic Financial Institutions in Pakistan on similar facilities during the corresponding time period or the borrowing cost of the investing company, whichever is higher.

(5) In case of unfunded facilities (for example a guarantee, letter of indemnity, etc.) the rate of return to be charged shall be determined based on the rate of interest, mark up, profit, fees or commission etc., as the case may be, charged by commercial banks or Islamic Banks and Financial Institutions on similar unfunded facilities.

(6) Interest, mark up, profit, fees or commission, as the case may be, shall be recovered periodically by the investing company in line with the terms and conditions approved by the members.

(7) The company shall not extend to an associated company or associated undertaking any loan or advance as running finance, revolving line of credit or any other similar facility for a period beyond one year provided that members may approve renewal of such loan or advance pursuant to section 199 of the Act.

6. Period of validity of investment decision.- Unless otherwise specifically authorised by the members in the general meeting the special resolution authorising investment in an associated company or associated undertaking shall be valid for a period of twelve months and shall stand lapsed after such period.

CHAPTER IV **MAINTENANCE OF RECORD**

7. Register of investments in associated company or associated undertakings.- (1) In addition to any records maintained by an investing company under the provisions of any law, rules or regulations, such company shall maintain a register in the specified Form annexed to these regulations and shall enter therein the particulars of its investments in associated company or associated undertakings.

(2) The entries in the register shall be made instantly, whenever there is a cause to make entry, in chronological order and shall be authenticated through signatures by the company secretary or by any other person authorised by the board in this behalf.

(3) The register shall be maintained at the registered office of the company under the custody of the company secretary or any other officer authorised by the board in this behalf and shall be preserved permanently.

(4) The provisions applicable to inspection of register under the Act shall apply to the inspection of the register maintained under sub-regulation (1).

8. Penalty.- Any contravention of the regulations shall be punishable with a penalty which may extend to five million rupees and, where the contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

9. Repeal.- The Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 notified vide S.R.O. 27(I)/2012, dated January 16, 2012 is hereby repealed.

COMPENDIUM
OF
CORPORATE LAWS

EMPLOYEES CONTRIBUTORY FUNDS (INVESTMENT IN LISTED SECURITIES) REGULATIONS, 2018

S.R.O. 731(I)/2018, Islamabad, the 6th June, 2018. – In exercise of powers conferred by section 512 read with sub-clause (ii) of clause (b) of sub-section (2) of Section 218 of the Companies Act, 2017 (Act No. XIX of 2017), the Securities and Exchange Commission of Pakistan, is pleased to make the following regulations, the same having been previously published vide Notifications No. S.R.O 34(I)/2018 dated the 17th January, 2018 and S.R.O 435(I)/2018 dated the 9th April, 2018, as required by sub-section (1) of the said Section 512 namely:-

1. Short title, commencement and application. – (1) These regulations shall be called the Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018.

(2) They shall come into force at once.

(3) These regulations shall apply to all provident funds or any other contributory retirement funds constituted by a company or where a trust has been created by a company to manage such funds in respect of all the investments made by company or trust, as the case may be, in bonds, redeemable capital, debt securities or instruments issued by a statutory body, units of collective investment schemes registered as notified entities with the Commission and in listed securities including shares of companies, bonds, redeemable capital, debt securities and equity securities.

(4) These regulations shall not apply to a pension fund governed under Voluntary Pension Systems Rules, 2005.

(5) Within ¹[three years] from the date of commencement of notification of these regulations, all investments from the provident fund or any other contributory retirement fund constituted by a company or where a trust created by a company with respect to provident fund or any other contributory retirement fund, as the case may be, which are beyond the investment limits provided in these regulations shall be reduced gradually and brought in conformity with the provisions of these regulations.

(6) The fund or trust shall amend the trust deed and include a clause providing one time option to the new employees for either allowing or not allowing the fund or the trust to make any investment out of their contributory fund or trust under these regulations.

2. Definitions. – (1) In these regulations, unless there is anything repugnant in the subject or context, –

(a) “Act” means the Companies Act, 2017 (Act No. XIX of 2017);

(b) “Annexure” means annexure appended to these regulations;

¹ Substituted for words “one year” vide SRO 856(I)/2019 dated July 25, 2019.

- (c) "contribution" means all the money contributed to fund or trust, as the case may be, either by the employees or the company or both;
- (d) "Fund" means a provident fund or any other contributory retirement fund constituted by a company for its employees or any class of its employees;
- (e) "Initial public offer" means the IPO of a company;
- (f) "size of Fund or Trust" means total assets of the contributory fund or Trust, as the case may be, including realized profit on such investments at cutoff date; and
- (g) "Trust" means a trust created under the Trust Act, 1882 (ACT NO.II OF 1882), by the company with respect to provident fund, or any other contributory retirement fund.

(2) In these regulations, all words and expressions used but not defined shall have the same meanings as are assigned to them in the Companies Act, 2017(Act No. XIX of 2017), the Non-Banking Finance Companies (Establishment Regulations), 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

3. Limit for investment in listed securities.- (1) Where the company or Trust decide to make an investment out of the Fund or Trust, as the case may be, in-

- (i) bonds, redeemable capital, debt securities or instruments issued by a statutory body or;
- (ii) securities listed on Pakistan Stock Exchange, including shares of companies, bonds, redeemable capital, debt securities, equity securities and collective investment schemes²[other than money market collective investment scheme] registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008, such investments shall not exceed fifty per cent of the size of Fund or Trust, as the case may be, subject to following sub limits namely:-
 - (a) total investment, at the time of making investment in debt collective investment schemes²[] registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008, shall not exceed fifty per cent of the size of the Fund or Trust, as the case may be;
 - (b) total investment at the time of making investment in bonds, redeemable capital, debt securities or instruments issued by a statutory body or listed debt securities, shall not exceed thirty per cent of the size of the Fund or Trust, as the case may be;
 - (c) total investment, at the time of making investment in listed equity securities and equity collective investment schemes, registered

1 Words inserted by Notification No. SRO 491(I)/2019 dated April 25, 2019

2 Words "and money market collective investment schemes" omitted by Notification No. SRO 491(I)/2019 dated April 25, 2019 .

as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008, shall not exceed thirty per cent of the size of the Fund or Trust, as the case may be.

(2) Total investment, at the time of making investment in bonds, redeemable capital, debt securities or instruments issued by a statutory body or listed debt securities, of a particular sector, as per the sector classification made by the Pakistan Stock Exchange, shall not exceed twenty per cent of the investment limit provided in clause (b) of sub-regulation (1).

(3) Total investment, at the time of making investment in bonds, redeemable capital, debts securities or instruments issued by a particular statutory body or in listed debt securities of a particular company shall not exceed ten per cent of the investment limit provided in clause (b) of sub-regulation (1) or five per cent of that issue, whichever is lower;

(4) Total investment, at the time of making investment in bonds, redeemable capital, debt securities or instruments issued by a constituting statutory body or listed debt securities of constituting company or its associated companies, as the case may be, shall not exceed ten per cent of the investment limit provided in clause (b) of sub-regulation (1).

(5) Total investment, at the time of making investment in listed equity securities of a particular sector, as per the sector classification made by the Pakistan Stock Exchange, shall not exceed twenty per cent of the investment limit provided in clause (c) of sub-regulation (1).

(6) Total investment, at the time of making investment in listed equity securities of a particular company shall not exceed ten per cent of the investment limit provided in clause (c) of sub-regulation (1) or five per cent of the outstanding shares in the paid up capital of the investee company whichever is lower.

(7) Total investment, at the time of making investment in listed equity securities of constituting company or its associated companies out of Fund or Trust, as the case may be, shall not exceed ten per cent of the investment limit provided in clause (c) of sub-regulation (1).

(8) ¹[Total investment, at the time of making investment in debt collective investment schemes managed by a single asset management company, shall not exceed fifty percent of the investment limit provided in clause (a) of sub-regulation (1)]

(9) Total investment, at the time of making investment in any single equity collective investment scheme shall not exceed ²[thirty] percent of the investment limit provided in clause (c) of sub-regulation (1).

¹ Substituted for the words [Total investment, at the time of making investment in debt collective investment schemes and money market collective investment schemes managed by a single asset management company shall not exceed twenty per cent of the investment limit provided in clause (a) of sub-regulation (1)] vide SRO 491(I)/2019 dated April 25, 2019

² Substituted for the word 'ten' by Notification No. SRO 491(I)/2019 dated April 25, 2019

(10) Total investment, at the time of making investment in Initial Public Offers (IPO) of equity securities shall not exceed five per cent of the investment limit provided in clause (c) of sub-regulation (1), every six months in a calendar year:

Provided that, total investment, at the time of making investment in one IPO of equity securities shall be restricted to one per cent of the outstanding shares in the paid-up capital of the investee company or two per cent of the investment limit provided in clause (c) of sub-regulation (1) whichever is lower.

¹[(11) where the company or Trust, as the case may be, decide to make an investment out of the Fund or Trust in the money market collective investment scheme registered as notified entity with the Commission under the Non-Banking Finance Companies and Notified Entities Regulations, 2008, such investment can be made up to hundred percent of the size of the Fund or Trust, as the case may be, subject to the following sub-limits namely,-

- (a) total investment at the time of making investment in any single money market collective investment scheme shall not exceed twenty percent of the size of the Fund or Trust as the case may be; and
- (b) total investment, at the time of making investment in money market schemes managed by a single asset management company, shall not exceed fifty percent of the size of the Fund or Trust as the case may be].

4. Conditions for investment in listed securities.- Where the Fund or Trust decide to make investment in-

- (i) equity securities of companies listed on Pakistan Stock Exchange; or
- (ii) bonds, redeemable capital, debt securities or similar instruments listed on Pakistan Stock Exchange; or
- (iii) collective investment schemes registered as notified entity with the Commission under Non-Banking Finance Companies and Notified Entities Regulations, 2008; or
- (iv) bonds, redeemable capital, debt securities or instruments issued by a statutory body;

such investment shall be subject to the following conditions, namely:-

- (a) where an investment is made in equity securities of listed companies, it shall be made only where such company,—
 - (I) has a minimum profitable operational record of immediate three preceding years;
 - (II) has paid average dividend of not less than fifteen percent to the shareholders during two out of three preceding consecutive years;
 - (III) the minimum free float of the Company shall not be less than fifteen percent or fifty million shares whichever is higher; and

¹ Sub-regulation 11 inserted by Notification No. SRO 491(I)/2019 dated April 25, 2019

- (IV) has breakup value equivalent or more than the par value of the shares of such company.
- (b) where investment is made in bonds, redeemable capital, debt securities or instruments issued by a statutory body or listed debt securities of a company such securities shall be assigned a minimum rating of "A" by a credit rating company licensed with the Commission and with at least a stable outlook at the time of investment:
- Provided that the Commission may, from time to time, change the minimum rating of a security assigned in this clause;
- (c) where investment is made in debt collective investment schemes, it shall be made only in those debt collective investment schemes which have been assigned stability rating of A by a credit rating company licensed with the Commission at the time of investment;
- (d) where investment is made in money market collective investment schemes, it shall be made only in those money market schemes which have been assigned a minimum stability rating of "AA-" by a credit rating company licensed with the Commission at the time of investment:
- Provided that the Commission may, from time to time, change the minimum rating of a security assigned in this clause;
- (e) investment in IPO shall be made subject to the following conditions, namely:-
- (I) investment in IPO of equity securities shall be made in companies having profitable operational record;
 - (II) Fund or Trust, shall not subscribe to an IPO of equity securities underwritten in any way by its associated companies or associated undertakings; and
 - (III) Fund or Trust, shall not subscribe to an IPO of a greenfield project;
- (f) investment in collective investment schemes that are hybrid in nature shall follow the maximum investment limits provided in clause (c) of sub-regulation (1) of regulation 3 and hybrid funds which are allowed to invest in debt securities shall comply with the condition for investments provided in clause (b);
- (g) where the aggregate investment in listed equity securities, other than equity collective investment schemes is fifty million rupees or above, the Fund or Trust shall appoint or seek advice from investment advisor holding a valid license from the Commission for providing investment advisory services:

Provided that where investment is made on the advice of the investment advisor the conditions for investment criteria provided in sub-clauses (I), (II) and (III) of clause (a), shall not be applicable:

Provided further that, investment advisor will be held liable under applicable law in case of loss to Fund or Trust due to his negligence;

- (h) investment shall not be made in a listed debt securities if issuer of the securities has defaulted in any of its financial obligations;
- (i) the Fund or Trust, as the case may be, shall be managed by the qualified individuals having requisite skills, knowledge and experience in the capital market in order to ensure that, the investment and the interest of the employees' is protected;
- (j) the Fund or Trust, as the case may be, shall develop and maintain appropriate investment policies explaining investment limit, investment avenues and risk appetite including but not limited to business allocation among the securities brokers and the Fund or Trust, as the case may be, shall invest in liquid securities and shall refrain from activities including day trading, investment in future markets (except spread transactions) and investment in securities either through borrowing or through leverage.

5. Mandatory submission regarding investments out of Fund or Trust.

Every company, constituting a Fund or Trust, as the case may be, shall, within one month of the close of every six months of the financial year of such Fund or Trust, as the case may be, submit to the Commission financial information of the Fund or Trust as the case may be, as contained in the Annexure "A" to these regulations duly endorsed by the chief executive officer of the company, in case of Fund and by the head of trustees in case of Trust.

6. Repeal and saving.- (1). The Employees' Provident Fund (Investment in Listed Securities) Rules, 2016, S.R.O. 261(I)/2002 dated the 10th May, 2002 and S.R.O. 537(I)/2004, hereinafter referred to as repealed instruments, are hereby repealed.

(2) Save as otherwise specifically provided in these regulations, nothing in these regulations shall affect or be deemed to affect anything done, action taken, investigation or proceedings commenced, order made unless withdrawn, conveyance, mortgage deed, document or agreement made, fee directed or paid or accrued, resolution passed, direction given, proceedings taken or instrument executed or issued, under or pursuant to the repealed instruments, and any such things, action, investigation, proceedings, order, appointment, conveyance, mortgage deed, document, agreement, fee, resolution, direction, proceedings or instrument shall, if in force at the coming into force of these regulations and not inconsistent with any of the provisions of these regulations, continue to be in force and have effect as if it were respectively done, taken, commenced, made, directed, passed, given, executed or issued under these regulations.

**COMPANIES (RELATED PARTY TRANSACTIONS AND MAINTENANCE OF RELATED RECORDS) REGULATIONS,
2018**

3. Conditions for Policy of related party transactions.—Subject to the requirements of section 208 of the Act, the policy approved by the board shall be subject to the following minimum conditions, namely:-

- (a) minimum information required for the related parties with whom transactions are to be made including nature of related party relationship at the time of approval in board meetings or general meetings;
- (b) limitations or conditions that may be applicable in case of certain or particular related party transactions;
- (c) potential risks of related party transactions and mitigating measures;
- (d) procedure to be followed in case of failure to present related party transactions for approval by the appropriate forum within prescribed time; and
- (e) pricing policy.

(2) Sub-regulation (1) shall not be applicable on related party transactions entered into by a company in its ordinary course of business on an arm's length basis.

4. Conditions for transactions with related parties to be characterized as "arm's length transactions".—Subject to the requirements of section 208 of the Act, a transaction between related parties shall be characterized as an "arm's length transaction", only if it is carried out in a way, as if-

- (a) the parties to the transaction were unrelated in any way;
- (b) the parties were free from any undue influence, control or pressure;
- (c) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound business judgement as to what was in its interests; and
- (d) each party was concerned only to achieve the best available commercial result for its in all the circumstances.

5. Approval of related party transactions.—(1) The board shall approve related party transactions that require its approval and the following minimum information shall be circulated and disclosed to the directors along with agenda for board's meeting called for approval of related party transactions,-

- (a) name of related party;
- (b) names of the interested or concerned persons or directors;

- (c) nature of relationship, interest or concern along with complete information of financial or other interest or concern of directors, managers or key managerial personnel in the related party;
 - (d) detail, description, terms and conditions of transactions;
 - (e) amount of transactions;
 - (f) timeframe or duration of the transactions or contracts or arrangements;
 - (g) pricing policy;
 - (h) recommendations of the audit committee, where applicable; and
 - (i) any other relevant and material information that is necessary for the board to make a well informed decision regarding the approval of related party transactions.
- (2) In case approval of members is required for related party transactions, the information provided under sub-regulation (1) shall be provided to the member in the statement of material facts in terms of section 134 of the Act attached to the notice of the general meeting called for approval of the members for related party transactions.

6. Responsibility of Board.—The board shall ensure—

- (a) to educate and train management and relevant employees so that they can identify and report the related party transactions to the board or other authorized persons;
- (b) to provide direction as to whom a director or employee can consult, in case where they are uncertain if a transaction is a related party transaction or not;
- (c) to set general criteria to approve transactions or arrangement with related parties at various level;
- (d) to identify and determine whether a related party transaction requires members' approval;
- (e) that any related party transactions that require members' approval are put before members;
- (f) to fix the responsibility for identification and disclosure of related party transactions; and
- (g) that the company meets its legal and regulatory obligations in relation to related party transactions.

COMPANIES (DISTRIBUTION OF DIVIDENDS) REGULATIONS, 2017

S.R.O.1145(I)/2017, Islamabad, the 6th November, 2017.- In exercise of the powers conferred by section 512 read with sections 242 and 243 of the Companies Act, 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan is pleased to make the following regulations, the same having been previously published vide S.R.O. 1006(I)/2017 dated 4th October 2017, as required by proviso to sub-section (1) of the said section 512, namely:-

1. Short title and commencement.- (1) These regulations shall be called the Companies (Distribution of Dividends) Regulations, 2017.

(2) They shall come into force at once.

(3) The requirements provided in these regulations shall not be applicable on all those companies that have announced cash dividends before the commencement of these regulations.

2. Definitions.- (1) In these regulations unless there is anything repugnant in the subject or context:

- (i) “**Act**” means the Companies Act, 2017 (XIX of 2017);
- (ii) “**Annexure**” means annexure appended to these regulations;
- (iii) “**central depository**” shall have the same meaning as assigned to it under the Securities Act, 2015 (III of 2015);
- (iv) “**Commission**” means the Securities and Exchange Commission of Pakistan established under Section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (v) “**designated bank account**” means a bank account maintained with a banking company and designated by a shareholder for the purpose of receiving any dividend payable in cash;

¹[(vi) “**paying agent**” means a bank or any entity including a share registrar and a central depository appointed by a company and having relevant approval of SBP for making payment of cash dividend directly into the designated bank account of entitled shareholder;]

(vii) “**share registrar**” means a share registrar licensed by the Commission under part V of the Securities Act (III of 2015); and

(viii) “**working day**” means any day on which banks are open for business.

(2) Words and expressions used but not defined in these regulations shall have the same meanings as are assigned to them in the Act and any administered legislation.

²[3. Period for making payment of dividends.]- (1) Subject to section 243 of the Act, the chief executive officer of every company is responsible to make

¹ Clause (vi) substituted by SRO 809(I)/2022, dated June 16, 2022.

² Regulation 3 substituted by SRO 1302(I)/2021, dated September 30, 2021.

the payment of cash dividend within the period mentioned in sub-regulation (2) below:-

- (2) Every company shall pay cash dividend in the following manner-
- (i) In case of final dividend, it shall be paid within ten working days from the date of its declaration;
 - (ii) In case of interim dividend and book closure is announced, it shall be paid within ten working days from the start of the book closure announced for determination of dividend entitlement and period of book closure shall not exceed three working days; and
 - (iii) In case of interim dividend without announcement of book closure, it shall be paid within ten working days from the date of its declaration.

(3) Every listed company shall ensure that book closure must be started for determination of interim dividend entitlement within fifteen days of the date on which such dividend is approved by the board.]

4. Manner of payment of cash dividends.- (1) A company may appoint¹[] paying agent for distribution of dividend payable in cash:

Provided that banks may not be required to appoint a paying agent and may itself assume functions and responsibility of paying agent provided in these regulations.

(2) A company, other than a listed company, shall obtain cash dividend distribution mandate at the time of becoming a shareholders of the company comprising of following three modes from their registered shareholders within three months starting from the date of notification of these regulations, namely:-

- (i) direct transfer into the designated bank account; or
- (ii) dividend warrant; or
- (iii) cross cheque:

Provided that the shareholder can change the mandate at any time during the year through a written request containing all requisite details to the company.

(3) In case cash dividend is declared by a company other than a listed company in terms of provisions of section 242 of the Act, the company shall distribute it to the entitled shareholders in the following manner as per their directions obtained under sub-regulation (2) above:-

- (i) direct transfer of amount into the designated bank account in a manner as provided in sub-regulation (4);
- (ii) issuance of dividend warrant in the name of registered shareholder or in the name of authorized person where a registered shareholder authorizes the company to pay dividend, on his behalf;
- (iii) issuance of cheque crossed as "A/C Payee Only" in the name of registered shareholder or in the name of authorized person where a

¹ Words "its share registrar or a" omitted by SRO 809(I)/2022, dated June 16, 2022.

registered shareholder authorizes the company to pay dividend, on his behalf; or

- (iv) dividend warrant or cheque should also bear the identification number.

Explanation. For the purpose of these regulations identification number includes Computerized National Identity Card Number (CNIC) of the registered shareholder or the authorized person, child registration certificate number or juvenile card number in case of a minor, where applicable and registration number or national tax number of shareholder being a person other than a natural person.

(4) In case where a shareholder has mandated the company under sub-regulation (2) above for direct transfer into the designated bank account and also provided the company with details of its designated bank account, it shall be responsibility of the company to make payment of dividend payable in cash to such person directly into the designated bank account of such shareholder in the following manner-

- (i) the company may appoint a paying agent, directly or through its share registrar, and provide it with details of entitled shareholders including its name, identification number, information pertaining to designated bank account number and net amount required to be paid into the designated bank account;
- (ii) the net amount required to paid into the designated bank accounts of relevant shareholders shall either be transferred to the bank account of paying agent or made available to paying agent through any other mean for onward distribution to the entitled shareholders;
- (iii) the paying agent shall make payments as per details provided by the company under clause (i) and in case of failure to transfer any amount into any designated bank account for any reason, promptly communicate the same to the company; and
- (iv) the paying agent shall provide the company with confirmations of payments into the designated bank accounts of relevant shareholders for onward communication to the relevant shareholders.

(5) The company shall provide shareholders to whom payment of cash dividend is made under sub-regulation (3) or (4) above with a certificate containing at least information mentioned in the said sub-regulations for record purposes or for tax filings.

(6) In case, shares are held in book-entry form, information pertaining to designated bank account of shareholders shall be obtained through central depository in accordance with its regulations and where shares are held in physical form, such information shall be obtained from the respective shareholders.

(7) In case of listed company, every shareholder shall be responsible to provide valid information pertaining to its designated bank account including

name of bank, address of bank branch and international bank account number, in a manner determined by the company in case of physical shares or, as the case may be, CDC where shares are held in book-entry form, and within a time period as may be notified by the Commission for completion of arrangements for making payment of cash dividends through electronic modes and in every case, the designated bank account details shall be of the titleholder of shares or account title in central depository system.

(8) In case of physical shares, every listed company, directly or through its share registrar, shall approach such shareholders through appropriate means where information pertaining to designated bank account has not been provided or where provided information has not been found valid.

(9) In case cash dividend is declared by a listed company in terms of provisions of section 242 of the Act, such listed company shall distribute it to the entitled shareholders in the following manner-

- (i) the company shall appoint a paying agent, directly or through its share registrar, and provide it with details of entitled shareholders including its name, identification number, information pertaining to designated bank account number, and net amount required to be paid into the designated bank account;
- (ii) the net amount required to be paid into the designated bank accounts of relevant shareholders shall either be transferred to the bank account of paying agent or made available to paying agent through any other mean for onward distribution to the entitled shareholders;
- (iii) the company shall ensure that payments have been made by the paying agent within a time period as stipulated in regulation (3) as per details provided by the company under clause (i) and in case of failure to transfer any amount into any designated bank account for any reason, the paying agent shall promptly communicate the same and return such amount to the company;
- (iv) the shareholders shall be intimated by the company, its share registrar or the paying agent through short messaging service, electronic mail, registered post or any other mode regarding credit of dividend amount directly into the designated bank account of the shareholder;
- (v) the calculation of dividend amount including number of shares held, total amount, tax and zakat deductions and net amount credited into the designated bank account of the shareholder through the paying agent and a certificate thereof shall be provided to the shareholders in electronic form through the central depository;
- (vi) the listed company shall also provide to the central depository the details of cash dividends which could not be paid to the shareholder(s) with reasons including reasons as to why dividends are withheld or deferred by the listed company in terms of Section 243 of the Act;

- (vii) the central depository shall make available certificate received by it under clause (e) to the respective shareholders through central depository system or any other system developed by it, for the purposes of record and tax filings; and
 - (viii) central depository shall maintain history of dividends paid to shareholders of every listed company and provide access to such information to the respective shareholder, the respective company and its share registrar.
- (10) In case, shares of listed companies are held with the custodian banks where checking accounts and/or omnibus cash accounts are maintained for the purpose of distribution of dividend, the paying agent shall be authorized to credit the checking account or omnibus account, as the case may be as provided by the custodian bank.
- (11) The custodian banks shall ensure passing on the dividend amount to the respective foreign investors within five working days of receipt of the same and in case of inability of custodian bank to pass on dividend amount with the allowed time period, it shall forthwith return the money to the respective listed company.
- (12) In case shares of a company, whether listed or not, are held by a non-resident shareholder having no designated bank account ¹[or Non-Resident Pakistanis having NRP Rupee Value Account (NRVA)], the company may make payment of cash dividend to such shareholder in a manner and within such time period as may be allowed by the State Bank of Pakistan.
- (13) Any dividend withheld under regulation 5 or 6 below shall be paid to the entitled shareholder in the same manner as provided under this regulation within a period of fifteen working days from the date of removal of reason to withhold such cash dividend.

5. Application to withhold or defer payment of dividend.- (1) A company may, within a period stipulated in sub-section (2) of Section 243 of the Act, apply to the Commission for approval to withhold or defer payment of dividend to the shareholder or person entitled to receive dividend on **Annexure I** along with payment of fee as specified in Seventh Schedule of the Act:

Provided that the company shall intimate the respective shareholder of its intention to withhold dividend amount and reason thereof within fifteen days from the date of its declaration.

(2) The Commission after providing an opportunity to the shareholder or person aggrieved under sub-regulation (1) may allow the company to withhold or defer payment of dividend.

6. Circumstances to withhold payment of dividend. (1) A company may on its own and without making an application to the Commission withhold the payment of dividend of a shareholder where-

¹ Words inserted by SRO 1263(I)/2020, dated November 24, 2020.

- (i) the shareholder has not provided the company with its identification number;
- (ii) in case of a listed company, the shareholder has not provided the company with complete and valid details of designated bank account for direct credit of cash dividend;
- (iii) in case of a company other than a listed company, the shareholder has instructed the company for direct credit of cash dividend to designated bank account but has not provided the company with complete and valid details of designated bank account for direct credit of cash dividend; and
- (iv) an embargo or restriction has been placed by the competent authority in respect of shares held by the entitled shareholder:

Provided that before withholding payment of dividend, the company shall send a notice to the shareholder on its registered address and advertisement in this regard shall be published in two newspapers having nationwide circulation within fifteen working days of declaration:

Provided further that no notice will be required to be sent to a shareholder to whom the company has already sent three consecutive notices under the first proviso of this regulation.

COMPANIES REGULATIONS, 2024

2. Definitions.—(1) In these regulations, unless there is anything repugnant in the subject or context,—

- (i) “**Act**” means the Companies Act, 2017 (XIX of 2017);
- (ii) “**Annexure**” means an annexure appended to these regulations;
- (iii) “**authorized intermediary**” means a person registered by the Commission under these regulations and who is authorized by a company or promoters of a proposed company or a foreign company under an agreement for filing of documents on their behalf in pursuance of the Act;
- (iv) “**authorized officer**” includes a chief executive officer, director, company secretary, chief financial officer of the company or a representative authorized by the Board or an authorized intermediary or principal officer in case of foreign companies to sign a document or proceeding requiring authentication by the company:
Provided that—
 - (a) in the case of a company in relation to which an administrator has been appointed under sub-section (1) of section 291 of the Act, the administrator of such company; or
 - (b) in the case of a company in liquidation, the liquidator of such company; shall be the authorized officer of the company;
- (v) “**association**” means a group of persons united for a common object desirous of obtaining license under section 42 of the Act;
- (vi) “**benefits**” means all monetary and non-monetary favors of any kind received from the company directly or indirectly including but not limited to company maintained car, medical plan, house rent, loans and advances but does not include official travelling reimbursements, boarding and lodging expenses incurred on attending official meetings or expenses incurred in attending office as per entitlement or any meeting fee for attending the meetings of the board or a committee of board as determined by the board of directors;
- (vii) “**book closure**” means the period during which the register of members is closed in terms of section 125 of the Act;
- (viii) “**close relative**” means spouse(s), siblings and their children, lineal ascendants and descendants;
- (ix) “**Commission**” shall have the same meaning as assigned to it under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (x) “**Company Registration Office**” means an office established by the Commission under sub-section (1) of section 462 of the Act;
- (xi) “**corporate unique identification number or “CUIN”** means a sequential computer-generated registration number assigned to every company including foreign company and includes corporate universal

- identification number assigned to the companies before the issuance of these regulations;
- (xii) “**donation**” means contribution whether in cash or in kind, in the form of charity, grant, aid, contribution, gift, assistance, subsidy or any other form, received directly or indirectly, from any source whether local or foreign, for the purpose of achieving the objects of the company;
- (xiii) “**electronic database**” means the system for maintaining a database electronically in respect of all the record of companies and includes the Corporate Registration System, Corporate Compliance and Facilitation System and Diary System;
- (xiv) “**e-service**” shall have the same meaning as assigned to it under clause (27) of sub-section (1) of section 2 of the Act;
- (xv) “**exercise**” means making of an application by an employee to a company for issue of shares against option vested in him in pursuance of a Scheme;
- (xvi) “**exercise period**” means the time period after vesting within which an employee may exercise his right to apply for shares against an option vested in him in pursuance of the Scheme;
- (xvii) “**exercise price**” means the price payable by an employee for exercising an option granted to him in pursuance of the Scheme;
- (xviii) “**fee**” means fee as specified in Seventh Schedule to the Act;
- (xix) “**foreign company**” shall have the same meaning as assigned to it under the Act;
- (xx) “**Form**” means a form annexed to these regulations and includes a return;
- (xxi) “**firm**” means a practicing firm of management consultants, financial consultants, corporate consultants or tax practitioners;
- (xxii) “**further issue of shares**” means issue of shares under section 83 of the Act and does not include Initial Public Offer or offer for sale of shares by any person holding shares in listed company or further issue of shares pursuant to any scheme of arrangement including merger, demerger, amalgamation etc.;
- (xxiii) “**Limited Liability Partnership**” shall have the same meaning as assigned to it under the Limited Liability Partnership Act, 2017;
- (xxiv) “**initial public offer or IPO**” means first time offer of securities to the general public;
- (xxv) “**issue**” for the purpose of these regulations, means further issue of shares;
- (xxvi) “**issue of shares at discount**” means issue of shares at a price below face value of such share;
- (xxvii) “**issue of shares by way of other than right**” means issue of shares out of the share capital of a company or body corporate to any person without right offer, either for cash or for consideration otherwise than in cash;
- (xxviii) “**issue price**” means the price per share at which shares are offered or issued;

- (xxix) “**issue size**” means the total number of shares issued or proposed to be issued by a company;
- (xxx) “**market price**” for the purpose of a scheme means latest available closing price of the share on a securities exchange on which the shares of the company are listed and where share price is not traded on a given date, then the share price on the last trading day shall be considered;
- (xxxi) “**option**” means a right but not an obligation granted to an employee in pursuance of a scheme to apply for shares of a company at a pre-determined price;
- (xxxii) “**purchase**” means buy-back of its own shares by a purchasing company under section 88 of the Act and these regulations;
- (xxxiii) “**purchasing company**” means a public unlisted or a private limited company that intends to purchase its own shares under section 88 of the Act and these regulations; and
- (xxxiv) “**purchase period**” means the period of sixty days commencing from the date of dispatch of the offer letter;
- (xxxv) “**preference shares**” mean the shares which carry or would carry such preferential rights or privileges as provided for in the articles of association of the company including but not limited to the following;
 - (a) preferential right over the rights of ordinary shareholders to receive dividend; preference dividend may be cumulative or non-cumulative;
 - (b) preferential right over the rights of ordinary shareholders to participate in profits of company;
 - (c) preferential rights over the rights of ordinary shareholders to be paid in the event of winding up of the issuer; and
 - (d) voting and non-voting rights
- (xxxvi) “**promoter**” shall have the same meaning as assigned to it under the Act, and shall also include member of Association who has applied for the grant of a license under section 42 of the Act.
- (xxxvii) “**registrar concerned**” means a registrar, who is in-charge of a Company Registration Office in whose territorial jurisdiction the registered office of the company is situated;
- (xxxviii) “**Registrar of Companies**” means the Registrar of Companies designated as such by the Commission and posted at head office of the Commission and who is head of the offices for the registration of companies in Pakistan and performing other work under the Act;
- (xxxix) “**registered intermediary**” means a person registered by the Commission under these regulations;
- (xli) “**remuneration**” means reward or compensation for employment in the form of pay, salary or wage including all other perquisites and non-cash incentives but does not include meeting fee for attending meetings of board or committee of board and reimbursement for boarding or lodging for attending board meetings;

- (xli) “**right issue**” means the shares offered by a company to its members strictly in proportion to the shares already held in respective kinds and classes;
- (xlii) “**seal**” means the seal of the company registration office having the name of company registration office engraved on it;
- (xliii) “**schedule**” means a schedule to the Act;
- (xliv) “**scheme**” means an Employees Stock Option Scheme (ESOS) in accordance with procedure and on conditions specified through these regulations;
- (xlv) “**vesting**” means to give or earn a right to apply for conversion of the options, granted under a scheme, into shares of the company; and
- (xlvi) “**vesting period**” means the period during which the vesting of an option granted to an employee in pursuance of a scheme takes place.

(2) The words and expressions used but not defined in these regulations shall have the same meaning as are assigned to them in the Act, the Securities and Exchange Commission of Pakistan Act, 1997(XLII of 1997), the Limited Liability Partnership Act, 2017 (XV of 2017), Securities Act, 2015 (III of 2015) and any rules made thereunder.

8. Application for incorporation of company – (1) An application for incorporation of company along with fee as specified in Seventh Schedule to the Act, shall be filed in any of the following modes, namely: -

- (i) separate application for incorporation of company in the manner as provided in sub-regulation (2); or
 - (ii) combined application for reservation of name and incorporation of company in the manner as provided in sub-regulation (3).
- (2) An applicant shall make separate application for incorporation of company either online through e-service or in physical form to the registrar as per Form-1 along with the following documents—
- (i) memorandum (in case of online application, applicant can either attach soft copy of Memorandum as a PDF format or select predefined system generated Memorandum available in e-services except for companies having specialized business);
 - (ii) articles where required;
 - (iii) copies of valid CNIC/NICOP (Computerized national identity card/national identity card for overseas Pakistanis) of the subscribers/directors/chief executive officer/any other officer or copies of valid Passport in case of a foreigner;
 - (iv) in case of a single member company, also attach a copy of valid CNIC/NICOP of nominee or copy of valid Passport/ National Identity Card or any other identity document in the respective country, translated in English language, in case of a foreigner;
 - (v) copy of CNIC of witness in case of physical filing of application;
 - (vi) in case of physical application, authority letter on stamp paper of requisite value in favour of any one of the subscribers or registered intermediaries, authorizing him to file documents for incorporation of company on behalf of subscribers, make correction therein, if required

- after incorporation of company. The authority letter shall be witnessed with his particulars and shall also be notarized;
- (vii) NOC/Letter of Intent/ License (if any)/ approval letter of the relevant regulatory authority in case of specialized business as mentioned in regulation 5;
 - (viii) in case of physical application, original paid bank challan or other evidence of payment of fee specified in Seventh Schedule to the Act;
 - (ix) copy of valid CNIC/NICOP/Passport of person duly authorized by the Board of directors of a body corporate which is a subscriber along with copy of Board resolution. In case of a subscriber which is a limited liability partnership, copy of valid CNIC/NICOP/Passport of designated partner/partner empowered to act as such, along with copy of instrument empowering him;
 - (x) in case the subscriber is an individual of foreign nationality, foreign company or a foreign body corporate, additional information and documents certified in the manner as specified in Regulation 19.

(3) The combined application for reservation of name and incorporation of a company limited by shares shall be filed online through e-service on payment of fee along with scanned copies of relevant and applicable documents, as mentioned in sub-regulation (2) of this regulation except memorandum of association and articles of association, which shall be generated by e-service:

Provided that facility of combined application shall not be available for companies to be formed to carry on or engage in any business which is subject to a license or registration, permission or approval as required under the respective law:

Provided further that the applicant may enter three names for the proposed company in the order of priority and the Registrar shall approve any one of the given names as per the given order of priority subject to fulfillment of criteria mentioned in section 10 of the Act and in these regulations:

Provided also that in case of refusal of the proposed names, the registrar shall issue the order of refusal as per Annexure-B.

9. Memorandum of Association.—(1) The memorandum of association shall be in conformity with Table B, C, D, E or F of the First Schedule to the Act and any other rules and regulations notified by the Commission/Federal Government, as applicable to the kind of the company.

(2) It shall contain an undertaking that the company shall not engage in any of the restricted business, launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business, or engage in any of the permissible business unless the requisite approval, permission, consent or license is obtained from competent authority as may be required under any law for the time being in force.

Explanation.—Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT Management Services, Housing Finance Services,

Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba Management Company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.

(3) The memorandum filed in physical form under sub-section (1) of section 16 of the Act, shall be properly stamped as required by the Stamp Act, 1899 (II of 1899), if applicable, duly subscribed and witnessed along with the declaration made thereunder:

Provided that in case of electronic submission of memorandum of association, the stamp duty shall not be paid till the time the Provincial Governments devise and implement appropriate measures for payment and recovery of stamp duty through electronic means in terms of section 10 of the Electronic Transactions Ordinance, 2002 (LI of 2002).

(4) The registrar may require any person who makes a declaration under sub-section (1) of section 16 of the Act or is a promoter or director of the proposed company or is a witness to the signatures of the subscribers to the memorandum to furnish such information, clarification or document as he may deem necessary to satisfy himself for purposes of sub-sections (2) and (4) of section 16 of the Act.

10. Articles of Association.—(1) In case, the subscribers opt to file combined application for reservation of name and incorporation of company in the manner specified under sub-regulation of regulation 8, the articles as per Table A of First Schedule to the Act shall be the articles of the company.

(2) In case of separate application for incorporation of company, the subscribers of the company limited by shares may adopt the articles as per Table A of First Schedule to the Act and notify the same to the registrar concerned as per Form-1 and filing of articles separately shall not be required by company adopting Table A:

Provided that in case articles as per Table A of the First Schedule to the Act are not adopted, the company limited by shares shall file the articles with the registrar along with application for incorporation.

(3) In the case of a company limited by guarantee or an unlimited company, the company shall file the articles with the registrar along with application for incorporation.

11. Signing of memorandum of association and articles of association.—
(1) Subject to sections 31 and 37 of the Act, the memorandum and articles of the company shall be signed physically or electronically, as the case may be, by each subscriber to the memorandum and articles of association and where required, to be witnessed.

(2) Where a subscriber is other than a natural person, the memorandum and articles of association shall be signed by a natural person on its behalf in the following manner:

- (i) in case of a body corporate, duly authorized by a resolution of the board of directors;
- (ii) in case of a limited liability partnership, a designated partner empowered to act as such, along with copy of instrument empowering him; and
- (iii) in any other case by an authorized representative duly authorized to sign as such.

12. Appointment of First Directors and Chief Executive Officer.—(1) The subscribers to the memorandum shall determine the number of directors and the names of the first directors in terms of provisions of section 157 of the Act.

(2) The subscriber to the memorandum shall also determine the name of the first chief executive officer in terms of provisions of section 186 of the Act.

(3) The number of directors as determined by the subscribers and particulars of first directors and first chief executive officer shall be stated in the application for incorporation of company as per Form-1.

13. Other information to be obtained or provided.—(1) In addition to the particulars of subscribers as provided in section 31 and 37 of the Act, following further information shall be provided namely:-

- (i) a subscriber, in case of a Pakistani national, shall also specify number of his valid CNIC/ NICOP and in the case of foreign national, number of his valid passport.
 - (ii) in case of a person other than a natural person, the address of its registered office or principal office shall be mentioned and the authorized representative signing the documents shall likewise provide his particulars.
- (2) In case of a subscriber holding at least twenty five percent of the shares, voting rights or controlling interest in the proposed company on behalf of some other natural or legal person, following additional particulars of ultimate beneficial owner(s), shall be obtained and maintained -
- (a) Name of the subscriber (natural or legal person)
 - (b) Name of the natural person(s) who is/are the Ultimate Beneficial Owner (UBO) of subscriber
 - (c) Father's name/Spouse's Name of UBO
 - (d) NIC/NICOP/ Passport no. of UBO along with date of issue
 - (e) Nationality of UBO
 - (f) Country of origin of UBO (in case of foreign national or dual national)
 - (g) Usual residential address of UBO
 - (h) Email address of UBO
 - (i) Date in which the UBO status was acquired
- (3) In case of indirect shareholding, control or interest being exercised through intermediary companies, entities or other legal persons or legal arrangements in the chain of ownership or control through at least twenty-five percent of the shares, voting rights or controlling interest in the proposed company, reasonable measures shall be taken to obtain the following particulars of the ultimate beneficial owner of the legal persons or

arrangements. If there is no natural person, it should obtain the identity of the relevant natural person who holds the position of senior managing official:

Name of entity	Legal form (Company/LLP / Partnership Firm/Trust/Any other body corporate (to be specified))	Date of incorporation/ registration	Name of registering authority	Business address	Country	Email address	Percentage of shareholding , control or interest of UBO in the legal person or legal arrangement	Percentage of shareholding , control or interest of legal person or legal arrangement in the Company	Identity of Natural Person who ultimately owns or controls the legal person or arrangement
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)

Explanation:- For the purposes of this regulation the term "ultimate beneficial owner" means a natural person who ultimately owns or controls a company, whether directly or indirectly, through at least twenty five percent shares or voting rights or by exercising effective control in that company through other means. Control through other means may be exercised through a chain of ownership or through close relatives or associates having significant influence or control over the finances or decisions of the company.

14. Witness in case of physical submission of a document.—(1) In case of electronic submission of documents for incorporation of a company, a witness is not required in terms of Section 3 of Electronic Transactions Ordinance, 2002.

(2) In case of physical submission of documents for incorporation of a company, the same shall be witnessed by a Pakistani National having valid CNIC:

Provided that where a document is required to be attested by a notary public or an oath commissioner or class I magistrate, the same shall be witnessed in accordance with the relevant law.

19. Additional requirements for foreign subscribers and security clearance.—(1) In case the subscriber is a foreign company or a foreign body corporate, the registrar shall require additional information including but not limited to the profile of the foreign company or foreign body corporate including detail of its directors, their nationality and country of origin along with copy of passport, latest return/any other document showing particulars of directors, copy of its charter, statute or memorandum and articles, copy of the certificate of incorporation, Board resolution by the foreign company for appointment of nominee and authorization to acquire shares in the proposed company, an undertaking on the specified format as per Annexure-S duly attested by notary public, etc.:

Provided that the copy of the certificate of incorporation, any charter, statute, memorandum, articles or other instrument, constituting or defining the constitution of a foreign company or a foreign body corporate and board resolution, undertaking (if executed outside Pakistan) required to be filed with the registrar shall be duly –

- (i) certified to be a true copy by the public officer in the country where the foreign company or foreign body corporate is incorporated to whose custody the original is committed; or
- (ii) certified to be a true copy by a Notary public of the country where the foreign company or foreign body corporate is incorporated; or
- (iii) certified to be a true copy of an affidavit from an authorized officer of the foreign company or foreign body corporate in the country where the company is incorporated or;
- (iv) apostillised by the designated competent authority of the state of origin of the foreign public document, who have acceded to the Hague Convention abolishing the requirement of legalisation for foreign public documents (Apostille Convention) of 1961 and such state is also recognized by the Government of Pakistan for receiving of apostillised documents:

Provided further that the signature and seal of the official referred to in clause (i) or the certificate of the Notary Public referred to in clause (ii) above shall be authenticated by a Pakistan diplomatic consular or consulate officer and the affidavit of the officer of the foreign company or foreign body corporate referred to in clause (iii) above shall be signed before a Pakistan diplomatic consular or consulate officer.

(2) In case the subscriber to the memorandum is an individual of foreign nationality, the registrar shall require five sets of copies of bio data, valid passport and an undertaking (in original) on the specified format as per Annexure-S duly attested by notary public in the country of stay of the foreigner. Moreover, the registrar may also require to file the additional documents as deemed necessary.

(3) The Commission shall obtain security clearance from Ministry of Interior in following cases and in the manner prescribed hereunder:

- (i) companies having foreign (other than Indian national or origin) subscribers/officers will be incorporated on the basis of an undertaking of each foreign subscriber /officer and case shall be forwarded for security clearance:

Provided that in case, name of subscriber/officer is not security cleared by Ministry of Interior, the subscriber/officer and the company, shall take immediate steps for replacement and shall transfer shares if any, held by the subscriber;

- (ii) companies having foreign subscribers/officers/foreign subscriber companies/board of directors of foreign subscriber companies who are Indian national or of Indian Origin will be incorporated after receipt of security clearance;
- (iii) security services and matrimonial services providing companies will be incorporated after receipt of security clearance from Ministry of Interior ("MOI") and as per policy formulated by MOI from time to time.

(4) The manner of security clearance shall be subject to any change in the security policy of government from time to time.

35. Circulation of reports and notices by companies.— Unless otherwise provided by the Act or these regulations, any report, notice, statement, circular or

other document required under the Act or any rule or regulations made thereunder to be circulated, transmitted or forwarded to the members, debenture-holders or creditors shall, unless it is delivered against an acknowledgement be served on a member, debenture-holder or creditor at his registered address or, if he has no registered address in Pakistan, at the address provided by him to the company for the giving of notices to him against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be notified by the Commission.

36. Time period for reporting of principal line of business by an existing company.— If the object stated at serial number 1 of the object clause of the Memorandum of association of an existing company is not the principal line of business, the said company shall intimate to the registrar its principal line of business for the purpose of proviso of the clause (iii) of sections 27(A) or clause (c) of sub-section (1) of section 28 or clause (c) of section 29 of the Act, as the case may be, within three months from the commencement of these regulations on Form-4 along with a revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause.

(2) Any change or alteration in Principal Line of Business shall be reported to the registrar within thirty (30) days from the date of change on Form-4.

37. Alteration of memorandum.—(1) Subject to the provisions of section 32 of the Act, a company shall submit a petition to the Commission for alteration in memorandum pursuant to clause or clause (c) of sub-section (1) of section 32 of the Act within ninety days from the date of passing of special resolution along-with copies of the special resolution, amended copy of memorandum and articles of association, comparative statement containing existing provision, proposed provision of the memorandum, no objection certificate from all registered creditors and no objection certificate from relevant department of the Commission or other relevant authority, where applicable .

Provided that in case of failure to file petition within the specified period, the company shall be required to pass a fresh special resolution.

(2) Subject to sub-section (2) of section 32 of the Act, alteration so as to change of principal line of business by a company shall be affected by passing a special resolution and does not require filing of petition:

Provided that a company may, if so desire, convert its existing Memorandum of Association into a standard format as provided in Part-II of first schedule of the Act by passing a special resolution.

38. Conversion of status of a company.—(1) Subject to the requirements of sections 46, 47, 48 and 49 of the Act, a company desirous of converting its status shall, not later than ninety days from the date on which the special resolution was passed, make an application to the Commission for its approval, in any of the following circumstances, namely—

- (i) conversion of a public company into a private company or a single member company; or
- (ii) conversion of a private company into a single-member company; or
- (iii) conversion of an unlimited company into a limited company; or
- (iv) conversion of a company limited by guarantee into a company limited by shares.

Provided that application for conversion of status shall be accompanied with extract of special resolution, amended copy of Memorandum and Articles of Association, NOC of concerned authority in case doing licensed / specialized business, NOCs of registered charge holders/creditors. Moreover, in case of conversion of a company limited by guarantee to a company limited by shares, particulars of persons who have agreed to take shares in the proposed capital of the company along with number of shares against each and auditors' certificate verifying receipt of consideration money on the format of Appendix to Form 3.

Provided further that in case of failure to file application within the specified period, the company shall be required to pass a fresh special resolution.

- (2) If a company alter its articles for the purpose of its conversion from—
- (i) private company (including single member company) into a public company [Section 46(5)]
 - (ii) single member company into a private company [Section 47(5)]
 - (iii) limited company into an unlimited company [Section 48(4)]
 - (iv) company limited by shares into a company limited by guarantee [Section 49(5)],

the company shall file with the registrar a copy of the memorandum and articles of association as altered along with special resolution.

39. Return of allotments of shares.—(1) Subject to the provisions of section 70 and 83 of the Act, a company having a share capital shall file a return of allotment of shares, with the registrar as per Form-3 within forty-five days after the date of allotment.

(2) Where shares are allotted against consideration otherwise than in cash, the documents which are to be filed with the registrar along with the return of allotment, as per requirements of clause (c) of sub-section (1) of section 70 of the Act, shall be verified in the following manner, namely—

- (i) by an affidavit of an authorized officer that these are true copies;
- (ii) by certification of the public officer having custody of the original document, where applicable:

(3) In case the shares are allotted to an individual of foreign nationality or a foreign company or a foreign body corporate, the company shall submit additional information and documents as specified in Regulation 19.

(4) In case the shares are allotted by a company to the scheduled bank or the financial institution or issued or deemed to have been issued in terms of sub-section (5) of section 70 of the Act but the default is made by a company in filing a return of allotment in respect of such shares, the scheduled bank or the financial institution as the case may be, may file a return of allotment in respect of such shares with the registrar together with a copy of the relevant agreements or contractual arrangements or court order or any other document evidencing the obligation of the company to issue shares to such scheduled bank or financial institution and consideration thereof.

(5) Subject to section 83 of the Act, a company may issue further shares either for cash or for consideration otherwise than in cash, by way of other than

right, by passing a special resolution subject to the fulfillment of the conditions provided in regulation 110 of these regulations:

Provided that a public company after passing of special resolution shall also seek approval of the Commission before issuance of share by way of other than right.

(6) The letter of offer shall be accompanied by a circular under sub-section (3) of section 83 of the Act on prescribed Form-12 duly signed by all directors or an officer of the company authorized by them in this behalf containing material information as provided therein, shall be sent to all the members giving not less than fifteen days and not exceeding thirty days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined:

Provided that the circular shall be delivered to the existing members in the manner provided under section 55 of the Act:

Provided further that a copy of such circular shall also be filed with the registrar simultaneously at the time it is dispatch to the shareholders.

Provided further that the company while issuance of further share capital shall also comply with the requirements of these regulations and any other relevant rules, regulations, instructions or notifications issued by the Commission from time to time.

40. Transfer of shares by member of a private company.—(1) Subject to the provisions of sub-section (1) of section 76 of the Act, a member of a private company, not being a single member company, desirous to sell any share(s) held by him shall intimate the board of his intention through a notice.

(2) The transferor shall offer shares for sale at a specific price or at some other price arrived at through negotiation between the offering member and the board of directors of the company.

(3) In case all the members decline to accept the offer or if any of the shares are left over, the shares may be sold to any other person:

Provided that shares shall not be offered to outsiders at a price lower than the offered price.

(4) Nothing in this regulation shall apply to—

- (i) the transfer of qualification shares which are required to be held by the director under section 200 of the Act; or
- (ii) the shares, which are required to be transferred by operation of law; or
- (iii) the shares, which have been gifted to family.

Explanation.— For the purpose of this clause the word “family” means “spouse”, “children”, “siblings”, lineal ascendants and descendants.

41. Return for change in shareholding etc.—Subject to the provisions of sub-section (4) of section 465 of the Act, a company other than a listed company, shall inform the registrar about any change of more than twenty five percent in its shareholding or membership or voting rights as per Form-3 within fifteen days after the day on which the threshold of more than twenty five percent is reached:

Provided that in case of transfer of shares of more than twenty five percent, Form-3 shall be supported by an affidavit on stamp paper, confirming the correctness of the contents contained therein, duly signed by the person who has signed Form-3 and attested by an oath commissioner and witnessed.

42. Issue of certificate of shares.—(1) Subject to the provisions of section 62 of the Act, the physical certificate of any share or shares of a company shall be issued in the following manner, namely—

- (i) in pursuance of a resolution passed by the Board; and
- (ii) on surrender to the company of letter of allotment, save in cases of issues against letters of acceptance or of renunciation, or in cases of issue of bonus shares.

(2) No certificate of any share or shares shall be issued either in exchange for those which are sub-divided or consolidated or in replacement of those which are defaced, torn or old decrepit, worn-out, or in cases where space for recording transfers has been duly utilized, unless the certificate in lieu of which it is issued is surrendered to the company.

(3) The duplicate share certificate or letter of allotment shall be issued in accordance with the provision of section 73 of the Act.

(4) The certificate of shares issued in physical form shall specify the certificate number, folio number, name of company, authorized and paid up capital of the company at the time of issuance of certificate, date of issue, name(s) of the person(s) in whose favor the certificate is issued, class and kind of share, par value of share and in case of transfer, name of transferee, date of transfer, signature of authorized officer of the company:

Provided that in case duplicate share certificate is issued, that the date of initial issuance along with word "DUPLICATE" shall be mentioned on the certificate.

(5) Every share certificate issued by the company and signed by two directors duly authorized by the Board of Directors of the company for the purpose if so authorized by the Board:

Provided that, in case of a single member company, every share certificate shall be issued and signed by the single director of the company.

43. Procedure for registration or cancellation of securities of bearer nature.—(1) Where a company has issued any equity or debt security of a bearer nature, by whatever name called, it shall, within three months of coming into force of section 60A of the Act, publish a notice as per Form-14, in at least one daily English and Urdu language national newspaper having wide circulation in the province in which the registered office of the company is situated, requiring the holder(s) to surrender such securities to the company for their registration in the name of the holder(s).

(2) In reply to the notice, every person who is the holder of any security of a bearer nature mentioned in sub-regulation (1) shall, within three months of the publication of such notice, surrender the same to the company for its registration.

(3) Where any security of a bearer nature is surrendered for registration, the company after making such enquiry as deemed appropriate, shall enter the name of the holder in the register of members or the register of debenture holders, as the case may be, in respect of the securities represented by the instrument in accordance with the terms of issue thereof.

(4) Where the holder of any security of a bearer nature fails to surrender the same to the company within the period specified hereinabove, the company shall, not later than three months from the deadline for surrender of such securities, apply to the court for an order for cancellation of the security with

effect from the date of the order, pursuant to the provisions of section 89 of the Act, and shall also publish a notice in at least one daily English and Urdu language national newspaper having wide circulation in the province in which the registered office of the company is situated, within fourteen days of such application, of the fact that an application has been made to the court under this provision.

(5) Any security of a bearer nature, which has been surrendered pursuant to sub-regulation and registered or cancelled by the company, shall be duly accounted for in the next annual return to be filed by the company.

(6) A company which has issued securities of a bearer nature prior to the coming into force of the provision of regulation 16A of the repealed Companies (General Provisions and Forms Regulations) 2018, shall prepare and maintain a register of the number of such securities, as per Form-15, containing particulars of holders of such securities, the date of their issue, surrender and cancellation, if any, under sub-regulation (2) or sub-regulation (4).

44. Issuance of shares in book-entry form.—Subsequent to the notification under section 72 of the Act, all companies required to replace its physical shares with book-entry form shall apply to a Central Depository in terms of the relevant Regulations for declaration of company's shares as eligible securities and comply with the requirements of the Central Depository for issuance of shares in book entry form.

45. Verification of copies for purposes of sections 100, 101 and 106.—A copy of every instrument or deed creating or evidencing any charge or mortgage or pledge and required to be filed with the registrar in pursuance of section 100, 101 and 106 shall be verified as follows, namely—

- (i) where the instrument or deed relates, whether wholly or partly, to property situated in Pakistan, the copy shall be verified in following manner—
 - (a) by an affidavit of an authorized officer that these are true copies; or
 - (b) by a certification of the public officer having custody of the original document;
- (ii) where the instrument or deed relates solely to property situated outside Pakistan, the copy shall be verified by an affidavit of an authorized officer of the company, or of a person interested in the mortgage or charge or pledge on behalf of any person other than the company stating that it is a true copy.

46. Maximum limit of remuneration for the purpose of section 117.—The maximum limit of remuneration payable in terms of section 117 of the Act shall be such amount as fixed by the court while passing the order for appointment of receiver or manager.

47. Particulars of members and debenture-holders.—Subject to the provisions of section 119 and 122 of the Act, every company shall keep a register of its members and a register of debenture-holders containing the following particulars, namely—

- (a) in case of a member or debenture-holder who is a natural person—
 - (i) folio number;
 - (ii) full name;

- (iii) father's name;
 - (iv) CNIC/NICOP/Passport Numbegr;
 - (v) nationality;
 - (vi) mobile number/landline number;
 - (vii) email address, if available;
 - (viii) usual residential address;
 - (ix) occupation, if any;
 - (x) in case of foreign national or dual national, country of origin;
 - (xi) in case of minor member or debenture-holder, his date of birth along with name and address of his guardian;
 - (xii) date on which name was entered in the register as a member /debenture-holder;
 - (xiii) date on which the person ceased to be a member / debenture-holder and reason of cessation;
 - (xiv) Name of the person on whose behalf shares or debentures have been held; and
 - (xv) Number of shares or percentage of voting rights or controlling interest in the company held on behalf of a person not himself being a member or debenture holder of the company.
- (b) in case of member or debenture-holder other than a natural person—
- (i) folio number;
 - (ii) name of legal person;
 - (iii) official address;
 - (iv) name of authorized representative/designated partner and his particulars as required in (i)(b) to (i)(k) above;
 - (v) date on which name was entered in the register as a member/debenture-holder; and
 - (vi) date on which the person ceased to be a member/ debenture-holder and reason of cessation.
- (c) additional particulars in the case of a company having a share capital—
- (i) number of shares/debentures held by each member/ debenture-holder;
 - (ii) class or kind, if any, of shares/ debentures held
 - (iii) distinctive number of each share held, where applicable; and
 - (iv) number of shares / debentures held by member/debenture-holder which are subject to encumbrance, if any, along with nature of encumbrance.

48. Additional particulars of Ultimate Beneficial Owners.—(1) A company shall, within three months of coming into force of section 123A of the Act, take reasonable measures to identify and obtain the information of its ultimate beneficial owners, as per Form-16, by issuing a notice to every member who directly holds at least twenty five percent of shares or voting rights in the company or to the representative of every legal person or legal arrangement which holds at least twenty five percent of shares or voting rights in the company.

(2) In reply to the notice issued by the company, every person to whom the notice has been issued under sub-regulation (1), shall submit a declaration to the company as per Form-17, within fourteen days of the notice, indicating the name, address and other particulars as specified therein, as are necessary to properly identify the ultimate beneficial owner.

Provided that any person becoming a new member subsequently shall also, within a period of fourteen days of his name being entered in the register of members, submit the said declaration to the company.

(3) Where any change occurs in the particulars of ultimate beneficial owner or his ownership of the company, the person referred to in sub-regulation (2) shall, within a period of fourteen days from the date of any change, submit a declaration to the company as per Form-18, stating the nature of change and other particulars as mentioned therein.

(4) Where a declaration is made to a company under sub-regulation (2) or sub-regulation (3), the company shall make a note of such declaration in a register of ultimate beneficial owners to be maintained by it for such purpose containing the following particulars:-

- (i) Name;
- (ii) Father's Name/Spouse's Name;
- (iii) CNIC/NICOP/Passport no. along with date of issue;
- (iv) Nationality;
- (v) Country of origin (in case of foreign national or dual national);
- (vi) Usual residential address;
- (vii) Email address;
- (viii) Date on which shareholding, control or interest acquired in the company;
- (ix) Date on which shareholding, control or interest acquired in the company from former ultimate beneficial owner;
- (x) In case of indirect shareholding, control or interest being exercised through intermediary companies, entities or other legal persons or legal arrangements in the chain of ownership or control, the company shall take reasonable measures to obtain names and particulars of the ultimate beneficial owner of the legal persons or arrangements, as specified below. If there is no natural person, it should obtain the particulars of relevant natural person who holds the position of senior managing official:

Name	Legal form (Company/LLP / Partnership Firm/Trust/ Any other body corporate (to be specified)	Date of incorporation/ registration	Name of registering authority	Business Address	Country	Email address	Percentage of share- holding, control or interest of UBO in the legal person or legal arrange- ment	Percentage of share- holding, control or interest of legal person or legal arrange- ment in the Company	Identity of Natural Person who ultimately owns or controls the legal person or arrange- ment
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)

- (xi) Any other information incidental to or relevant to enable the company to evaluate this matter.

(5) Every company required to maintain a register of ultimate beneficial owners shall, within fifteen days from the receipt of declaration received under sub-regulation (2) or (3), and thereafter along with its annual return, submit to the registrar concerned a declaration of compliance in pursuance of sub-section (2) of section 123A of the Act, as per Form-19.

Provided that in case of listed companies, a copy of the said form shall also be filed with the Commission.

(6) The board of directors of every company required to maintain a register of ultimate beneficial owners shall authorize its chief executive officer or one of its directors or officers to provide the information required under this regulation to the registrar for verification purposes, or to any other authority or agency pursuant to the powers to call for information entrusted by law to such authority or agency, and to provide further assistance as may be required, and the name and particulars of such an officer shall be furnished to the registrar along with the declaration specified hereinabove.

(7) Without prejudice to the provisions of regulation 147, a company shall, to whom necessary information has not been provided by a member in reply to the notice issued under sub-regulation (1), make an application to the Commission, in the form and manner specified in regulation 5 of the Companies (Distribution of Dividends) Regulations, 2017.

Explanation.—For the purposes of this regulation, the term “ultimate beneficial owner” means a natural person who ultimately owns or controls a company, whether directly or indirectly, through at least twenty five percent shares or voting rights or by exercising effective control in that company through other means. ‘Control through other means’ may be exercised through a chain of ownership or through close relatives or associates having significant influence or control over the finances or decisions of the company.

49. Approval of capital expenditure and disposal of assets by the board. -
For the purpose of clause (i) of sub-section (2) of section 183 of the Act:

- (a) in case of a public interest company and a large sized company, the amount of capital expenditure to be incurred on any single item shall be more than twenty-five million rupees; and the amount of book value for the disposal of a fixed asset shall be more than five million rupees or one percent of the total assets of the company, whichever is lower; and
- (b) in case of a medium sized and a small sized company, the amount of capital expenditure to be incurred on any single item shall be more than five million rupees and the amount of book value for the disposal of a fixed asset shall be more than one million rupees or one percent of the total assets of the company, whichever is lower.

Provided that any amount of an expenditure or disposal not exceeding the aforesaid limits as provided in clause (a) and (b), may be approved by a committee constituted by the board comprising at least one director; and the Committee shall submit to the Board on bi-annually basis a post facto report for information; and

- (c) the board shall have the power to approve the capital expenditure or disposal of fixed assets as provided in clause (a) and (b) above irrespective of limits as specified above.
- (d) any capital expenditure to be incurred on land and building irrespective of the amount, or disposal thereof, may be made only with the approval of the board subject to provisions of sub-section (3) of section 183 of the Act

50. Particulars of directors and officers.—(1) Subject to the provisions of section 197 of the Act, every company shall keep a register of its directors and officers, including the chief executive, company secretary, chief financial officer, auditors and legal adviser, containing their particulars as specified through Form-9 which have been furnished to the company by each of the aforementioned director and officer in pursuance of the provisions of sub-section 2 of section 197 of the Act.

(2) The company shall file a return with the registrar as per Form-9 in pursuance of sub-section (3) of section 197:

Provided that in case of resignation of a director or chief executive officer, Form-9 shall be supported by the resignation letter duly signed by the resigning director or chief Executive Officer, as the case may be, which shall be verified through an affidavit on stamp paper duly signed by the person who has signed Form-9 and attested by an oath commissioner and witnessed.

(3) In case the director or chief executive of the company is an individual of foreign nationality or nominee of a foreign company or a foreign body corporate, the company shall submit additional information and documents as specified in Regulation 19.

(4) Subject to the provisions of section 128 and 197(9) of the Act, when the Court makes an order for rectification of the register of members or register of directors in respect of a company, the company shall file notice of the rectification with the registrar within fifteen days from the receipt of the order, giving therein, in addition to other facts, if any, the name of the Court, the date of order, case number and case title, details of rectification ordered by the Court and the rectification as made in compliance with the order.

(5) The relevant statutory returns subsequently filed by the company with the registrar shall be in accordance with Court order.

51. Particulars of contracts or arrangements in which directors are interested.—(1) Subject to the provisions of section 209 of the Act, the company shall keep one or more separate registers containing following particulars of all contracts or arrangements including particulars relating to the concern or interest of any director in any association having contract or arrangement with the company and other information relating to such director, namely—

- (i) the date of the contract or arrangement;
- (ii) the names of the parties thereto;
- (iii) the principal terms and conditions thereof;
- (iv) amount of contract or arrangement;
- (v) the name of the director interested in the contract or arrangement;

- (vi) name of the association and the extent or nature of interest of director therein and also his relationship with association; and
- (vii) date on which interest or concern arises or changes.

(2) Subject to the provision of sub-section (2) of section 209, the particulars as mentioned in clauses (v), (vi) and (vii) of sub-regulation (1) or any change therein, shall be disclosed to the company by each of the relevant director within thirty days.

52. Qualifications and Experience of company secretary.—Subject to the provisions of section 194 of the Act, the public company shall appoint as company secretary—

- (i) a person who is a member of—
 - (a) a recognized body of professional accountants; or
 - (b) a recognized body of corporate or chartered secretaries; or
- (ii) a person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission of Pakistan or in case of foreign qualification in the above disciplines, holds an equivalence certificate from Higher Education Commission of Pakistan and having at least five years relevant experience in case of listed company or two years relevant experience in case of other public company; or
- (iii) a retired government servant in BS-18 or equivalent or above with at least fifteen years' service:

Provided that a person already engaged by a public company as company secretary in terms of the Companies (General Provisions and Forms) Rules, 1985 or the Companies (General Provisions and Forms) Regulations, 2018 may continue in that capacity.

53. Female representation on the board of public interest company.—Subject to provision of section 154(d) of the Act, the board of a public interest company not being a listed company, shall have at least one female director having at least bachelor's degree from an institution recognized by Higher Education Commission.

54. Intimation about change in nominee or his particulars.—A single member company shall report change in nominee or any change in his particulars thereof or appointment in case of conversion of status to a single member company, within fifteen days of the change or conversion of status to the registrar on Form-9.

55. Conduct of shareholders in the meeting.—(1) The chairman of the meeting shall read out the manner in which general meeting shall be conducted that includes providing opportunity to the members seeking any explanation and meaningful discussion, choice of suitable language and appropriate time allocated to members to participate in the proceedings of the meetings.

(2) The shareholders shall also observe following conduct in general meetings in terms of section 215 of the Act—

- (i) shall not bring such material that may cause threat to participants or premises where meeting is being held;

- (ii) shall confine themselves to the agenda items covered in the notice of meeting;
- (iii) shall keep comments and discussion restricted to the affairs of the company; and
- (iv) shall not conduct in a manner to disclose any political affiliation or offend religious susceptibility of other members.

56. Video link facility for meetings.—Where the company provides facility to its members for attending meeting through video link subject to the provisions of clause 73 of sub-section (1) of section 2, section 134 of the Act and its articles of association, the meeting shall be conducted in the following manner—

- (i) the company shall ensure that the notice of general meeting specifically mentions therein that participation through video link shall be arranged on demand by members residing in a city and holding ten percent of the total paid up capital;
- (ii) the chairman of the meeting and company secretary shall ensure that no person other than the member or proxy holder is attending the meeting through video link and shall take any further steps to maintain integrity of such meetings;
- (iii) the chairman of the meeting and company secretary shall take the responsibility to ensure availability of adequate facilities at specified locations without interruption/distortion and appoint coordinator at the place of video conference facility to conduct voting and assist chairman of the meeting; and
- (iv) the company secretary shall secure the tele/video recording of the proceedings of the meetings and keep the same in his custody along with other relevant record.

COMPANIES (MANNER AND SELECTION OF INDEPENDENT DIRECTORS) REGULATIONS, 2018

Notification No. S.R.O. 556(I)/2018, Islamabad, the 26th April, 2018.—In exercise of powers conferred by sub-section (1) of section 512 read with section 166 of the Companies Act, 2017 (XIX of 2017), and having been previously published in the official Gazette vide Notification No. S.R.O. 359(I)/2018 dated March 15, 2018, the Securities and Exchange Commission is pleased to notify the following Regulations, namely:-

The Companies (Manner and Selection of Independent Directors) Regulations, 2018

1. Short title and Commencement.—(1) These regulations shall be called the Companies (Manner and Selection of Independent Directors) Regulations, 2018.

(2) They shall come into force from period starting after June 30, 2018.

(3) These Regulations shall apply to any institute, body or association, notified by the Commission for maintaining and creating databank of independent directors, and the companies or entities that are required to select independent directors under any law, rules, regulations or code, unless any other mechanism is provided their respective law for the time being in force.

2. Definitions.—(1) In these regulations, unless there is anything repugnant in the subject or context,-

- (a) “Act” means Companies Act, 2017 (XIX of 2017);
- (b) “Commission” shall have the same meaning as assigned to it in clause (16) of sub-section (1) of section 2, of the Act; and
- (c) “databank” means the databank maintained by such institute, body or association as may be notified by the Commission for the purposes of section 166 of the Act;
- (d) “Institute” means by any institute, body or association, notified by the Commission to create and maintain the databank.

(2) Words and expressions used but not defined in these regulations shall have the same meaning as assigned to them in the Act and the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

3. Databank of independent directors.—(1) Subject to requirements of section 166 of the Act, any institute, body or association as may be notified by the Commission, shall create and maintain the databank.

(2) The databank referred to in sub-regulation (1), shall, at the minimum, maintain the following details about persons therein:-

- a) name as per CNIC or passport;
- b) CNIC Number or Passport Number;

- c) National Tax Number (NTN);
- d) gender;
- e) occupation;
- f) contact number and email address;
- g) current service designation;
- h) educational and professional qualifications;
- i) experience or expertise or specialized skill;
- j) region/city in which the professional is serving currently;
- k) list of companies in which directorship is / was held;
- l) nature of directorship held (executive, non-executive, independent) along with duration, separately for each company/(s); and
- m) details of directors' training program (DTP) attended or exemption from DTP availed.

(3) The Institute shall place the databank on its website and ensure that basic particulars of persons in databank, as mentioned in sub-regulation (2), are assessable, searchable, legible and downloadable in the format that is convenient for online viewing and printing.

(4) The Institute shall provide access to the databank to companies for appointment of independent directors.

(5) The Institute may, with the prior approval of the Commission, fix reasonable fee, to be charged from companies for allowing them access to the information in databank.

4. Eligibility criteria for persons.—(1) Any person desirous of including his/her name on the databank referred to in regulation 3, shall fulfill the following educational and other requirements, namely:-

(a) a person who:

- i) either holds at least a graduate degree from a university recognized and approved by the Higher Education Commission of Pakistan or is a member of a professional body; and

Explanation: the expression, "professional body" means:

- a) established in Pakistan, governed under a special enactment of the Federal Government as a self-regulatory organization managed by a representative National Council, and has a prescribed minimum criterion of examination and entitlement of membership of such body; or
 - b) established outside Pakistan and established under a special enactment in the country of its origin and which is a member of the international body relevant for such field.
- ii) has at least five years of relevant experience in one or more of the fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical

operations or other disciplines relevant to the company's business; or

- (b) has at least fifteen years of relevant work experience in one or more of the fields of finance, law, management, sales, marketing, administrations, research, corporate governance, technical operations or other disciplines relevant to the company's business;
- (c) the person is willing to act as an independent director and can confirm that on appointment, would devote reasonable time to the affairs of the company in order to enable him/her to discharge his/her stewardship responsibilities as given under the applicable law, corporate governance directives and where applicable, licensing requirements.

(2) Every independent director, after being appointed/ elected on board, shall complete Directors' Training Program (DTP) or avail exemption from the Commission as per the requirements of Regulation 20 of the Listed Companies (Code of Corporate Governance) Regulations, 2017 within twelve months of such appointment/election.

(3) The Institute shall place the information on process of registration in databank, eligibility criteria, fees and documents and other relevant details on its website and the institute must ensure that information shall be in the format easily accessible and downloadable by the applicants.

(4) The Institute may determine the necessary measures, conditions and procedure for including and retaining details of individuals in the databank.

(5) The Institute, with the prior approval of the Commission, may fix a fee to be paid by the individuals for inclusion and retaining their names in the databank.

(6) Every person whose name is included in the databank shall be responsible for the accuracy, adequacy and completeness of the information and particulars provided by him / her to the Institute and in case of any subsequent change therein.

(7) Every company shall be responsible for exercising its own due diligence before selecting an individual from the databank for appointment as independent director. In particular, every company shall require such individual to submit an undertaking on a non-judicial stamp paper that he/she meets the requirements of sub-regulation (1) of this regulation alongwith relevant supporting information supporting the same.

(8) The Institute shall conspicuously display the following disclaimers on its website:

"It is responsibility of every person appointing independent director, to exercise due diligence in terms of requirements of the Act or applicable laws for purpose of selecting a person from the data bank;

Inclusion in databank does not guarantee selection as an independent director;

Institute shall neither guarantee nor make any representation regarding the accuracy any or reliability of the information about any person whose name has been included in the databank; and

Institute shall not be responsible for any contravention of any law committed by any company or its directors by the reason of the fact that the person appointed by the company as an independent director was selected from the databank nor it will be a defense in any court of law."

5. Procedure and manner for including names of persons on databank.—

(1) Subject to the requirements of section 166 and regulation 4, any eligible person desirous of including his/her name on the databank shall apply to the institute along with all the relevant information.

(2) For purpose of inclusion in databank, every directors' training institute/organization duly approved by Commission shall provide following details to the institute regarding all individuals who have completed DTP upto the date of notification of these regulations and subsequently within 15 days of any individual completing the DTP:

- a) Name of Director
- b) CNIC/Passport No. (if available)
- c) Year of completion of DTP
- d) Email address (if available)

(3) The Institute, if satisfied that all the requirements of the Act and these regulations are fulfilled, shall enter or provide manner of inclusion of relevant details of individuals in databank.

(4) The databank of independent directors shall not include name of any person who has:

- i. been ineligible, under any applicable law or debarred by the Commission, from acting as a director of a company;
- ii. been convicted by a court of any offence involving moral turpitude or fraud;
- iii. been convicted in the mismanagement of investments in any capacity;
- iv. been involved in the management of a company whose registration or license similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;
- v. entered into a plea bargain arrangement with the National Accountability Bureau (NAB).

PRIVATE PLACEMENT OF SECURITIES RULES, 2017

4. Conditions for issue of further share capital through private placement.—Subject to section 86 of the Ordinance, a company may issue further share capital through private placement subject to the following conditions, namely:-

- (a) the company shall obtain the required approvals under section 86 of the Ordinance for issue of further share capital;
- (b) the offer or invitation to subscribe to shares shall not be made to more than fifty persons.

Provided that the above restriction shall not apply to shares offered to Qualified institutional Buyers and employees of the company under an Employees Stock Option Scheme in accordance with sub-section (1) of section 86 of the Ordinance.

Explanation: If a company makes an offer to more than the prescribed number of persons, the same shall be deemed to be a public offer of securities and shall accordingly be governed by the provisions of Part VIII of the Act;

- (c) the company shall comply with all the other requirements prescribed in the Ordinance and the rules, regulations or guidelines made thereunder for issuance of further share capital;
- (d) the company shall not release any public advertisements or utilize any media, marketing or distribution channels or agents to inform the public at large about such an offer;
- (e) the company shall not make more than two private placements in any financial year;
- (f) the shares are offered through information memorandum which contain minimum information as specified in Schedule I;
- (g) the company shall ensure that proceeds of the issue are utilized in the form and manner as disclosed in the information memorandum; and
- (h) all monies payable towards subscription of share capital shall be paid through cheque or demand draft or other channels but not by cash.

5. Conditions for issue of debt securities through private placement.—A company may issue debt securities through private placement subject to the following conditions namely:-

- (a) the placement is in accordance with the provisions of section 120 of the Ordinance;
- (b) the placement is made to such persons as mentioned in section 120 of the Ordinance or notified there under as persons to whom instrument of redeemable capital can be issued;

- (c) in case the debt security is convertible into ordinary shares or any other issued equity security, the company has met all the requirements of section 86 of the Ordinance;
- (d) the debt securities are tradable and transferable only among the persons specified in section 120 of the Ordinance;
- (e) the company has arranged appropriate security, where required, in the form and manner acceptable to the debt security holders;
- (f) the trust deed contain such information as may be specified by the Commission;
- (g) where the security is convertible or exchangeable into ordinary shares, the option of conversion or exchange, as the case may be, shall be as per the terms and conditions laid down in the information memorandum;
- (h) in case the debt security is Sukuk, the applicable requirements specified in the relevant regulatory framework for issue and structuring of Sukuk are complied with; and
- (i) in case the debt security is asset backed security, requirements of the Companies (Asset Backed Securitization) Rules, 1999 are complied with.

6. Reporting.—(1) In case of debt security, the company shall, within thirty days of the closing of subscription period, report the issue to the Commission on the format as specified in Schedule-II to these rules along with a filing fee as specified in sixth schedule to the Ordinance.

(2) In case of debt security, the issuer shall report to the Commission, redemption status in the form and manner specified by the Commission

(3) In case of shares, the company shall report the allotment in the form and manner as required under section 73 of the Ordinance along with a filing fee as specified in sixth schedule to the Ordinance.

**COMPANIES
(FURTHER ISSUE OF SHARES)
REGULATIONS, 2020**

CONTENTS

Section	Title/Description	Page No.
CHAPTER I PRELIMINARY		
1.	Short Title and Commencement.....	365
2.	Definitions	365
CHAPTER II RIGHT ISSUE		
3.	Conditions for right issue.....	367
CHAPTER III BONUS ISSUE		
4.	Conditions for bonus issue.....	372
CHAPTER IV ISSUE OF SHARES BY WAY OF OTHER THAN RIGHT OFFER		
5.	Conditions for issue of shares by way of other than right offer.....	372
CHAPTER V CLASSES AND KINDS OF SHARE CAPITAL		
6.	Conditions for issuance of shares with different rights	375
CHAPTER VI EMPLOYEE STOCK OPTION SCHEME		
7.	Condition for issue of Employee Stock Option Scheme	377
8.	Scheme offered at the time of public offering	379
CHAPTER VII REGISTRATION AND VALUATION		
8A.	Registered Valuers.....	380
8B.	Qualification and Experience for Valuation	380
8C.	Contents of valuation report	381
CHAPTER VIII GENERAL CONDITIONS, REPORTING AND DISCLOSURE REQUIREMENTS		
9.	General conditions	382
10.	Reporting	382
CHAPTER VIII MISCELLANEOUS		
11.	Penalty for contravention of Regulations.....	382
12.	Repeal and Savings	382A

COMPANIES (FURTHER ISSUE OF SHARES) REGULATIONS, 2020

S.R.O 231(I)/2020, Islamabad, the 16th March, 2020.- In exercise of the powers conferred under section 512 read with sections 58, ¹[82, 83 and 83A] of the Companies Act 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan is pleased to notify the following regulations, the same having been previously published in the official Gazette vide Notification No. S.R.O. 33(I)/2020 dated January 15, 2020, as required under proviso to sub-section (1) of the said section 512, namely:-

CHAPTER 1 PRELIMINARY

1. Short Title and Commencement.- (1) These regulations shall be called the Companies (Further Issue of Shares) Regulations, 2020.

(2) They shall come into force at once except in the case of issues announced on or before the date of these regulations.

(3) These regulations shall apply to the ²[listed] companies issuing further capital by way of:

- (i) right shares;
- (ii) other than right shares;
- (iii) bonus shares;
- (iv) employee stock option schemes; and
- (v) shares with different rights including preference shares.

2. Definitions. - (1) In these regulations, unless there is anything repugnant in the subject or context, -

- (i) "Act" means the Companies Act, 2017 (XIX of 2017);
- ³[(ia) "Application Supported by Blocked Amount "(ASBA)" means an application for subscribing to shares, where money is blocked in the subscriber's respective bank account;]
- (ii) "issue of share at discount" means issue of share at a price below face value of such share;
- (iii) "further issue of shares" means issue of shares under section 83 of the Act and does not include Initial Public Offer or offer for sale of shares by any person holding shares in listed company or further issue of shares pursuant to any scheme of arrangement including merger, demerger, amalgamation etc.;

¹ Substituted for "82 and 83" by SRO 1754(I)/2022 dated September 16, 2022.

² Word inserted by SRO 361(I)/2024 dated March 4, 2024.

³ Clause (ia) inserted by SRO 1754(I)/2022 dated September 16, 2022.

- (iv) "exercise" means making of an application by an employee to a company for issue of shares against option vested in him in pursuance of a Scheme;
- (v) "exercise period" means the time period after vesting within which an employee may exercise his right to apply for shares against an option vested in him in pursuance of the Scheme;
- (vi) "exercise price" means the price payable by an employee for exercising an option granted to him in pursuance of the Scheme;
- (vii) "initial public offer or IPO" means first time offer of securities to the general public;
- (viii) "issue" for the purpose of these regulations, means further issue of shares;
- (ix) "issue size" means the total number of shares issued or proposed to be issued by a company;
- (x) "issue price" means the price per share at which shares are offered or issued;
- (xi) "issue of shares by way of other than right" means issue of shares out of the share capital of a company or body corporate to any person without right offer, either for cash or for consideration otherwise than in cash;
- (xii) "market price" for the purpose of a scheme means latest available closing price of the share on a securities exchange on which the shares of the company are listed and where share price is not traded on a given date, then the share price on the last trading day shall be considered;
- (xiii) "option" means a right but not an obligation granted to an employee in pursuance of a Scheme to apply for shares of a company at a pre-determined price;
- (xiv) "preference shares" mean the shares which carry or would carry such preferential rights or privileges as provided for in the articles of association of the company including but not limited to the following:
 - (a) carry preferential right over the rights of ordinary shareholders to receive dividend; preference dividend may be cumulative or non-cumulative;
 - (b) carry preferential right over the rights of ordinary shareholders to participate in profits of company;
 - (c) carry preferential rights over the rights of ordinary shareholders to be paid in the event of winding up of the issuer; and
 - (d) voting and non-voting rights

- (xv) "right issue" means the shares offered by a company to its members strictly in proportion to the shares already held in respective kinds and classes ;
 - (xvi) "scheme" means an Employees Stock Option Scheme (ESOS) approved by the ¹[shareholders of the company through special resolution] in accordance with procedure and on conditions specified through these regulations;
 - (xvii) "schedule" means the schedule appended with these regulations.
- ²[(xviii) "Sponsor" shall have the same meaning as assigned to it in clause (liv) of sub-regulation (1) of regulation 2 of Public Offering Regulations, 2017;]
- (xviii) "vesting" means to give or earn a right to apply for conversion of the options, granted under a scheme, into shares of the company; and
 - (xix) "vesting period" means the period during which the vesting of an option granted to an employee in pursuance of a scheme takes place.

(2) All terms and expression used but not defined in these regulations shall have the same meaning as assigned to them in the Act, the Securities Act, 2015 (III of 2015) and the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

CHAPTER II RIGHT ISSUE

3. Conditions for right issue. –

³[General Conditions]

(1) Subject to requirements of section 83 of the Act, a ⁴[] company issuing right shares shall, comply with the following general conditions, namely. -

- (i) board shall approve the decision to increase share capital and the said decision shall be communicated on the same day to the Commission and to the securities exchange for public dissemination;
- (ii) Fractional shares, if any, shall not be offered and all fractions less than a share shall be consolidated and disposed of by the company and the proceeds from such disposition shall be paid to such of the entitled shareholders as may have accepted such offer;
- (iii) the decision of board shall clearly state the following-

¹ Substituted for the word "Commission" by SRO 1754(I)/2022 dated September 16, 2022.

² Clause (xviii) inserted by SRO 361(I)/2024 dated March 4, 2024.

³ Sub-heading inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁴ Word "listed" omitted by SRO 361(I)/2024 dated March 4, 2024.

- (a) quantum of the issue i.e. as percentage of existing paid up capital;
- (b) issue size;
- (c) issue price;
- (d) purpose of the issue;
- (e) utilization of the proceeds of the issue;
- (f) benefits of the issue to the company and its shareholders;
- (g) risks, if any, associated with the issue to which the company and/or its members are exposed to;
- (h) justification for issue of shares at, premium or at discount to face value (if applicable);
- ¹[(i) minimum subscription amount; and
(j) provision of ASBA facility (optional).]
- (iv) where announcement of the issue of bonus and right shares is made simultaneously, the resolution of the board shall specify whether such bonus shares qualify for right entitlement or not;
- ²[(v) The letter of offer, accompanied with a circular as required under sub-section (3) of section 83 of the Act, on a format as provided in schedule 1 to these regulations, shall be sent to all members along with copy of the extract of the resolution of the board's meeting approving the right issue;]
- (vi) A ³[] company may issue right shares at face value or at premium to face value provided the directors and substantial shareholders of the company undertake in writing that:
 - (a) they will subscribe the right shares to be offered to them as per their right entitlement or arrange subscription for the same through other persons; and
 - ⁴[(b) the balance of the right issue is underwritten through an underwriter or consortium of underwriters, licensed by the Commission to undertake underwriting of securities, not being associated companies or associated undertakings of the issuer:

Provided that if any of the directors and substantial shareholders of the company do not provide an undertaking to subscribe to the right shares offered to them as per clause (a) above, then such portion, along with the portion in sub-clause (b), shall be underwritten as mentioned in sub-clause (b);]

¹ Clauses (i) & (j) inserted by SRO 1754(I)/2022 dated September 16, 2022.

² Clause (v) substituted by SRO 361(I)/2024 dated March 4, 2024.

³ Word "listed" omitted by SRO 361(I)/2024 dated March 4, 2024.

⁴ Sub-clause (b) substituted by SRO 361(I)/2024 dated March 4, 2024.

- ¹[(vii) ²[] the letter of offer of right shall be dispatched or credited within the time period as specified by the listing's regulations of the securities exchange;
- (viii) ³[an] issuer shall not be eligible to make a right issue if the issuer at the time of right issuance is placed on Pakistan Stock Exchange (PSX) defaulter counter. Provided that this condition will not be applicable on the companies wherein the purpose of the right issue is repayment of the respective overdues or removing defaults;
- (ix) ³[an] issuer shall not be eligible to make right issue if it is not cooperating in an investigation or inspection ordered by the Commission;
- (x) if the whole or any part of the shares offered by the issuer is declined or is not subscribed, the directors may allot such shares in such manner as they may deem fit within a period of thirty days from the close of the offer or within such extended time not exceeding thirty days with the approval of the Commission;
- (xi) right shares shall only be offered for consideration only in cash;
- (xii) right shares shall not be subscribed for consideration of already injected funds in the issuing company by the subscriber either in the form of loan or any other consideration;
- (xiii) if the board of directors fail, within extended time, to allot shares or underwriters fail to take up the unsubscribed portion, the unsubscribed right issue will be extinguished. In such cases, in addition to any other action specified under the Act against the board, the underwriter will be barred for three years from underwriting any issue of any listed issuer;
- (xiv) subject to compliance with the requirement of section 82 of the Act, a company may issue right shares at a discount to face value: provided that-
- (a) the issue is underwritten in the form and manner as stated in clause (vi) of this sub-regulation; and
- ⁴[(b) appropriate disclosures are made in line with the requirements of these Regulations;]
- (xv) the ⁵[] Issuer shall not, at any time changes or deviate from the purpose of utilization of proceeds of right issue earlier disclosed to the members through Schedule 1;
- (xvi) in exceptional circumstances, the issuer may change the purpose of proceeds utilization subject to passing of special

1 Clauses (vii) to (xvii) inserted by SRO 1754(I)/2022 dated September 16, 2022.

2 Words and comma "In case of a listed company," omitted by SRO 361(I)/2024 dated March 4, 2024.

3 Substituted for the words "a listed" by SRO 361(I)/2024 dated March 4, 2024.

4 Clause (b) substituted by SRO 361(I)/2024 dated March 4, 2024.

5 Word "listed" omitted by SRO 361(I)/2024 dated March 4, 2024.

resolution and offering an exit opportunity to dissenting shareholders who have not agreed to the change in purpose of proceeds utilization;

- (xvii) the mechanism for an exit offer opportunity shall be as under-
 - (a) EOGM notice in respect of any change in the purpose of proceeds utilization of the issue as disclosed in the offer document shall be given along with draft special resolution as required under the provisions of the Act;
 - (b) subject to approval of special resolution as defined in the Act, the shareholders who have dissented against the special resolution and conveyed their dissent to the company secretary under intimation to PSX, shall be provided an opportunity to exit;
 - (c) during the exit opportunity, shares shall be purchased by sponsors of the issuer;
 - (d) purchase price per share shall be average market price of the period between last date of payment against right issuance and the date of passing of special resolution;
 - (e) the exit offer shall be executed by the sponsors within a period of thirty (30) days from the date of passing of special resolution.]

Explanation: An underwriter may enter into sub-underwriting arrangement through sub-underwriting agreement in writing provided such sub-underwriter is licensed by the Commission to undertake underwriting of securities.

¹[(2) In addition to compliance with the general conditions, provided in sub-regulation (1), a company issuing right shares shall comply with the following additional requirements, -

- (i) The board of directors of the issuing company shall, prior to announcement of the right issue, ensure that the issuing company, its sponsor(s), promoter(s), substantial shareholder(s) and directors shall not have overdues or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau:

Provided that clause (i) shall not apply to independent director(s) and the nominee director(s) of the government and financial institution(s)/creditor(s);

- (ii) the company shall prepare and its board shall approve the draft offer document in English and Urdu language;
- (iii) the Offer document shall contain all disclosures, as referred to in Schedule I of these regulations. and such disclosure should be true and complete and enable the applicants to take an informed investment decision;

¹ Sub-regulations (2) substituted by SRO 361(I)/2024, dated March 4, 2024. Earlier it was substituted by SRO 1754(I)/2022 dated September 16, 2022.

- (iv) the draft offer document shall be submitted to PSX and the Commission within 45 days of the date of announcement and it shall be the discretion of the company to seek public comments on the offering document and in such case, the company shall simultaneously place the draft offer document on the PSX and company's website. The public can submit its comments within 7 days of placement;
- (v) PSX and the Commission shall, within 15 days of the filing of draft offer document, share their observations and changes with the company, if any;
- (vi) the board shall ensure that draft offer document is updated in light of the public comments, (if opted for), and PSX and the Commission comments/observations, and shall submit final offer document to PSX and the Commission within 20 days from the date of comments/observations. Simultaneously, the Board shall also disclose in tabular form on PSX and company website as per the Schedule II, all the comments received along with the explanations as to how they are addressed;
- (vii) the final offer document shall be placed on PSX website along with book closure dates, and relevant right issuance timelines in accordance with Section 83 of the Act; and
- (viii) the sponsors shall retain their entire shareholding for one year or project completion whichever is later.]

^{1&2}[]

(5) Right issue once announced by the board of a ³[] company shall not be varied, postponed, withdrawn or cancelled ⁴[except that it will stand extinguished in case it is not completed within the timeline ⁵[] and manner specified with in these regulations.]

⁶[(6) The company can opt for announcing minimum subscription amount being less than the total amount of right announced. In instant scenario, the company in addition to complying with the requirements ⁷[] as mentioned in Regulation 3, shall comply with the following conditions, -

- (i) minimum subscription amount should not be less than 90% of size of right issue;
- (ii) directors/substantial shareholders undertake in writing that they will subscribe the right shares to be offered to them as per their

¹ Sub-regulation (3) omitted by SRO 361(I)/2024, dated March 4, 2024. Earlier it was substituted by SRO 1754(I)/2022 dated September 16, 2022.

² Sub-regulation (4) omitted by SRO 1754(I)/2022 dated September 16, 2022.

³ Word "listed" omitted by SRO 361(I)/2024, dated March 4, 2024.

⁴ Substituted for the full-stop by SRO 1754(I)/2022 dated September 16, 2022.

⁵ Word "line" omitted by SRO 361(I)/2024, dated March 4, 2024.

⁶ Sub-regulations (6) & (7) inserted by SRO 1754(I)/2022 dated September 16, 2022.

⁷ Brackets and words "(as applicable depending upon the size of the right issue)" omitted by SRO 361(I)/2024, dated March 4, 2024.

right entitlement to the extent of their proportion of minimum subscription;

- ¹(iii) public portion of minimum subscription shall be underwritten through an underwriter or consortium of underwriters, licensed by the Commission to undertake underwriting of securities, not being associated companies or associated undertakings of the issuer;]

- (iv) right entitlement letter will be traded on PSX ²[].

(7) The company can opt for ASBA facility for receiving of right proceeds and in case the company announces the option of ASBA facility it, in addition to complying with the requirements ³[] as provided in regulation 3, shall also comply with the following conditions,-

- (i) the company or banker to the issue, upon receipt of instructions from the subscriber, immediately block the subscription money in respective account of the subscriber;
- (ii) in case of subscribers other than ASBA, if the company fails to refund the subscription amount within 15 days, it shall be liable to pay penalty of 15% per annum to the subscriber along with the subscription amount.]

CHAPTER III BONUS ISSUE

4. Conditions for bonus issue. - (1) A company, in accordance with the provisions of its articles of association, may issue bonus shares subject to the following conditions, namely: -

- (i) the issue of bonus shares is approved by the board;
- (ii) ⁴[] the resolution of board approving to issue bonus shares is communicated to the Commission and the securities exchange on the same day i.e. on the day of the decision;

(2) The decision of the board to issue bonus shares, once announced, shall not be varied, postponed, withdrawn or cancelled.

CHAPTER IV ISSUE OF SHARES BY WAY OF OTHER THAN RIGHT OFFER

5. Conditions for issue of shares by way of other than right offer. - (1) A ⁵[] company may issue further shares, by way of other than right, under sub-section (1) of section 83 of the Act subject to the following general conditions, namely. -

- (i) the issue is proposed by the board;
- (ii) the aforesaid proposal of the board clearly states the following-

1 Clause (iii) substituted by SRO 361(I)/2024, dated March 4, 2024.

2 Comma and words "risk and rewards shall be sole liability of the investors" omitted by SRO 361(I)/2024, dated March 4, 2024.

3 Brackets and word "(as applicable depending upon the size of the right issue)" omitted by SRO 361(I)/2024, dated March 4, 2024.

4 Words and comma "in case of a listed company," omitted by SRO 361(I)/2024, dated March 4, 2024.

5 Word "public" omitted by SRO 361(I)/2024, dated March 4, 2024.

- (a) proposal of the board to issue shares without right offer is subject to approval of the shareholders and the Commission;
- (b) quantum of the issue both in terms of the number of shares and percentage of paid up capital before and after the issue;
- (c) issue price per share and justification for the same;
- (d) consideration against which shares are proposed to be issued i.e. cash or other than cash;
- (e) name of person(s), their brief profile, existing shareholding, if any, in the company, to whom the shares are proposed to be issued;
- (f) purpose of the issue;
- (g) justification for issue of the shares by way of other than right;
- (h) benefits of the issue to the company and its members;
- (i) breakup value per share as per the latest available audited and reviewed accounts;
- (j) consent of the person(s) to whom the shares are to be issued is(are) obtained;
- (k) the proposed new shares shall rank pari passu in all respects with the existing ordinary shares of the company. In case the proposed new shares are different from the issued ordinary shares in any respect, then the board's decision must state the differences in detail
- (l) average market price of the share,¹[] during the last three months preceding the board's decision as well as the latest available market price; and
- (m) where shares are proposed to be issued for consideration other than in cash, the value of non-cash assets or services or intangible assets shall be determined by a valuer:

Provided that the valuation shall not be older than six months from the date of submission of the application to the Commission²[and the valuers must be registered as per the requirements of³[these regulations]]

⁴[Provided further that the requirements of sub-regulation 5(1)(ii)(b), (c), (e), (i), (j), (l) and (m) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.

¹ Words and comma "in case of a listed company," omitted by SRO 361(I)/2024, dated March 4, 2024.

² Substituted for the full-stop by SRO 1754(I)/2022 dated September 16, 2022.

³ Substituted for the words etc. "regulation 8A & 8B of the Companies (Further Issue of Shares) Regulations, 2020" by SRO 361(I)/2024, dated March 4, 2024.

⁴ Proviso and Explanation inserted by SRO 361(I)/2024, dated March 4, 2024.

Explanation:- For the purpose of these regulations the expression "future contingent event" is an event emanating from legal or regulatory requirements that may or may not occur in future and it can reasonably be determined that the required information for issuance of shares by way of other than right offer in such event is not available to the issuer at the time of passing of resolution by the board of directors.]

⁵[²[(iii)] the company shall invite claims, if any, on the non-cash assets through advertisement in the widely circulated newspaper both English and Urdu language clearly mentioning the fact that-

²[(a)] after issuance of shares the title of the assets will be transferred in the name of the issuer; and

²[(b)] claims must be submitted to the statutory auditors ³[] within seven (7) days of the date of advertisement;

⁴[(iv)] the company shall intimate the Commission, at the time of seeking approval, confirming details of claims received and settled as referred in sub-clause ⁵[(iii)] verified through its statutory auditor along with an affidavit that the information is correct to the best of their knowledge;

⁶[(v)] non-cash assets shall be transferred in the name of issuer within sixty (60) days of the date of approval by the Commission or within such extended time not exceeding 30 days with the approval of the Commission;

⁷[Provided that the requirements of sub-regulation 5(1)(iii), (iv) and (v) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.]

⁸[(vi)] the shares shall be issued only in the book entry form within 60 days from the date of approval by the Commission or within such extended time not exceeding 30 days with the approval of the Commission:

Provided that the timeline for issuance of shares as specified in the sub-regulation 5(1)(vi) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.]

1 Sub-clauses (n) to (u) inserted by SRO 1754(I)/2022 dated September 16, 2022.

2 Sub-clause (n) and paragraph (i) and (ii) renumbered as clause (iii) and (a), (b) respectively by SRO 361(I)/2024, dated March 4, 2024.

3 Brackets and words "(insert name)" omitted by SRO 361(I)/2024, dated March 4, 2024.

4 Sub-clause (o) renumbered as clause (iv) by SRO 361(I)/2024, dated March 4, 2024. Originally Sub-clause (o) was inserted by SRO 1754(I)/2022 dated September 16, 2022.

5 Substituted for "(n)" by SRO 361(I)/2024, dated March 4, 2024.

6 Sub-clause (p) renumbered as clause (v) by SRO 361(I)/2024, dated March 4, 2024. Originally Sub-clause (p) was inserted by SRO 1754(I)/2022 dated September 16, 2022.

7 Proviso inserted by SRO 361(I)/2024, dated March 4, 2024.

8 Sub-clause (q) substituted as clause (vi) by SRO 361(I)/2024, dated March 4, 2024. Originally Sub-clause (q) was inserted by SRO 1754(I)/2022 dated September 16, 2022.

¹[(vii)] the issuer shall intimate the Commission and the securities exchange about issuance of the shares within seven days of the issuance;

²[(viii)] the sponsors and associated companies/undertakings shall retain their shareholding arising as a result of subject issuance for two years from the date of such issuance:

Provided that the issuer shall submit report to the Commission concerning the shares held in blocked status within the CDC account immediately after the issuance of said shares;]

³[(ix)] the persons other than sponsors and associated companies/undertakings, shall retain their shareholding arising as a result of subject issuance for a period of six months from the date of such issuance:

Provided that the conditions referred in sub-clauses (viii) and (ix), shall not be applicable in case where offer price is at premium to the market price of the share of the company and free float of the issuing company is less than 10% of its listed capital;]

⁴[(x)] the person(s) to whom share are being issued shall not have overdues or defaults irrespective of the amount appearing in the report obtained from Credit Information Bureau.]

⁵[Provided that the requirements of sub-regulation 5(1)(x) shall not be applicable in case of further issuance of shares by way of other than right where the issuance is dependent on a future contingent event.]

(2) The aforesaid decision of the board, ⁶[] shall be communicated to the Commission and the securities exchange on the same day i.e. on the date of the decision of the board.

CHAPTER V CLASSES AND KINDS OF SHARE CAPITAL

6. Conditions for issuance of shares with different rights. - ⁷[(1)] A company may issue shares with differential rights under section 58 of the Act subject to compliance with the following conditions, namely-

(i) the issue of shares with different rights is recommended by the board through resolution;

1 Sub-clause (r) renumbered as clause (vii) by SRO 361(I)/2024, dated March 4, 2024. Originally Sub-clause (r) was inserted by SRO 1754(I)/2022 dated September 16, 2022.

2 Sub-clause (s) substituted as clause (viii) by SRO 361(I)/2024, dated March 4, 2024. Originally Sub-clause (s) was inserted by SRO 1754(I)/2022 dated September 16, 2022.

3 Sub-clause (t) substituted as clause (ix) by SRO 361(I)/2024, dated March 4, 2024. Originally Sub-clause (t) was inserted by SRO 1754(I)/2022 dated September 16, 2022.

4 Sub-clause (u) renumbered as clause (x) by SRO 361(I)/2024, dated March 4, 2024. Originally Sub-clause (u) was inserted by SRO 1754(I)/2022 dated September 16, 2022.

5 Proviso inserted by SRO 361(I)/2024, dated March 4, 2024.

6 Words "in case of a listed company" omitted by SRO 361(I)/2024, dated March 4, 2024.

7 Regulation 6 re-numbered as sub-regulation (1) by SRO 1461(I)/2021 dated November 10, 2021.

- (ii) the decision of the board shall, in addition to particulars required under clauses (a) to (g) of regulation 3 (iii), state the following-
 - (a) description of different kind of shares such as ordinary shares and preference shares;
 - (b) description of different rights such as different class in each kind, rights and privileges attached to each class or kind of capital;
 - (c) whether the shares are being issued as right or other than right;
 - (d) whether the holders of such shares shall be entitled to participate in profits or surplus funds of the company;
 - (e) whether the holders of such shares shall be entitled to participate in surplus assets and profits of the company on its winding-up which may remain after the ordinary shareholders has been repaid;
 - (f) whether payment of dividend on preference shares is on cumulative or non-cumulative basis;
 - (g) in case the shares being issued are convertible into ordinary shares, then mode, mechanism and manner of such conversion;
 - (h) rights of holders of preference shares regarding dividend, participation in general meetings and voting therein before and after conversion of preference shares into ordinary shares;
 - (i) in case the shares are partially or wholly redeemable, then mode and manner of redemption;
 - (j) any other feature as deem appropriate by the board.
- (iii) the issue of shares is authorized by a special resolution;
- ¹[]
- ²[(iv) ³[**The**] company shall comply with all applicable requirements of Chapter IV of these Regulations and seek approval of the Commission for issuance of such shares offered by way of other than Right;
- (ivb) If such shares are being offered by way of Right, then the issuing company shall comply with the requirement as specified in Regulation 3.]
- (v) the company shall not amend, alter, ⁴[vary] or reassess the terms and conditions of such issue without approval of the ⁵[holders of such shares carrying differential rights];

1 Clause (iv) omitted by SRO 1461(I)/2021 dated November 10, 2021.

2 Clauses (iva) & (ivb) inserted by SRO 1754(I)/2022 dated September 16, 2022.

3 Substituted for the words and comma "Irrespective of the size of the issue, the listed" by SRO 361(I)/2024, dated March 4, 2024.

4 Substituted for the word "very" by SRO 361(I)/2024, dated March 4, 2024.

5 Substituted for the words "preference shares holders and the Commission" by SRO 1461(I)/2021 dated November 10, 2021.

- (vi) in case a company performs an act which is contradictory to the provision to clause (v) above, the Commission may:
 - (a) direct such company to redeem the entire issue with immediate effect and make full compensation along with interest accrued therein, if any; or
 - (b) direct such company to convert the entire issue into ordinary shares with immediate effect; or
 - (c) give direction as deemed appropriate by the Commission through an order after providing the company an opportunity of hearing.

¹[(2) Notwithstanding the requirements of sub-regulation (1), a company may convert its ordinary shares into preference shares or convert its shares (of a particular kind) from one class to another, on the basis of a special resolution:

Provided that the rights of holders of such converted shares are provided for in the articles of association of a company:

Provided further that a share that is not a redeemable preference share when issued cannot afterwards be converted into redeemable preference share.]

²[(3) A ³[] company, in case of issue of preference shares, by way of other than right offer, in addition to compliance of conditions mentioned at regulation 6 (1) above, is required to submit the following along with the application to the Commission:-

- (i) consent of the person(s) to whom the shares are to be issued; and
- (ii) terms and conditions of the agreement(s) executed between the company and the preference shareholders.]

CHAPTER VI EMPLOYEE STOCK OPTION SCHEME

7. Condition for issue of Employee Stock Option Scheme. - (1) A ⁴[] company, may issue shares to employees pursuant to a Scheme under section ⁵[83A] of the Act, subject to the following conditions-

- (i) the articles of association of the company expressly provides and authorizes the offer of scheme;
- (ii) the board shall form a compensation committee for administration and superintendence of the scheme provided that the chairman of the compensation committee ⁶[] shall be an independent director;
- (iii) board shall consider and resolve to offer the scheme;
- (iv) the aforesaid decision of the board shall provide information required under sub-clause (a) to (f) of clause (ii) of sub-regulation (1) of regulation 5, as applicable;

¹ Sub-regulation (2) inserted by SRO 1461(I)/2021 dated November 10, 2021.

² Sub-regulation (3) inserted by SRO 1754(I)/2022 dated September 16, 2022.

³ Word "listed" omitted by SRO 361(I)/2024, dated March 4, 2024.

⁴ Word "public" omitted by SRO 361(I)/2024, dated March 4, 2024.

⁵ Substituted for the figure "83" by SRO 1754(I)/2022 dated September 16, 2022.

⁶ Words "of listed company" omitted by SRO 361(I)/2024, dated March 4, 2024.

- (v) the offer of scheme is authorized by a special resolution;

Provided that separate special resolution shall be required for the following, where a scheme provides so, -

- (a) grant of option to employees of a subsidiary or holding company; and
- (b) grant of option to identified employees, during any one year, equal to or exceeding one per cent of the issued capital (excluding outstanding conversions) of the company at the time of grant of option¹[:]

²[Provided further that agenda of the EOGM should explicitly provide details of any litigation or legal proceedings in the context of the current or previous ESOS along with management's stance:

Provided further that ESOS by the issuer has to be announced within six months of passing of special resolution, and in case of failure to do so, fresh resolution will be required.]

- (vi) In case shares are to be issued at discount to the face value, the company shall also obtain approval of shareholders and the Commission under section 82 of the Act;
- (vii) the company and compensation committee shall ensure that its executive directors and employees in senior management shall not participate in the deliberation or discussion of their own allocation of options under the scheme;
- (viii) a company shall not vary the terms of a scheme in any manner which may be detrimental to the interests of its employees:

Provided that a company may by special resolution in a general meeting vary the terms of a scheme offered pursuant to an earlier resolution but not yet exercised by its employees provided that such variation is not prejudicial to the interests of the option holders.

(2) There shall be a minimum period of one year between the grant of option and vesting of option.

(3) Where options are granted by a company under its scheme in lieu of options held by the same person under a scheme in another company, which has merged or amalgamated with the first mentioned company, the period during which the options granted by the merging or amalgamating company were held by him shall be adjusted against the minimum vesting period required under these regulations.

(4) A company shall have the freedom to specify the lock-in period for the shares issued pursuant to an exercise of option.

1 Substituted for the semi-colon by SRO 1754(I)/2022 dated September 16, 2022.

2 Provisos inserted by SRO 1754(I)/2022 dated September 16, 2022.

(5) An employee shall not have the right to receive any dividend or to vote or be entitled to rights of members in respect of option granted to him, till shares are issued to such employee on exercise of option.

(6) In case of failure to exercise the option, the options granted shall lapse and such lapsed options may be granted to other employees within a period of thirty days from the date of lapse.

(7) An option granted to an employee shall not be transferable to any other person except to an entitled employee of the company:

Provided that:

- (i) in the event of death of an employee while in employment of a company, all options granted to him till the date of his death shall vest in his legal heirs or nominees;
- (ii) in case an employee suffers a permanent incapacity while in employment of a company, all options granted to him, as on the date of permanent incapacitation, shall vest in him on that day;
- (iii) in the event of resignation or termination of service of an employee, all options not vested as on that day shall expire. Provided, the employee shall, subject to the terms and conditions of the scheme, may be entitled to retain all the vested options.

(8) An option granted to an employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

¹[(9) ²[Entitlement] pool is capped at 10% of the enhanced paid capital of the company in a year; and 25% of the enhanced paid up capital of the company at any point in time.

Explanation:- For the purpose of this regulation, “Entitlement Pool” means number of shares that can be issued under an employee stock option scheme determined by the compensation committee and approved by the shareholders through special resolution.

(10) A ³[] company may raise its capital through issuance of employee stock option scheme with the approval of the shareholders through special resolution passed in the general meeting.

(11) The ³[] company shall comply with the requirements envisaged in the Act and file the notice of increase in share capital with the registrar in line with the requirements of the Act.]

8. Scheme offered at the time of public offering. - If any options granted to employees in pursuance of a scheme are outstanding at the time of IPO, the offering document shall disclose number of such outstanding options, exercise price, exercise period and impact on shareholding of the members in case all the outstanding options are exercised.

¹ Sub-regulations (9), (10) & (11) inserted by SRO 1754(I)/2022 dated September 16, 2022.

² Substituted for the words and comma “In case of a listed company, entitlement” by SRO 361(I)/2024, dated March 4, 2024.

³ Word “listed” omitted by SRO 361(I)/2024, dated March 4, 2024.

**¹[CHAPTER VIA
REGISTRATION AND VALUATION]**

8A. Registered Valuers. - (1) Where valuation is required in respect of any property, stocks, shares, debentures, securities or goodwill or any other assets or net worth of a company or its liabilities under the provisions of this Act, the following persons shall be eligible to conduct the requisite valuation:

- (a) Consulting Engineers registered with Pakistan Engineering Council;
- (b) Practicing chartered accountants having satisfactory Quality Control Review awarded by the Institute of Chartered Accountants of Pakistan; and
- (c) any other person as may be notified by the Commissioner.

(2) The valuers eligible under sub-regulation (1) shall also be deemed to be registered with the Commission and shall be entitled to conduct valuation as required under the Act, subject to fulfillment of the requirements of regulation 8A and 8B.

(3) All such valuers shall continue to be regulated, administered and monitored by the entities in which they are originally registered, and shall comply with all relevant rules, regulations, instructions etc. of such entities in addition to requirements of the Act.

Explanation: This Chapter VIA shall not be applicable on valuers engaged in valuation of banking transactions, and such valuers shall continue to be regulated under the applicable laws.

8B. Qualification and Experience for Valuation.- (1) Following valuers who are independent shall be eligible to conduct valuation:-

- (a) in respect of movable property i.e. plant and machinery, immovable property i.e. land, building etc., and natural resources & exploration thereof, by a valuer registered with the Pakistan Engineering Council as a Consulting Engineer;
- (b) in respect of stocks, shares, debentures, securities, net worth of a company or an undertaking, goodwill and other intangible assets, services, and liabilities, by a valuer who is a practicing-chartered accountant having satisfactory Quality Control Review awarded by the Institute of Chartered Accountants of Pakistan; and
- (c) in respect of value of all other assets, not covered in clauses (a) and (b), by a valuer registered with the Pakistan Engineering Council as a consulting engineer, having experience as a valuer of at least five years in the relevant field:

Explanation: To maintain independence and impartiality and to ensure true and fair valuation, the valuer shall not undertake valuation of any assets in which he has a direct or indirect interest or becomes so interested at any time before submission of the report.

1 Clause (iv) omitted by SRO 1461(I)/2021 dated November 10, 2021.

(2) The valuation shall not be older than six months, or such other time period as may be notified by the Commission, from the date of submission to the register pursuant to section 70 of the Act in case of a right issue pursuant to section 83(1)(a) of the Act, and from the date of submission of application to the Commission in case of an issue otherwise than right pursuant to section 83(1)(b) of the Act.

(3) The relevant entity or agency, on its own motion or on the reference by the Commission, may initiate necessary action against the eligible valuers for any misconduct or failure to perform professional duties in accordance with its rules and regulations, and may cancel the registration of such a valuer.

(4) Upon cancellation under sub-regulation (3), such valuer shall be deemed as de-registered and shall not be eligible to conduct any valuation for the purposes of the Act.]

¹[8C. Contents of valuation report.- (1) In case the shares of a ²[] company are being issued against properties, building, Plant, equipment, machinery etc. separate valuation of each asset is required and such valuation report shall include,-

- (i) affidavit/undertaking from the valuer about title verification and physical existence of the asset;
- (ii) in case of Land and building, purchase date, chronological transfer of property along with the value for which transferred, fresh Fard, comparison of at least 3 comparable properties, if any, justification/reasons why they are considered comparable; reasons in case no comparable property is available; NOCs from the Bank to ensure that they are free from encumbrance;
- (iii) in case of building, plant, equipment, machinery, purchase date, chronological transfer of the building, plant, equipment, machinery; initial useful life; remaining useful life; in case initial useful ³[life] estimate has been revised (detail and reason of such revision), repair/maintenance cost incurred; in case plant is bought from a foreign supplier, the date when the payment for purchase of plant etc. was made, the date when it reached in the country, reasons of time lag in the purchase payment and arrival date; requisite formal approvals from other regulatory bodies and reference to the record of funding for the purchase in relevant books of accounts; and
- (iv) in case shares are being issued against intangible assets and services, the valuation should include affidavit/undertaking from the valuer about title verification of the asset; the methodology used and justification for the same.]

¹ Regulation 8C inserted by SRO 1754(I)/2022 dated September 16, 2022.

² Word "listed" omitted by SRO 361(I)/2024, dated March 4, 2024.

³ Substituted for the word "lime" by SRO 361(I)/2024, dated March 4, 2024.

CHAPTER VII GENERAL CONDITIONS, REPORTING AND DISCLOSURE REQUIREMENTS

9. General conditions. - (1) The board shall not decide or recommend increase in capital by way of further issue of shares, beyond the authorized capital as stipulated in the memorandum and articles of association of the company or where resolution to give effect to such increase is passed by the members or to be passed by the members before any such increase.

(2) In case share capital of a company has different classes or kinds having different rights and privileges, this fact shall be distinctly mentioned in the letter of offer in case of right issue and the difference in the rights and privileges of each class of share capital shall be clearly stated in directors' report to members.

10. Reporting. –¹[]

²[(2) After issuance of right shares, the issuer shall include progress report on utilization of the proceeds of the right issue in its half yearly and annual financial statements containing the following:

- (i) item-wise breakup of the proceeds utilized both in terms of amount and percentage of the total allocation made to the relevant item. The breakup must be provided in comparative form with the utilization plan earlier disclosed to the members;
- (ii) deviation, if any, from the purpose or use of proceeds earlier disclosed to the members along-with justification for such deviation;
- (iii) the progress report shall be included in the financial statements till such time that the proceeds from the right issue have been fully utilized or the purpose for which the proceeds were raised is achieved:

Provided that the statutory auditor of the issuer, shall submit half yearly report to the issuer regarding utilization of proceeds in the manner referred to in the final offer document. The issuer will include the report of the statutory auditor, along with its comments thereon, if any, in its half yearly and annual financial statements.]

CHAPTER VIII MISCELLANEOUS

11. Penalty for contravention of Regulations: Whoever fails or refused to comply with, or contravenes any requirements of the regulations shall be punishable with penalty as provided under sub-section (2) of section 512 of the Act.

¹ Sub-regulation (1) omitted by SRO 361(I)/2024, dated March 4, 2024.

² Sub-regulation (2) substituted by SRO 361(I)/2024, dated March 4, 2024.

12. Repeal and Savings. - (1) The Companies (Further Issue of Shares) Regulations, 2018, hereinafter referred to as the repealed regulations shall, upon coming into force of these regulations, stand repealed:

Provided that repeal of the repealed regulations shall not-

- (i) revive anything not in force at the time at which the repeal take effect; or
- (ii) affect the previous operation of the repealed instruments or anything duly done or suffered thereunder; or
- (iii) affect any right, privilege, obligation or liability acquired, accrued or incurred under or in respect of the said repealed regulations; or
- (iv) affect any penalty imposed, forfeiture made or punishment incurred in respect of any offence committed against or in violation of the repealed regulations; or
- (v) affect any inspection, investigation, prosecution, legal proceeding or remedy in respect of any obligation, liability, penalty, forfeiture or punishment as aforesaid, and any such inspection, investigation, prosecution, legal proceedings or remedy may be made, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if these regulations has not been notified.

(2) Save as otherwise specifically provided, nothing in these regulations shall affect or deemed to affect any action taken, orders issued, relaxation granted unless withdrawn, fee paid or accrued, resolution passed, direction given under the repealed regulations shall, if in force at the effective date of these regulations and not inconsistent with provision of these regulations, shall continue to be in force and have effect as if it were respectively taken, made, directed, passed, given, executed or issued under these regulations.

LISTED COMPANIES (BUY-BACK OF SHARES) REGULATIONS, 2019

S.R.O 574(I)/2019, Islamabad, the 23rd May, 2019.- In exercise of powers conferred under section 512 read with section 88 of the Companies Act 2017 (XIX of 2017), the same having been previously published in the official Gazette vide Notification No. S.R.O. 486(I)/2019 dated April 23, 2019, as required under proviso to sub-section (1) of said section 512, the Securities and Exchange Commission is pleased to notify the following Regulations, namely:-

CHAPTER I PRELIMINARY

1. Short title, commencement and applicability.- (1) These regulations shall be called the Listed Companies (Buy-Back of Shares) Regulations, 2019.

(2) They shall come into force at once.

(3) These regulations shall be applicable to buy-back of shares of companies listed on the securities exchange ¹[except for Special Purpose Acquisition Companies as covered in Public Offering Regulations, 2017], in pursuance of section 88 of the Companies Act, 2017 (XIX of 2017).

2. Definitions.- (1) In these regulations, unless there is anything repugnant in the subject or context,-

- (a) "Act" means the Companies Act, 2017 (XIX of 2017);
- (b) "authorized officer" mean an officer of the company appointed by the board of directors to act as manager to the offer;
- ²[]
- (e) "public announcement" means an announcement made by the purchasing company for purchase or sale of its shares as per the format prescribed in these regulations;
- (f) "purchase" means buy-back of its own shares by a purchasing company under section 88 of the Act and these regulations;
- (g) "purchasing company" means a listed company that buy-back its own shares under section 88 of the Act and these regulations;
- (h) "purchase period" means the time period specified in regulation 7 of these regulations within which the purchase is to be made;
- (i) "Schedule" means schedule annexed to these regulations;
- (j) "Securities Act" means the Securities Act, 2015 (III of 2015);

¹ Words etc. inserted by SRO 1494(I)/2021 dated November 16, 2021.

² Clauses (c) & (d) omitted by SRO 1725(I)/2022 dated September 6, 2022.

- ¹[(ja) "Special Purpose Acquisition Company (SPAC)" shall have the same meanings as defined under clause (lilia) of the Public Offering Regulations, 2017.]
- (k) "treasury shares" means the shares purchased and held by the purchasing company in its own name in accordance with section 88 of the Act and these regulations.
2. All other words and expressions used but not defined in these regulations shall have the same meanings as are assigned to them in the Act, the Securities Act and the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

CHAPTER II

ELIGIBILITY FOR PURCHASE

3. Eligibility Requirements for the Purchase.- (1) A company shall be eligible to purchase if it fulfils the following conditions, namely:-

- (a) it is listed on the securities exchange for a period of not less than three years;
- (b) it is compliant with the minimum capital or equity requirements ²[] or licensing requirements , if any, after the purchase;
- (c) it has obtained approval of its members for purchase through special resolution;
- (d) board has undertaken that the funds specified for the purchase by the board of directors of the purchasing company are available with the company and after the purchase, the purchasing company is capable of meeting its obligations on time during the period up to the end of the immediately succeeding twelve months;
- (e) ³[the purchasing company shall not be on the default counter and has not defaulted on any debt instrument supported by auditors' certificate;]
- (f) board of directors of a purchasing company shall not propose or recommend a purchase in any of the following namely:-
 - (i) winding up proceedings has commenced;
 - (ii) a scheme of arrangement, compromise, reconstruction, merger or de-merger is approved by the board of directors unless the Purchase is a part of such arrangement, compromise, reconstruction, merger or de-merger;
 - (iii) a public offer for acquisition of shares of the purchasing company under the Securities Act has been announced; and
- (g) before the expiry of six months from the date of an earlier general meeting in which the purchase was disapproved by the members.

1 Clause (ja) inserted by SRO 1494(I)/2021 dated November 16, 2021.

2 Words etc. "or minimum free float requirement of the securities exchange, as set out in listing regulations" omitted by SRO 1725(I)/2022 dated September 6, 2022.

3 Substituted for "the purchasing company should not be on the defaulter counter;" by SRO 1725(I)/2022 dated September 6, 2022.

4. Procedure for Purchase.- (1) The general meeting in which the special resolution is to be passed shall be held not later than ¹[forty-five] days of the date of the meeting of the board of directors in which the purchase is recommended.

(2) The purchasing company shall make a public announcement ²[as per schedule II] within two working days of passing of the special resolution.

(3) The board of directors of purchasing company shall, before making the public announcement, authorize an officer of the company to act as manager to the offer who shall ensure compliance with the legal requirements pertaining to purchase of shares.

³[]

(5) The authorized officer shall, within fifteen days of the closing of the purchase period, submit a final report on the purchase to the Commission and the securities exchange on the format specified in Schedule IV;

⁴[]

6. Purchase ⁵[Procedure] through securities exchange.- Purchase shall be made through securities exchange subject to the following procedure, in addition to the purchase procedure provided in regulation 4, namely,-

- (a) the purchase shall be made through the automated trading system of the securities exchange; ⁶[]
- ⁷[(b) the purchasing company shall open an Investor Account Service (IAS) at Central Depository Company (CDC) for the purpose of the purchase and shall intimate all related details to CDC;
- ⁸[(c) the authorized officer shall open a subaccount of the purchasing company with any licensed brokerage house which can only be utilized for purchase of shares during the purchase period;
- (d) the purchasing company shall ensure that sufficient funds are available for settlement in the designated clearing bank account of the company;
- (e) the purchasing company shall intimate to the securities exchange, the number of shares purchased, along with the purchase price on daily basis for public dissemination;
- (f) the shares purchased on daily basis shall be placed in the blocked IAS account of the purchasing company maintained with CDC; and
- (g) CDC shall ensure that the shares shall remain in Blocked account until the company decides to sell the treasury shares or cancel the shares in accordance with these regulations.]

1 Substituted for "thirty" by SRO 1725(I)/2022 dated September 6, 2022.

2 Words inserted by SRO 1725(I)/2022 dated September 6, 2022.

3 Sub-regulation (4) omitted by SRO 1725(I)/2022 dated September 6, 2022.

4 Regulation 5 omitted by SRO 1725(I)/2022 dated September 6, 2022.

5 Word inserted by SRO 1725(I)/2022 dated September 6, 2022.

6 Word "and" omitted by SRO 1725(I)/2022 dated September 6, 2022.

7 Clause (b) substituted by SRO 1725(I)/2022 dated September 6, 2022.

8 Clauses (c) to (g) inserted by SRO 1725(I)/2022 dated September 6, 2022.

7. Purchase Period.-¹[]

²[(2) The purchase period for purchase through securities exchange shall start not later than seven days from the date of public announcement and shall close within one hundred and eighty (180) days from the date of passing of special resolution wherein members have given approval of the Purchase or till such date that the purchase is completed, whichever is earlier.]

8. Purchase Price.-¹[]

(2) Purchase through securities exchange shall be made at the spot/current share price ³[:]

⁴[Provided that this should not include purchase through negotiated deals market]

9. Maximum holding of Treasury Shares.- (1) Treasury shares shall not at any time exceed twenty percent of the total paid up share capital of the purchasing company ⁵[].

(2) Where the purchasing company has different classes of shares, the treasury shares for any class of shares shall not exceed twenty percent of total issued at any time and paid up shares of such class of shares.

(3) The treasury shares shall be held in the name of the purchasing company in a CDC blocked account in freeze form.

(4) The treasury shares shall not be placed under collateral either directly or indirectly.

(5) Any shares allotted as fully paid bonus shares in respect of the treasury shares, shall be treated as treasury shares for the purposes of these regulations and shall be held in the name of the company in CDC blocked account in freeze form.

CHAPTER III OBLIGATIONS AND RESTRICTIONS

10. Obligations of the Purchasing company.- The purchasing company shall-

- (a) communicate to the Commission and the securities exchange simultaneously, the decision of the board of directors regarding recommendation of the purchase on the day the decision is made;
- (b) make public announcement on the format specified in Schedule II and publish it in at least two daily newspapers, one each in Urdu and English languages having nationwide circulation at least seven days before the commencement of the purchase period;

1 Sub-regulation (1) omitted by SRO 1725(I)/2022 dated September 6, 2022.

2 Sub-regulation (2) substituted by SRO 1725(I)/2022 dated September 6, 2022.

3 Substituted for the full-stop by SRO 1725(I)/2022 dated September 6, 2022.

4 Proviso inserted by SRO 1725(I)/2022 dated September 6, 2022.

5 Words "provided that the free float of company after the purchase does not fall below twenty five percent of the total paid up share capital of the purchasing company" omitted by SRO 54(I)/2020 dated January 28, 2020.

¹[]

- (d) cancel the shares within ten days of the closing of the purchase period where the purchase is made for the purpose of cancellation ²[:]
- ³[Provided that for cancellation of shares, the purchasing company has to follows the filing requirements of the Act, the Companies (General Provisions and Forms) Regulations, 2018 and the procedure prescribed by CDC.]
- (e) submit to the Commission, the securities exchange and CDC, a copy of the special resolution authorizing the purchasing company to purchase on next working day of the general meeting in which it is passed and such resolution shall specify the indicative number and percentage of shares to be purchased, mode of the purchase, allocated funds and the purchase period;
- (f) submit to the Commission and the securities exchange, the published copies of the public announcement within two days of its publication;
- (g) intimate to the Commission and the securities exchange on the day of the closing of the purchase period, the number of shares purchased, and advertise the same within two days of the closure of purchase period in same newspapers in which the public announcement was published;
- (h) disclose in its annual report, detail of the shares purchased and detail of the treasury shares disposed of and such disclosures shall contain at least the number of shares purchased or sold and the price of the purchase or sale; and
- (i) file with the registrar concerned within thirty days of the closing of the purchase period the following documents-
- (i) copy of the board of directors resolution regarding the purchase;
 - (ii) copy of the special resolution authorizing the purchase;
 - (iii) copy of the notice of the general meeting in which the special resolution was passed; and
 - (iv) copy of the public announcement;

⁴[]

11. Restriction on the purchasing company.- The purchasing company shall not-

- (a) apply for voluntary delisting or voluntary winding up within a period of ⁵[two years] of the close of the purchase period;

1 Clause (c) omitted by SRO 1725(I)/2022 dated September 6, 2022.

2 Substituted for the semi-colon by SRO 1725(I)/2022 dated September 6, 2022.

3 Proviso inserted by SRO 1725(I)/2022 dated September 6, 2022.

4 Clauses (j), (k) & (l) omitted by SRO 1725(I)/2022 dated September 6, 2022.

5 Substituted for the word "twelve months" by SRO 1725(I)/2022 dated September 6, 2022.

- (b) engage in the sale of the already held treasury shares through the securities exchange-
 - (i) during the purchase period and during six months after the closing of the purchase period; and
 - (ii) during the period it is in possession of price sensitive information;
- (c) save as provided in regulation 12, withdraw, cancel or postpone the purchase once announced;
- (d) make a purchase before the expiry of ¹[six months] from the last date of subscription by shareholders in respect of any further issue of capital
²**[Explanation:** further issue of capital shall not include bonus issue of shares].
- (e) make a new purchase before the expiry of at-least one year from the date of submission of the final report of the previous purchase to the Commission by authorized officer for the purchase in accordance with these regulations ³[:]

⁴[Provided, if the purchasing company is able to maintains 25% free float at the Securities Exchange, subsequent to the second buy back, it may offer the buy back during the above stated period.]

Explanation: For the purposes of clause (d) and (e), the purchase or the new purchase shall be deemed to commence from the date of general meeting of the purchasing company wherein the purchase is approved.

12. General Restrictions.- (1) Except where the recommendation for the purchase is not approved by the members in the general meeting, the recommendation for the purchase by the board of directors shall not be withdrawn.

(2) The sponsors, directors, officers, associated companies and undertakings ⁵[] of the purchasing company shall not directly or indirectly trade in shares of the purchasing company during the following periods-

- (a) from the date of meeting of the board of directors in which the purchase is recommended till completion of the purchase; and
- ⁶[(b) sell the treasury shares to its employees under section 83A of the Act read with the Companies (Further Issue of Shares) Regulations, 2020 under the authority of a special resolution in accordance with its articles of association.]

1 Substituted for words 'three years' vide S.R.O 857(I)/2019 dated July 25, 2019

2 Inserted vide S.R.O 857(I)/2019 dated July 25, 2019

3 Substituted for the full-stop by SRO 1725(I)/2022 dated September 6, 2022.

4 Proviso inserted by SRO 1725(I)/2022 dated September 6, 2022.

5 Words "and shareholders holding more than ten percent of the voting shares" omitted by SRO 1725(I)/2022 dated September 6, 2022.

6 Clause (b) substituted by SRO 1725(I)/2022 dated September 6, 2022.

CHAPTER IV MISCELLANEOUS

13. Disposal of the Treasury Shares and procedure.- (1) The treasury shares shall not be sold, transferred or otherwise disposed of by the purchasing company within a period of six months from the closure of the purchase period.

(2) The treasury shares shall not be sold by the purchasing company unless it has obtained approval of its board of directors.

(3) The purchasing company shall make a public announcement as per Schedule V within two working days of decision of board of directors.

(4) The board of directors of the purchasing company shall before making the public announcement, designate an authorized officer for completion of sale of treasury shares.

(5) The purchasing company shall not issue further capital, other than bonus shares unless the treasury shares held by it are disposed of.

(6) The purchasing company may, subject to sub-regulation (1), dispose of treasury shares in full or any part thereof in any of the following manners or combination thereof:

- (a) sell the treasury shares against consideration in the market through the securities exchange's automated trading system in transparent manner, as approved by board of directors; and
- (b) sell the treasury shares to its employees under the Companies (further issue of shares) Regulations, 2018 under the authority of a special resolution and with prior written approval of the Commission.

(7) In case of sale of treasury shares the following procedure shall be followed,-

- (a) the decision of sale shall be made by the board of directors shall be communicated to the Commission and the securities exchange on the day the decision is made;
- (b) sale of treasury shares shall start not later than seven days from the date of public announcement and shall close within forty-five days from the date of decision of board or till such date that the sale is completed, whichever is earlier.

(8) The purchasing company shall not dispose of the treasury shares in any manner from the date of a public announcement of offer for acquisition of shares of the purchasing company made by an acquirer under the Securities Act till the time the acquisition process is complete.

(9) The purchasing company shall file the following information with the registrar concerned within thirty days of the disposal of the treasury shares-

- (a) mode of disposal;
- (b) maximum number of treasury shares available for sale;
- (c) total number of shares sold;
- (d) date-wise and price-wise breakup of shares sold;
- (e) total consideration received;
- (f) cumulative number of treasury shares sold to date;
- (g) number of balance treasury shares if any; and

(h) cumulative number of shares cancelled to date.

(10) The purchasing company shall report to the securities exchange the number of shares sold on daily basis for public dissemination.

14. Power to give directions:- Where the Commission is satisfied, on its own motion or on the basis of any information received by it, that it is necessary and expedient so to do-

- (a) in the interest of the shareholders of the purchasing company;
- (b) in the interest of investors or the market generally; or
- (c) to prevent the abuse of law or the process laid down in these regulations; it may issue directions to the purchasing company, any of its directors, officers, or any other person; including but not limited to-
 - (i) stopping the purchasing company at any stage from making the purchase or sale, as applicable;
 - (ii) to do or desist from doing such acts as the Commission may determine; and
 - (iii) carry out such steps as are necessary to rectify the situation.

15. Repeal and Saving.- (1) The Listed Companies (Buy-back of shares) Regulations, 2016, hereinafter referred as repealed Regulations, shall stand repealed:

Provided that repeal of repealed Regulation shall not –

- (a) revive anything not in force at the time at which the repeal takes effect; or
- (b) affect the previous operation of the repealed Regulations or anything duly done or suffered thereunder; or
- (c) affect any right, privilege, obligation or liability acquired, accrued or incurred under the said repealed Regulations; or
- (d) affect any penalty imposed, forfeiture made or punishment awarded in respect of any offence committed under the repealed Regulations; or
- (e) affect any inspection, investigation, prosecution, legal proceeding or remedy in respect of any obligation, liability, penalty, forfeiture or punishment as aforesaid,

and any such inspection, investigation, prosecution, legal proceeding or remedy may be made, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if these Regulations had not been commenced.

(2) Notwithstanding the repeal of the repealed Regulations anything done, actions taken, proceedings initiated and instituted, processes or communications issued and powers conferred, assumed or exercised by the Commission under the repealed Regulations shall, on the coming into force of these regulations, be deemed to have been validly done, taken, passed, issued, initiated or instituted, conferred, assumed and exercised and every action, order, directive, notification, circular etc. issued by the Commission shall be deemed to have been validly initiated or issued and shall be proceeded with to completion and be enforced and have effect accordingly.

SECURITIES ACT, 2015

Act No. III of 2015

CONTENTS

Section	Title/Description	Page No.
PART I - Preliminary		
1.	[Section 1 is not included in syllabus]	
2.	Definitions	387
3.	[Sections 3 to 62 are not included in syllabus].	
PART V - Regulated Securities Activities		
63.	Scope of regulated securities activities	395
64.	Licensing requirement.....	395
65.	Eligibility for licensing	395
66.	[Sections 66 to 86 are not included in syllabus].	
PART VIII - Public Offers Of Securities		
87.	Offer securities	396
88.	Approval, issue, circulation and publication of prospectus	397
89.	Contents of prospectus.....	398
90.	Expert to be independent	398
91.	Expert's consent to issue of prospectus containing statement made by him.....	398
92.	Criminal liability for defective prospectus.....	398
93.	Compensation for false or misleading prospectus	398
94.	Abridged prospectus.....	399
95.	Issue of securities outside Pakistan	399
96.	Disclosure of price sensitive information	399
97.	Notification of required disclosure by the Commission or a securities exchange	400
98.	Power of the Commission to require production of records and documents concerning listed companies	400
99.	Remedy in cases of unfair prejudice by listed companies.....	401
100.	Power of the Commission to issue directives to listed companies.....	402
101.	Duty of directors and others to disclose shareholding in listed company	402
102.	Register of directors' interests notified under section 101	403
103.	Notification to the Commission of directors and others' interest	404
104.	Trading by directors and others	404
105.	Tender of gain to be credited to Federal Consolidated Fund	404
106.	Directive by the Commission.....	404
107.	Notification to the Commission of prescribed information	405
PART IX – Takeovers		
108.	Interpretation	406
109.	This Part not to apply to certain transactions	407
110.	Acquisition of more than ten per cent voting shares of a company	408

Section	Title/Description	Page No.
111.	Acquisition of voting shares beyond prescribed limits or control of a company.....	408
112.	Number of voting shares and offer price	409
113.	Appointment of manager to the offer.....	409
114.	Timing of the public announcement of intention	409
115.	Public announcement of intention and public offer not to contain misleading material.....	409
116.	Conditional offer.....	409
117.	Persons to whom public offer shall be made.....	409
118.	Prohibition for acquirer	410
119.	Prohibitions on board of directors of the target company	410
120.	Competitive bid	411
121.	Upward revision of offer	411
122.	Withdrawal of public offer.....	411
123.	Security to be furnished by the acquirer.....	411
124.	Conduct of takeovers	412
125.	Powers of Commission to issue directions under this Part.....	412
126.	Penalties for non-compliance.....	412
PART X - Insider Trading		
127.	Application of this Part	414
128.	Prohibition of insider trading.....	414
129.	Inside information.....	414
130.	Insiders	415
131.	Listed companies' responsibilities to disclose inside information	415
132.	[Sections 132 to 178 and Schedule are not included in syllabus].	

SECURITIES ACT, 2015

*An Act to amend and consolidate law for the regulation of
the securities industry and the protection of investors*

No. F. 22(22)/2015-Legis, Islamabad, the 6th May, 2015.- The following Act of Majlis-e-Shoora (Parliament) received the assent of the President on 13th May, 2015 and is hereby published for general information:-

Act No. III
of
2015

WHEREAS it is expedient to amend and consolidate law for the regulation of the securities industry, the protection of investors and for the matters connected therewith or ancillary thereto;

It is hereby enacted as follows:-

PART I PRELIMINARY

2. Definitions.- In this Act, unless there is anything repugnant in the subject or context,-

- (i) "accredited" means accredited in accordance with section 67;
- (ii) "associate", in relation to—
 - (a) an individual, means—
 - (I) that individual's spouse, son, adopted son, step-son, daughter, adopted daughter, step-daughter, father, stepfather, mother, stepmother, brother, stepbrother, sister or stepsister;
 - (II) any company of which that individual is a director;
 - (III) any company in which that individual or any of the persons mentioned in sub-clause (i), has control of twenty per cent or more of the voting power in the company, whether such control is exercised individually or jointly; or
 - (IV) any employee of that individual; or
 - (b) a company, means another company in which the first-mentioned company has control of not less than twenty per cent of the voting power in that company,

and a reference in this Act to an associated person or associated company shall be construed accordingly;

- (iii) "auditor" means a chartered accountant as defined in clause (b) of subsection (1) of section 2 of the Chartered Accountants Ordinance, 1961 (X of 1961), to be appointed from the panel of auditors approved by the Commission to perform the functions assigned to auditors under this Act;

- (iv) "balloter" means a person who provides services to an issuer for selecting the required number of applicants of public issue through a ballot;
- (v) "bank" means a bank licenced under section 27 or the Banking Companies Ordinance, 1962 (LVII of 1962);
- (vi) "central depository" means any company licensed by the Commission for the hand ling of securities, as envisaged in the Central Depository Act 1997 (X IX of 1997) and licensed under section 49 of this Act;
- (vii) "clearing facility" means a facility for the clearing and settlement of securities traded on a securities exchange;
- (viii) "clearing house" means a company that is licenced by the Commission as a clearing house under section 24;
- (ix) "clearing member" means a person who, is admitted as a clearing member for clearing and settlement on his own behalf as well as on behalf of others under the regulations of a clearing house;
- (x) "Commission" means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Com mission of Pakistan Act, I 997(XLII of 1997);
- (xi) "commissioner" means a commissioner as defined in section 2 (h) of he Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (xii) "company" means a company as defined in clause (7) of sub-section I) of section 2 of the Companies Ordinance, 1984 (XLVI! of 1984);

Explanation:-The expression "company" used in this Act, shall, wherever the context requires, also include a body corporate or corporation established by any special enactment for the time being in force;

- (xiii) "control" includes the right to appoint majority of directors or to control management or policy decisions, exercisable by a person individually or through any person acting in concert, directly or indirectly, whether by virtue of his shareholding, management right, shareholders agreement, voting agreement or otherwise;
- (xiv) "Court" means the Company Bench of a High Court as provided in sections 7 and 8 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xv) "customer" means a person on whose behalf a regulated person carries on any regulated securities activity and includes any person commonly known as an investor;
- (xvi) "customer assets" means money received, receivable or retained by or any other property deposited with, a regulated person in the course of his business for which he is liable to account to his customer, and any money or other property accruing there from;
- (xvii) "customer money" means money of any currency that, in the course of carrying on his regulated securities activity, a regulated person holds or receives on behalf of a customer or which he owes to a customer;

- (xviii) “default proceedings” means proceedings or other action taken by a clearing house, stock exchanges and central depository under its default regulations;
- (xix) “default regulations”, means those provisions of the regulations which provide for the initiation of proceedings or other action if a clearing member has failed or appears to be unable or likely to become unable, to meet his obligations for all unsettled or open market contracts to which he is a party;
- (xx) “depository receipt” means a certificate or other record, whether or not in the form of a document, which-
 - (a) is issued by or on behalf of a person who holds any shares, debt securities and warrants of a particular issuer; and
 - (b) acknowledges that another person is entitled to rights in relation to the share, debt securities and warrants, debt securities and warrants of the same kind;
- (xxi) “director”, in relation to a company, includes any person occupying in relation to the position of a director, by whatever name called;
- (xxii) “expert” includes banker, securities advisor, engineer, valuer, accountant, lawyer and any other person whose profession gives authority to a statement made by him;
- (xxiii) “family” means a spouse and lineal ascendants and descendants;
- (xxiv) “futures broker” means a person who, by way of business, whether s principal or agent,-
 - a) makes or offers to make with any person or induces or attempts to induce any person to enter into or to offer to enter into any agreement for or with a view to the purchase or sale of a futures contract; or
 - b) solicits or accepts any order for, or otherwise dealing in, a futures contract;
- (xxv) “futures exchange” means a public company that is licensed by the Commission as a futures exchange;
- (xxvi) “holding company” mea ns a holding company as defined in section 3 of the Companies Ordinance. 1984 (XLVII of 1984);
- (xxvii) “issuer”, in relation to securities, means any person who has issued or proposes to issue a security;
- (xxviii) “licenced person” means any person or entity licenced under this Act and includes a regulated person;
- (xxix) “listed company” means a public company, body corporate or other entity any of whose securities are listed on securities exchange;
- (xxx) “listed securities” means securities listed on the securities exchange;
- (xxxi) “majority shareholder” means shareholder who holds, owns or control, directly or indirectly, more than fifty percent of the shares having voting rights in a company or who, for other reasons, has domination or

- control of the company and includes a group of shareholders who collectively own more than fifty percent of shares or otherwise have that domination or control;
- (xxxii) "margin" means the amount of cash, approved securities or any other form of margin as prescribed;
- (xxxiii) "market contract" means-
- (a) a contract subject to the regulations of a clearing house entered into by the clearing house with a Clearing member under a novation and for the purpose of clearing and settlement of transactions using the clearing facility before or after default proceedings have commenced; or
 - (b) a transaction which is being cleared or settled using the clearing facility and subject to the regulations of a clearing house, whether or not a novation referred to in sub-clause (a) is to take place;
- (xxxiv) "money" includes any form of money, whether represented by a cheque or other payable order or otherwise;
- (xxxv) "non-banking finance company" shall have the same meaning as assigned to it in clause (a) of section 282A of the Companies Ordinance, 1984 (XLVII of 1984);
- (xxxvi) "offeror" means any person or entity holding, directly or indirectly, such number of securities as may be prescribed and offers such securities for sale to the public or invites any other person to make subscription for such an offer and includes an issuer;
- (xxxvii) "prescribed" means prescribed by regulations made by the Commission;
- (xxxviii) "principal", in relation to a representative, means the regulated person which the representative represents;
- (xxxix) "private company" means a private company as defined in clause (28) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xli) "private offering (non-public offering) or private placement" means an offer to sell or issue securities to a group of investors (whether individual or institutional) not more than the number prescribed and not using the print or electronic media for inviting offers;
- (xlii) "prospectus" means any document described or issued as a prospectus and includes any document, notice, circular, material, advertisement, offer for sale document, publication or other invitation offering to the public (or any section of the public) or inviting offers from the public for the subscription or purchase of any securities of a company, body corporate or entity, other than deposits invited by a bank and certificate of investments and certificate of deposits issued by non-banking finance companies;

- (xlvi) “public company” means a public company as defined in clause (30) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xlii) “qualified institutional buyer” means-
 - (a) a bank;
 - (b) a financial institution as defined under clause (ISA) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984); or
 - (c) any other entity, which is notified by the Commission as a ‘qualified institutional buyer’ based on the criteria prescribed under regulations;
- (xliii) “quotation and trade reporting system” means the operation of facilities that permit the dissemination of price quotations for the purchase and sale of securities and reports of completed transactions in securities;
- (xlvi) “record” means all documentary, electronic and digital materials created, generated, sent, communicated, received or stored, regardless of physical form or characteristics;
- (xlv) “regulated market” means any securities exchange, over-the-counter market or platform that is licensed by the Commission;
- (xlvi) “regulated person” means a person or entity licenced by the Commission under Part V of this Act to carry on any regulated securities activity;
- (xlii) “regulated securities activity” means a regulated securities activity as specified in section 63;
- (xlii) “regulations” means regulations made by the Commission under this Act;
- (I) “representative” means an individual, by whatever name called, in the employment of or acting for or by arrangement with, a regulated person, who carries out for that regulated person any such activity (other than work ordinarily performed by accountants, clerks or cashiers), whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise; and includes any officer of a company who performs for the company any such activity whether or not he is remunerated, and whether his remuneration, if any, is by way of salary, wages, commission or otherwise and includes an agent of a regulated person;
- (li) “rules” means rules made under this Act;
- (lii) “securities” in the case of listed instruments includes-
 - (a) shares and stock of a company (shares);
 - (b) any instrument creating or acknowledging indebtedness which is issued or proposed to be issued by a company including, in particular, debentures, debenture stock, loan stock, bonds, notes, commercial paper, sukuk or any other debt securities of a

- company, whether constituting a charge on the assets of the company or not (debt securities);
- (c) loan stock, bonds, sukuk and other instruments creating or acknowledging indebtedness by or on behalf of a government, central bank or public authority (Government and public debt securities);
 - (d) modoraba certificates, participation term certificates and term finance certificates;
 - (e) any right (whether conferred by warrant or otherwise) to subscribe for shares or debt securities (warrants);
 - (f) any option to acquire or dispose of any other security (options);
 - (g) units in a collective investment scheme, including units in or securities of a trust fund (whether open-ended or closed end);
 - (h) the rights under any depository receipt in respect of shares, debt securities and warrants (custodian receipts); and
 - (i) any other instrument notified by the Commission to be securities for the purposes of this Act,
- but does not include-
- (a) futures contracts;
 - (b) bills of exchange;
 - (c) promissory notes; and
 - (d) certificates of deposit;
- (l)iiii) "securities adviser" means a person, who-
- (a) gives investment advice on whether, which, the time at which or the terms or conditions on which, securities may be bought, so far as, exchanged or subscribed for;
 - (b) issues analyses or reports, for the purposes of facilitating the recipients of the analyses or reports to make decisions on whether or the time at which or the terms or conditions on which, specific securities may be bought, sold, exchanged or subscribed for; or
 - (c) advises on the management of a portfolio of securities for another person-
- (i) without holding property of the other person; and
 - (ii) on terms that preclude him from doing so,
- but does not include-
- (I) a bank;
 - (II) a person who gives such advice or issues such analyses or reports-
- (A) in a newspaper, magazine, book or other publication which is made generally available to the public, and which does not have as its principal or only object the

- provision of advice or the issue of analyses or reports, concerning securities; or
- (B) in television broadcast or radio broadcast for reception by the public, whether on subscription or otherwise; and
- (III) any other person excluded to the such extent as may be notified by the Commission;
- (iv) "securities broker" means a trading right entitlement certificate holder or "TRE" certificate holder who, by way of business, -
- (a) makes or offers to make with any person or induces or attempts to induce any person to enter into or to offer to enter into, any agreement for or with a view to buying, selling, exchanging or subscribing for, securities; or
- (b) solicits or accepts any order for or otherwise trading in, or effects transactions in, securities for clients or on its own account;
- (iv) "securities exchange" means a public company that is licensed by the Commission as a securities exchange under section 5;
- (vi) "securities manager" means a person who manages or offers or agrees to manage, with or without remuneration, a portfolio of securities belonging to another person, whether on a discretionary authority granted by that other person or otherwise;
- (vii) "securities market" means any market or place at which or any service or facility (whether electronic or otherwise) by means of which, offers or invitations to sell, purchase or exchange securities are regularly made on a centralized basis, being offers or invitations that are intended or may reasonably be expected, to result, directly or indirectly, in the acceptance or making, respectively, of offers to sell, purchase or exchange securities;
- (viii) "senior management officer" includes, chief executive officer/ managing director, deputy managing director/chief operating officer and chief regulatory officer or holder of such positions by whatever name called;
- (ix) "settlement", in relation to a market contract, includes partial settlement;
- (ix) "shelf registration" means an arrangement that allows a single offering document allowing companies to make multiple offerings as disclosed in the offering document within a prescribed time and subject to prescribed conditions;
- (xi) "subsidiary" means a subsidiary as defined in section 3 of the Companies Ordinance, 1984 (XLVII of 1984);
- (lxii) "substantial shareholder", in relation to a company, means a person who has an interest in shares of a company-
- (a) the nominal value of which is equal to or more than ten per cent of the issued share capital of the company; or

- (b) which enables the person to exercise or control the exercise of ten per cent or more of the voting power at a general meeting of the company;
- (lxiii) "trading in securities" means (whether as principal or agent)-
 - (a) making or- offering to make with any person, or inducing or attempting to induce any person to enter into or to offer to enter into, any agreement for or with a view to the purchase or sale of a security; or
 - (b) soliciting or accepting any order for or otherwise trading in a security;
- (lxiv) "trading right entitlement certificate" or "TRE certificate" means a trading right entitlement certificate as defined in the Stock Exchanges Corporatization, Demutualization and Integration) Act, 2012 (XV of 012);
- (lxv) "trading right entitlement certificate holder" or "TRE certificate holder" means a trading right entitlement certificate holder as defined in the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (XV of 2012); and
- (lxvi) "underwriter" means a person who -
 - (a) on a firm commitment basis purchases newly issued securities or securities offered for sale for the purpose of public resale on behalf of the issuer or offeror or who guarantees to an issuer or offeror that the unsold residue of the issuer's public issue or sale will be taken up; or
 - (b) on a best efforts basis acts as an underwriter for the issuer.

PART V

REGULATED SECURITIES ACTIVITIES

63. Scope of regulated securities activities.- For the purposes of this Act, a person shall be deemed to be carrying on a regulated securities activity if such person carries out on business or purports to do so, as a –

- (a) securities broker;
- (b) securities adviser;
- (c) securities manager;
- (d) share registrar;
- (e) credit rating company;
- (f) balloter;
- (g) underwriter;
- (h) debt securities trustee; or
- (i) any other activity as may be notified by the Federal Government.

64. Licensing requirement.- (1) No person shall carry on a regulated securities activity or purport to do so, unless such person is licensed by the Commission under this Act and operates in accordance with such licence.

(2) A licence granted under this Act shall specify the regulated securities activity or activities that the regulated person is permitted to undertake and such person shall be restricted to such regulated securities activity or activities so specified.

(3) The Commission may, by notification in the official Gazette, exempt any financial institution or class of financial institutions from the operation of subsection (1) subject to such terms and conditions as may be prescribed.

*Explanation.-*For the purposes of this sub-section the expression “financial institution” shall have the same meaning as defined under clause (15A) of subsection (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984).

65. Eligibility for licensing.- (1) A licence in respect of a regulated securities activity shall only be granted to a public or private company except that-

- (a) in the case of a securities adviser, a licence may be granted to an individual; and
- (b) in the case of a representative, a licence may only be granted to an individual.

(2) A regulated person that is licensed to indulge in a regulated securities activity shall be restricted to undertake only that activity exclusively.

(3) In the case of a bank a licence under this Part except a licence for underwriting or any other regulated activity as may be prescribed shall be granted only to a subsidiary company of the bank for such purpose and such subsidiary shall be exclusively engaged in regulated securities activities.

PART VIII

PUBLIC OFFERS OF SECURITIES

87. Offer of securities.- (1) This Part applies to offer of securities other than Government debt securities.

(2) Subject to the provisions of this Part, no person shall make a public offer of securities unless the issuer or offeror of the securities has submitted for approval to the Commission, and the Commission has approved prospectus.

(3) No person shall make a public offer of securities if such person or its directors, sponsors or substantial shareholders have been holding the office of the directors, or have been sponsors or substantial shareholders in any company, which-

- (a) had been declared defaulter by the securities exchange; or
- (b) whose TRE certificate has been cancelled or forfeited by the securities exchange; or
- (c) which has been de-listed by a securities exchange due to non-compliance of its regulations:

Provided that the Commission may grant relaxation upon reasons to be recorded, and rectification of cause leading to such de-listing.

(4) Sub-section (2) shall not apply-

- (a) to securities offered by the State Bank of Pakistan;
- (b) where the securities are offered in connection with a private offering or private placement; and
- (c) issue of shares of a subsidiary to the members of a listed holding company by way of specie dividend or any other distribution in the prescribed manner.
- (d) where the securities are offered by the issuer to-
 - (i) members or employees of the issuer; or
 - (ii) members of the families of any such members or employees; and
- (e) where the securities are shares and are offered as bonus shares to any or all of the members of the issuer;

(5) A prospectus approved by the Commission shall be valid for a period of sixty days from the date of such approval or for a longer period approved by the Commission in case of shelf registration, provided that the supplement to the prospectus for each offering shall contain updated disclosures:

Provided that the time period of sixty days provided for approval of prospectus may be extended by the Commission by reasons to be recorded in writing.

(6) The Commission shall not be liable to any action in damages suffered as a result of any prospectus approved by the Commission.

(7) A person who, in connection with a public offer of securities, makes a false or fictitious application, commits an offence.

(8) The Commission may, where it considers it appropriate, forfeit any or all of the money paid or payable in respect of an offering application under subsection

(7) after providing the applicant a reasonable opportunity of being heard.

88. Approval, issue, circulation and publication of prospectus.- (1) No person shall issue, circulate and publish prospectus including a shelf-prospectus or supplement to the prospectus until it has been approved by the Commission which approval may be subject to such conditions or restrictions as the Commission considers necessary.

(2) The issuer or the offeror, as the case may be, shall, not less than twenty one days before the proposed date of publication of the prospectus, submit a copy to the Commission for approval.

(3) Where a public offer of securities is to be made in Pakistan the issuer or offeror, as the case may be, shall publish the prospectus in full text or in such abridged form as may be prescribe, at least in one Urdu and one English daily newspaper.

(4) The prospectus shall not be published in the newspapers less than seven days or more than thirty days before the commencement of the public subscription.

(5) The issuer or the offeror, as the case may be, shall make available sufficient number of co pies of the prospectus approved by the Commission under subsection (1), free of charge, from the date of its publication in the newspapers till the closing of the subscription at the registered office of the issuer with all the securities exchanges of the country, with all the bankers to the issue, the concerned share registrar, the concerned ballotter and the concerned credit rating agency, if any.

(6) The prospectus in full text and the shares subscription form shall be uploaded on the website of the issuer and shall remain there from the date of its publication in the newspapers till the closing or the subscription.

(7) No person shall issue, circulate, publish, telecast or broadcast without the prior written approval of the Commission, an advertisement, other than a prospectus, announcing a public offer of securities for which a prospectus is required under this Part unless a prospectus has been published and the advertisement gives an address in Pakistan from which it can be obtained.

(8) The issuer or offeror, as the case may be, shall not, at any time, vary the terms of the clauses stipulated in its prospectus except subject to the approval of the Commission.

(9) Where an issuer or the offerer, as the case may be, can issue, circulate and publish supplement to the prospectus inviting the general public for subscription of the security(ies) earlier offered to the public through shelf-prospectus, provided that-

- (a) it has obtained prior written approval of the Commission for its issue, circulation and publication;
- (b) the last supplement should be published within such time period to be prescribed by the Commission; and
- (c) the aggregate amount of the offer or issue floated in tranches should not exceed the total issue size as mentioned in the shelf-prospectus.

(10) A copy of each supplement to the prospectus shall be filed with the registrar on or before the date of its issue, circulation or publication.

(11) A supplement to the prospectus shall contain such information as may be prescribed by the Commission and it shall be published in at least all those newspapers in which the shelf-prospectus has been published.

(12) In case of any misstatement or omission of material information from the supplement to the prospectus, sections 92 and 93 shall apply *mutatis mutandis*.

89. Contents of prospectus.-The Commission may approve a prospectus if it contains such information and reports as may be prescribed.

90. Expert to be independent.- A prospectus shall not contain a statement purporting to be made by an expert unless the expert is a person who is not, and has not been, engaged or interested in the formation or promotion or in the management of the company.

91. Expert's consent to issue of prospectus containing statement made by him.- A prospectus that contains a statement purporting to be made by an expert or to be based on a statement made by an expert shall not be issued, circulated or published unless-

- (a) the expert has given, his written consent to the issue of the prospectus with the statement in the form and context in which it is included; and
- (b) there appears in the prospectus a statement that the expert has given and has not withdrawn his consent.

92. Criminal liability for defective prospectus.- A person commits an offence, who-

- (a) makes a misleading, incorrect, untrue or deceptive statement in a prospectus; or
- (b) omits information or a statement from a prospectus that this Act or any rule or regulation made under this Act, requires to be included in the prospectus.

93. Compensation for false or misleading prospectus.- Every offeror, issuer, director of an offeror or issuer or any person who has signed the prospectus shall be liable to pay compensation to any person who acquires any of the securities, in reliance upon the prospectus, to which the prospectus relates and suffers loss in respect of them as a result of any incorrect, untrue or misleading statement in the prospectus or the omission from it of any matter required to be included by or under section 89.

94. Abridged prospectus.- Notwithstanding the provisions of this Part, a public offer of securities maybe made by publication of an abridged version of a prospectus (an abridged prospectus), instead of a prospectus, if-

- (a) a prospectus is prepared in accordance with section 89 and the abridged prospectus is prepared in accordance with such requirements as may be prescribed;
- (b) a copy each of the prospectus and the abridged prospectus is submitted to the Commission at the same time for approval and both the prospectus and the abridged prospectus are approved by the Commission;
- (c) sufficient copies of the prospectus are made available for collection at the times and places specified in section 88 and the abridged prospectus; and
- (d) the public offer complies with such other requirements as may be prescribed.

95. Issue of securities outside Pakistan.- No company shall, except with the prior approval of the Commission, issue or list any securities outside Pakistan.

96. Disclosure of price sensitive information.- (1) Except as provided in sub-section (4), a listed company shall disclose to the public forthwith any price sensitive information relating to the company or its subsidiaries which has come to the company's knowledge and which would be material to an investor's investment decision, including information that-

- (a) is necessary to enable the public to appraise the position of the company and its subsidiaries;
- (b) is necessary to avoid the creation or continuation of a false market in the securities of the company (false market being defined as an uninformed market or one which is based on incomplete information); or
- (c) might reasonably be expected to materially affect the market activity and the price of its securities.

(2) A listed company shall ensure that, when disclosing information pursuant to clauses (a) to (c) of sub-section (1), the means it uses for disseminating information are such that it equally, timely and effectively provides access to such information by the holders of the securities of the company and investors.

(3) A listed company meets the requirements of sub-section (1) when information that affects the market or a sector of the market generally is made public in a manner that would be likely to bring it to the attention of persons who commonly invest in securities of a kind whose price or value might be affected by the information.

(4) A listed company may, under its own responsibility, delay the public disclosure of price sensitive information such as not to prejudice its legitimate interests, provided that-

- (a) such delay would not be likely to mislead public investors;
- (b) any person receiving the information owes the listed company a duty of confidentiality, regardless of whether such duty is based on law, regulations, articles of association or contract; and
- (c) the listed company is able to ensure the confidentiality of that information.

(5) In the event that a listed company is also traded or listed on a foreign market or exchange, the listed company shall ensure that where information is released to those markets the same information is released in Pakistan simultaneously.

(6) Without limiting the generality of this section the listed company shall also comply with such further obligations and requirements as may be prescribed.

97. Notification of required disclosure by the Commission or a securities exchange.- (1) A listed company shall respond promptly upon being informed by the Commission or a securities exchange that there are unusual movements in the price or volume of its traded securities by promptly disclosing to the public-

- (a) details of any matter or development of which it is aware that is or may be relevant to the unusual movements, or
- (b) a statement of the fact if it is not aware of any such matter or development.

(2) It shall be the responsibility of the listed company to respond promptly, in the same manner, to any news in the print and electronic media regarding that company which may *prima facie* affect the opinion of investor or public at large.

(3) Without limiting the general effect or provisions of this Part, listed companies shall also comply with such further reporting obligations and requirements as may be prescribed.

98. Power of the Commission to require production of records and documents concerning listed companies.- (1) Where-

- (a) it appears to the Commission that there are circumstances suggesting that the business of a listed company has been or is being conducted -
 - (i) with intent to defraud its creditors or the creditors of another person;
 - (ii) for a fraudulent or unlawful purpose; or
 - (iii) in a manner that adversely effects any of its members;
- (b) it appears to the Commission that there are circumstances suggesting that a company was listed for a fraudulent or unlawful purpose;
- (c) it appears to the Commission that there are circumstances suggesting that the persons concerned with the listing of a company or the management of its affairs have in relation to the listing or management been guilty of fraud, misfeasance or other misconduct towards it or its members; or

- (d) it appears to the Commission that there are circumstances suggesting that the members of a listed company have not been given all the information with respect to its affairs that they might reasonably expect, the Commission may give directions-
- (i) to the directors or management of the listed company;
 - (ii) to a subsidiary or an associated company of the listed company; or
 - (iii) to a listed company or listed companies that own or control either individually or collectively a majority shareholding of the listed company or have the power to place a majority of directors on the board of the listed company or
 - (iv) where it appears to the Commission that it is in the interest of the investor or public interest,
- requiring it, at the time and place specified in the directions, to produce the records and documents specified in the directions.

(2) The Commission may, when acting under sub-section (1), authorize a person, on producing, if required to do so, evidence of his authority to require a listed company referred to in sub-section (1) to produce to him records and documents specified by him.

(3) The Commission or authorized person may require production of records and documents from a listed company under this section. The Commission or authorized person may also require production of those records and documents from a person who appears to the Commission or authorized person to be in possession of them.

(4) The power under this section to require a listed company or other person to produce records and documents includes the power-

- (a) if the records and documents are produced-
 - (i) to take copies of them or extracts from them; and
 - (ii) to require that person or any other person who is a present or past officer of the listed company or is or was at any time employed by the listed company, to provide an explanation of any of them; or
- (b) if the records and documents are not produced, to require the person who was required to produce them to state, to the best of his knowledge and belief, where they are.

99. Remedy in cases of unfair prejudice by listed companies.- (1) If it appears to the Commission from any information, record or other document obtained under this Act or the rules or regulations made under the Act or any other legislative power, that the affairs of a listed company is being or has been conducted in a manner unfairly prejudicial to the interests of some or all of its shareholders, the Commission may make an application to the Court for an order under this section.

(2) If on an application under this section the Court is of the opinion that the company's affairs are being or have been conducted in a manner unfairly

prejudicial to the interests of its members generally or of some part of the members, whether or not the conduct consists of an isolated act or a series of acts, the Court may, with a view to bringing to an end the matters complained of-

- (a) make an order restraining the carrying out of the act or conduct;
- (b) order that the company shall bring in its name the proceedings the Court considers fit against the persons, on the terms, the Court orders;
- (c) appoint a receiver of the whole or a part of the company's property or business and may specify the powers and duties of the receiver or manager and fix his remuneration; and
- (d) make any other order it considers fit, whether for regulating the conduct of the company's affairs in future or for the purchase of the shares of any members of the company by other members of the company or by the company and, in the case of a purchase by the company, for the reduction accordingly of the company's capital or otherwise.

(3) Where an order under this section makes an alteration in or an addition to the constitution of a company, the company shall not have power without the leave of the Court to make any further alteration in or addition to the constitution inconsistent with the order.

100. Power of the Commission to issue directives to listed companies.-
Where it appears to the Commission that—

- (a) it is desirable for the protection of members or other holders of securities or in the public interest;
- (b) the listed company is in breach of listing regulations; or
- (c) the listed company is contravening, has contravened or is about to contravene or has failed to comply with any provision of, or requirement under, this Act, any rules or any regulations made, under this Act or in purported compliance with any such provision or requirement, has furnished the Commission with information that is false, inaccurate or misleading,

the Commission may issue directive to the listed company—

- (i) to cease and desist from the breach of this Act or rules or regulations made there under;
- (ii) to do or not to do any matter as specified under this Act or rules or regulations made there under; or
- (iii) with regard to or for any other matter that the Commission considers necessary in exercise of its powers under this Act or rules or regulations made there under,

and the listed company shall comply with the directive.

101. Duty of directors and others to disclose shareholding in listed company.-

(1) Every person who becomes a director, executive officer, or substantial shareholder of a listed company shall give notice in writing to the company—

- (a) of his beneficial ownership in the listed equity securities of the company or any other nature of securities as may be prescribed by the Commission; and
- (b) of the amount and description of the securities of the company and date of acquisition of beneficial ownership.

(2) A director, executive officer or substantial shareholder of a listed company shall give notice in writing to the company of any of the following events, namely:-

- (a) any change in beneficial ownership mentioned in sub-section (1) and the notification shall state the number, amount and description of securities involved;
- (b) any gain referred to in section 104.

(3) The reporting requirement imposed by sub-sections (1) and (2) shall be fulfilled before the expiration of a period of seven days beginning with the day on which the requirement first arises.

(4) For the purposes of sections 101 to 107, the term "executive officer" includes but not limited to the chief executive, chairman, chief financial officer, secretary, auditor or any other officer of the company as may be prescribed by the Commission.

(5) For the purposes of sections 101 to 107 beneficial ownership of securities of any director, executive officer or substantial shareholder, in case of natural person, shall be deemed to include the securities beneficially owned, held or controlled by-

- (a) him or her;
- (b) the wife or husband of a director of a company, not being herself or himself a director of the company;
- (c) the minor son or daughter of a director where "son" includes stepson and "daughter" includes step-daughter; and "minor" means a person under the age of eighteen years;
- (d) a private company, where such director, executive officer or substantial shareholder is a shareholder, but to the extent of his proportionate shareholding in the private company:

Provided that "control" in relation to securities means the power to exercise a controlling influence over the voting power attached thereto.

Provided further that in case the substantial shareholder is a non-natural person, only those securities will be treated beneficially owned by it, which are held in its name.

102. Register of directors' interests notified under section 101.- (1) Every listed company shall keep a register for the purposes of section 101 in the form approved by the Commission.

(2) Whenever a company receives notification from a director, executive officer or substantial shareholder pursuant to section 101, the company shall

enter in the register, against name of the respective director, executive officer or substantial shareholder, the information received and the date of the entry.

(3) Whenever a listed company is notified of any matter in consequence of requirement imposed by sub-section (1) of section 101, the company shall notify it to the Commission, within seven days of the receipt of the information, showing therein name of director, executive officer or shareholder, date of appointment or acquisition of beneficial ownership and number of shares held by him.

103.Notification to the Commission of directors and others' interest.- (1) Every director, executive officer or substantial shareholder of a listed company shall submit to the Commission in the prescribed form-

- (a) a statement of beneficial ownership in the listed equity securities of the company or any other nature of securities as may be prescribed by the Commission;
- (b) the particulars of any change in the interest aforesaid; and
- (c) any change in his position.

(2) The reporting requirement imposed by sub-sections (1) shall be fulfilled before the expiration of a period of seven days beginning with the day on which the requirement first arises.

(3) For the purposes of sections 101 to 107, "equity security" means any stock or transferable share (preferred or common) or similar security representing ownership, any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security, any such warrant or right itself, and such other security as may be prescribed by the Commission.

104.Trading by directors and others.- Where any director, executive officer or substantial shareholder of a listed company irrespective of any intention makes any gain computed in the prescribed manner, by the purchase and sale, or the sale and purchase, of any beneficially owned listed equity securities of same class, or any other nature of securities as may be prescribed by the Commission, within period of less than six months, such director, executive officer or substantial shareholder shall make a report to the Commission in the prescribed form before the expiration of a period of seven days beginning with the day on which the gain accrues:

Provided that nothing in this section shall apply to any nature of acquisition as may be prescribed by the Commission.

105.Tender of gain to be credited to Federal Consolidated Fund.- Where director, executive officer or substantial shareholder makes any gain mentioned in section 104, such director, executive officer or substantial shareholder shall tender the amount of such gain to the Commission within the period of six months of the accrual of gain and the Commission shall credit the amount of such gain to the Federal Consolidated Fund.

106.Directive by the Commission.- (1) Where within the period provided in section 105, a director, executive officer or substantial shareholder fails or

neglects to tender the gain, the Commission may by order in writing direct such director, executive officer or substantial shareholder to tender the gain to the Commission for onward credit to the Federal Consolidated Fund.

(2) where any person who contravenes or fails to comply with any provision of sections 101, 102, 103, 104, 105 and 107, the Commission may by order in writing direct,-

- (a) in the case of an individual, to pay by way of penalty to the Commission such sum which may extend to five hundred thousand rupees and to a further sum which may extend to one thousand rupees per day for every day during which the default continues; and
- (b) in the case of a company, the company and its every director or officer who is knowingly and willfully in default, to pay by way of penalty to the Commission such amount which may extend to five hundred thousand rupees and to a further amount which may extend to one thousand rupees per day for every day during which the default continues.

(3) Any person, who obstructs or contravenes or does not comply with any order or direction given under this section commits an offence and shall be liable to pay by way of penalty such amount which may extend to five million rupees or three times the tenderable gain made whichever is higher.

107.Notification to the Commission of prescribed information.- (1) Every listed company, once in each year, prepare in the prescribed manner and file with the Commission a return containing the prescribed information.

(2) The return referred to in sub-section (1) shall be filed with the Commission within forty-five days from the date of the annual general meeting held in the year or, where no such meeting is held or if held is not concluded, from the last day of the calendar year to which it relates.

PART IX

TAKEOVERS

108. Interpretation.- In this Part,-

- (a) "acquirer" means any person who, directly or indirectly, acquires or intends to acquire voting shares or voting rights in, or control of the target company, either by himself or through any person acting in concert;
- (b) "manager to the offer" means a bank, securities broker or an investment bank licensed by the Commission, appointed as per requirements of this part;
- (c) "offer period" means the period from the date of public announcement of public offer to the date of closure of public offer or earlier withdrawal thereof;
- (d) "persons acting in concert" means-
 - (i) persons who, with a common objective or purpose of acquisition of voting shares or voting rights in, or control over a target company, pursuant to an agreement or understanding, formal or informal, directly or indirectly co-operate for acquisition of such shares or voting rights in, or control over the target Company;
 - (ii) without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be persons acting in concert with other persons within the same category, unless the contrary is established,-
 - (A) a company its holding company, subsidiary company and any company under the same management or control;
 - (B) a company, its promoters or sponsors or its directors, and any person entrusted with the management of the company;
 - (C) directors of companies referred to in item (A) of this sub clause and associates of such directors;
 - (D) relatives of the acquirer or persons acting in concert with the acquirer;
 - (E) a securities manager and its client, who is an acquirer; and
 - (F) banks, financial advisors and securities brokers of the acquirer, or of any company which is a holding company or subsidiary of the acquirer, and where the acquirer is an individual, of the relative of such individual:

Provided that this sub-clause shall not apply to a bank whose sole role is that of providing normal commercial banking services or activities in relation to a public offer under this Act;

Explanation.-For the purposes of this clause "associate" of a person means,-

- (i) any relative of such person; and
 - (ii) trusts of which such person or his relative is a trustee;
 - (iii) partnership firm in which such person or his relative is a partner; or
 - (iv) private company in which the person or his relative is director or a member;
 - (e) "public announcement" means the announcement of intention to acquire or offer to acquire voting shares of the target company made to the public by the acquirer pursuant to this Part in the prescribed manner and includes the announcement made in relation to a competitive bid;
 - (f) "public offer" means the public offer for acquisition of voting shares of a target company and includes any competitive bid or bids made for this purpose;
 - (g) "relative" means spouse, real and half siblings and their children, and
 - (h) "voting shares" means shares in the equity share capital of a target company carrying voting rights and includes any security which entitles the holder thereof to obtain or exercise voting rights;
- Explanation.-* For the purpose of this clause shares also include all depository receipts carrying an entitlement to exercise voting rights in the target company; and
- (i) "target company" means a listed company or holding company of a listed company whose voting shares or control are directly or indirectly acquired or intended to be acquired.

109. This Part not to apply to certain transactions.- (1) Except as provided otherwise in sub-section (2), nothing contained in this Part shall apply to-

- (a) allotment of voting shares pursuant to a right issue in existing members of a company in proportion to their shareholding, except voting shares allotted and issued under sub-section (7) of section 86 of the Companies Ordinance, 1984 (XLVII or 1984);
- (b) allotment of voting shares to the licenced underwriters pursuant to any underwriting agreement;
- (c) acquisition of voting shares in the ordinary course of business by banks and financial institutions as enforcement of security;
- (d) acquisition of voting shares by succession or inheritance;
- (e) a scheme of arrangement or reconstruction including amalgamation or merger or de-merger under any law for the time being in force;
- (f) exercise of option by a bank or a financial institution in pursuance of a conversion option under a loan agreement;
- (g) sale of shares in consequence of privatization of a unit or its management rights within the meaning of Privatization Commission Ordinance, 2000 (LII of 2000);

- (h) acquisition pursuant to inter se transfer of shares amongst qualifying persons, being,-
 - (i) relatives;
 - (ii) persons named as promoters or sponsors in the memorandum of Association of target company holding not less than twenty five percent of the equity securities of the target company;
 - (iii) a company, its subsidiaries, its holding company, other subsidiaries of such holding company;
 - (iv) major shareholders of a target company collectively exercising management control for a continuous period of three years prior to the proposed acquisition;

Explanation:- For the purposes of this clause the expression "major shareholder" means person directly holding more than twenty per cent of voting shares of the target company;

- (i) a scheme of rehabilitation of a company approved under any law for the time being in force.
- (2) After the acquirer acquires voting shares pursuant to sub-section (1), the acquirer shall make a disclosure of the acquisition in the prescribed manner.

110.Acquisition of more than ten per cent voting shares of a company.- (1) Any acquirer who acquires voting shares, which, taken together with voting shares, if any, held by the acquirer, would entitle the acquirer to more than ten per cent voting shares in a listed company, shall disclose the aggregate of his shareholding in that company to the said company, the securities exchange on which the voting shares of the said company are listed and the Commission as provided in sub-section (2).

- (2) The disclosure mentioned in sub-section (1) shall be made within two working days of-
 - (a) the receipt of intimation of allotment of voting shares; or
 - (b) the acquisition of voting shares, as the case may be.

*Explanation.-*For the purposes of this section the expression "acquisition" shall include purchases confirmed by the TRE certificate holder of a stock exchange in accordance with applicable rules or regulations.

- (3) An acquirer may acquire additional voting shares within a period of twelve months after acquisition of voting shares pursuant to sub-section (1) without making disclosure as required by sub-section (1) in case the total acquisition does not exceed an aggregate of thirty per cent.

111.Acquisition of voting shares beyond prescribed limits or control of a company.- No person shall, directly or indirectly,-

- (a) acquire voting shares, which (taken together with voting shares, if any, held by such person) would entitle such person to more than thirty per cent voting shares in a listed company; or

- (b) acquire additional voting shares in case the acquirer already holds more than thirty per cent but less than fifty-one per cent of the voting shares of a listed company:

Provided that such acquirer shall not be required to make a fresh public offer within a period of twelve months from the date of the previous public offer, or

- (c) acquire control of a listed company,

unless such person makes a public offer to acquire voting shares of the listed company in accordance with this Part.

112. Number of voting shares and offer price.- (1) The public offer by the acquirer shall be made for such minimum number of voting shares and for such minimum offer price as may be prescribed.

(2) Where the number of voting shares offered for sale by (he shareholders are more than the voting shares offered to be acquired by the acquirer, the acquirer shall, in consultation with the manager to the offer, accept the public offer or offers received from the shareholders on a proportional basis:

Provided that acquisition of voting shares from a shareholder shall not be less than the minimum marketable lot or the entire holding if it is less than the marketable lot.

113. Appointment of manager to the offer.- Before making any public offer the acquires shall appoint a manager to the offer who shall not be an associate, or a group company, of the acquirer or the target company.

114. Timing of the public announcement of intention.- Any person intending to acquire control or voting shares of the target company which may attract the provisions of section 111, shall make a public announcement of its intention to acquire in such manner as may be prescribed.

115. Public announcement of intention and public offer not to contain misleading material.- The public announcement of intention, the public offer, any other advertisement, circular, brochure or any publicity material issued in respect of, or in relation to, the acquisition of voting shares shall not contain any misleading or incorrect information.

116. Conditional offer.- (1) A public offer by the acquirer may be made conditional upon minimum level of acceptances:

Provided that such level shall not-be less than the limit prescribed by the Commission.

(2) Where a public offer is made conditional upon minimum level of acceptance, the acquirer may reject all such acceptances if the same do not reach the minimum level specified in the public offer:

Provided that the acquirer shall be free to accept the acceptances even if such acceptances, put together, do not reach the specified minimum level.

117. Persons to whom public offer shall be made.- The acquirer shall ensure that the offer letter is sent to all the shareholders of the target company whose

names appear on the register of members of the company as on the date specified in the public announcement:

Provided that where the public announcement is made pursuant to an agreement to acquire voting shares or control of the target company, the offer letter shall be sent to the shareholders other than the parties to the agreement.

118. Prohibition for acquirer.- Where the acquirer has, neither in the public announcement nor in the offer letter, stated his intention to dispose of the undertaking or a sizeable part thereof, of the target company except in the ordinary course of business of the target company, the acquirer, where he has proceeded to acquire control of the target company, shall not dispose of the undertaking or a sizeable part thereof, of the target company for a period of two years from the date of acquisition of the control.

119. Prohibitions on board of directors of the target company.- (1) The board of directors of the target company, during the offer period, shall not-

- (a) sell, transfer, or otherwise dispose of or enter into an agreement for sale, transfer, or for disposal of the undertaking or a sizeable part thereof, not being sale or disposal of assets in the ordinary course of business of the company or its subsidiaries;
- (b) encumber any asset of the company or its subsidiary;
- (c) issue any further shares during the offer period; or
- (d) enter into any material contract.

(2) Once the public announcement of intention has been made, the board of directors of the target company shall not appoint any person who represents or has an interest in the acquirer as an additional director or against a casual vacancy on the board of directors, till acquisition is completed.

(3) The target Company shall not transfer the securities acquired by the acquirer unless all obligations have been fulfilled by the acquirer under this chapter as certified by the manager to the offer.

(4) Notwithstanding anything contained in the Companies Ordinance, 1984 (XLVII of 1984), once the acquisition of shares has been completed in accordance with this Part, the target company shall allow such changes in the board of directors as would give the acquirer proportionate representation on the board or control of the company.

(5) In case the acquirer does not get a proportionate representation on the board of directors of the target company or the number of casual vacancies so created to complete the board on the basis of proportional representation are not sufficient, the acquirer may serve a notice on the target company for holding of fresh elections and shall submit a copy of such notice to the Commission forthwith.

(6) The board of directors of the target company shall cause the election of directors to be held within thirty days from the receipt of the notice under sub-section (5), and the elections shall be held in accordance with the provisions of sub-sections (2) to (5) of section 178 of the Companies Ordinance, 1984 (XLVII of 1984).

(7) The board of directors so elected shall hold office during the remainder of the term of the outgoing directors of the target company.

120. Competitive bid.- (1) Any person, other than the acquirer who has made the first public announcement, who is desirous of making a competitive bid, shall, within twenty-one days of the public announcement of the first offer, make a public announcement of his offer for acquisition of at least same number of voting shares of the target company.

Explanation.- For the purpose of this section a bid shall be deemed as competitive only if it offers a higher purchase price.

(2) A competitive bid shall not be for less than the number of voting shares for which the earlier public offer has been made.

(3) The provisions of this Part shall, *mutatis-mutandis*, apply to the competitive bid made under sub-section (1).

121. Upward revision of offer.- Irrespective of whether or not there is a competitive bid, the acquirer, who has made the public announcement, may make upward revision in his offer in respect to the price or the number of voting shares to be acquired, at any time up to seven working days prior to the date of the closure of public offer.

122. Withdrawal of public offer.- (1) Except as provided in sub-section (2), a public offer, once made, shall not be withdrawn.

(2) A public offer may be withdrawn;

- (a) if a competitive bid has been made;
- (b) if the sole acquirer, being a natural person, has died or has been declared to be of unsound mind before the completion of the acquisition process; or
- (c) in such circumstances as may be prescribed.

(3) If the acquirer who made the first public offer does not withdraw his offer within seven working days of the public announcement of the competitive bid or does not make an upward revision of his offer within the time specified in section 121, the earlier offer on the original terms shall continue to be valid and binding on the acquirer, except that the closing date of such public offer shall stand extended to the date of closure of public offer under the last subsisting competitive bid.

123. Security to be furnished by the acquirer.- (1) The acquirer shall furnish a security for performance or his obligations on such terms and conditions as may be prescribed.

(2) The total consideration payable under the public offer shall be calculated assuming full acceptances irrespective of whether the consideration for the public offer is payable in cash or otherwise.

(3) In case there is any upward revision of offer, consequent upon a competitive bid or otherwise, the value of the security shall be increased as may be prescribed under sub-section (1).

(4) The security furnished shall be released in such manner as may be prescribed.

124. Conduct of takeovers.- (1) The Commission shall make regulations with respect to the making and conduct of takeover offers and matters incidental and connected therewith.

(2) Without prejudice to the generality of sub-section (1), the Commission may make regulations for or with respect to-

- (a) the form, manner, timing and submission of offers;
- (b) public announcements of intention and public offer;
- (c) independent advice to shareholders;
- (d) the obligations of directors;
- (e) the standard of care and responsibility;
- (f) the timing and content of documents;
- (g) the offer timetable;
- (h) asset valuations and offer pricing;
- (i) restrictions on trading before and during the offer;
- (j) security to ensure completion of a takeover offer;
- (k) mandatory offers, offer size and acquisition;
- (l) squeeze outs;
- (m) competitive bids;
- (n) conditional offers; and
- (o) any other matter that the Commission considers necessary to ensure the proper conduct of takeovers.

125. Powers of Commission to issue directions under this Part.- The Commission may, in the interest of the securities market, give such directions as it deems fit including-

- (a) directing the person concerned not to further deal in securities;
- (b) prohibiting the person concerned from disposing of any of the securities acquired in violation of provisions of this Part;
- (c) directing the person concerned to sell the voting shares acquired in violation of the provisions of this Part; and/or
- (d) taking such action against the person concerned as may be necessary.

126. Penalties for non-compliance,- (1) In the event of withdrawal of public offer, except as provided in section 122, or contravention of any provision of this Part, the Commission may, after providing reasonable opportunity of hearing, by an order in writing, debar the acquirer and any person acting in concert from acquiring voting shares of a listed company for a period of three years.

(2) In case any member of the board of directors or management of the target company contravenes any provision of this Part, such person shall, on a finding by the Commission, after providing reasonable opportunity of hearing, stand disqualified to hold the office of director, chief executive officer, by

whatever name called, chief financial officer or company secretary in a listed company for a period of two years.

- (3) If any person-
 - (a) refuses or fails to furnish any document, paper or information which he is required to furnish by, or under, this Part;
 - (b) refuses or fails to comply with any order or direction of the Commission made or issued under this Part; or
 - (c) contravenes or otherwise fails to comply with the provisions of this Part, the Commission may, if satisfied, after giving the person an opportunity of being heard, that the refusal, failure or contravention was willful, impose penalty which may extend to one hundred million rupees as may be specified in the order.

COMPENDIUM
OF
CORPORATE LAWS

PART X

INSIDER TRADING

127. Application of this Part.-The provisions of this Part shall apply to listed securities traded by listed companies and insiders described in section 130.

128. Prohibition of insider trading.- (1) No person shall indulge in insider trading and any contravention of this section shall be an offence.

- (2) Insider trading shall include,-
 - (a) an insider person transacting any deal, directly or indirectly, using inside information involving listed securities to which the inside information pertains or using others to transact such deals;
 - (b) any other person to whom inside information has been passed or disclosed by an insider person transacting any deal, directly or indirectly, using inside information involving listed securities to which the inside information pertains or using others to transact such deals;
 - (c) transaction by any person as specified in clauses (a) and (b) or any other person who knows or ought to have known under normal and reasonable circumstances, that the information possessed and used for transacting any deal is inside information; or
 - (d) an insider person passing on inside information to any other person, or suggesting or recommending to another person to engage in or dealing in such listed securities with or without the inside information being disclosed to the person who has dealt in such securities.
- (3) The following shall not be deemed as insider trading:
 - (a) any transaction performed under an agreement that was concluded before the time of gaining access to inside information; or
 - (b) the disclosure of inside information by an insider person as required under law.
- (4) No contract shall be void or unenforceable by reason only of an offence under this section.

129. Inside information.- For the purposes of this Part the expression "inside information" means-

- (a) information which has not been made public, relating, directly or indirectly, to one or more issuers of listed securities or to one or more listed securities and which, if it were made public, would be likely to have an effect on the prices of those listed securities or on the price of related listed securities;
- (b) in relation to derivatives on commodities, information which has not been made public, relating, directly or indirectly, to one or more such derivatives and which are traded in accordance with accepted market practices on those markets;

- (c) in relation to persons responsible for the execution of orders concerning listed securities, information which is conveyed by a client to such person and related to the client's pending orders; or
- (d) information regarding decision or intentions of a person to transact any trade in listed securities.

130. Insiders.- Insiders shall include-

- (a) any sponsor, executive officer or director of an issuer of listed securities;
- (b) any sponsor, executive officer, director or partners of a legal person or unincorporated business association, in which the issuer holds a share or voting rights, directly or indirectly, of twenty-live per cent or more;
- (c) any sponsor, executive officer director or partner of a legal person or unincorporated business association who holds, directly or indirectly, a share or voting rights of twenty per cent or more in an issuer of listed securities;
- (d) any sponsor, executive officer or director of an organization that has been engaged in the placement of securities or the public offer of securities, as well as any employee of the issuer or an organization participating in the issuing and marketing of such securities who has had access to insider information during his employment, for a period of one year after leaving employment;
- (e) any person holding a share, directly or indirectly, which enables him to appoint director on the board, or ten per cent or more shares of an issuer of listed securities;
- (f) any sponsor, executive officer or director of a credit institution in which the-issuer of listed securities has an account;
- (g) any person obtaining inside information as part of his employment or when discharging his usual duties in an official capacity or in any other way relating to work performed under contract of employment or otherwise;
- (h) any person obtaining inside information through unlawful means;
- (i) spouse, lineal ascendant or descendant including step children partner or nominee of a person referred to in clauses (a) to (h); and
- (j) any person obtaining information or advice to trade in a security from any person referred to in clauses (a) to (i).

131. Listed companies' responsibilities to disclose inside information.- (1) Whenever a listed company or a person acting on their behalf, discloses any inside information to any third party in the normal exercise of employment, profession or duties, complete and effective public disclosure of that information must be made simultaneously:

Provided that the provisions shall not apply if the person receiving the information owes a duty of confidentiality, regardless of whether such duty is based on a law, regulations, articles of association or contract.

(2) Listed companies or persons acting on their behalf, shall maintain a list of persons employed, under contract or otherwise in the prescribed manner, who have access to inside information and such companies and persons acting on their behalf shall regularly update this list and send it to the Commission whenever required by the Commission.

(3) Listed company shall in the list of persons that have access to insider information state that the persons listed have acknowledged the requirements of this Part related to the prohibition to conclude transactions with the use of inside information and to advise the persons to whom they provide inside information.

(4) Any person who contravenes the provisions of this section and regulations made hereunder shall commit an offence.

COMPENDIUM
OF
CORPORATE LAWS

PUBLIC OFFERING REGULATIONS, 2017

CONTENTS

(Arrangement of Regulations)

Regulation	Title/Description	Page No.
CHAPTER I PRELIMINARY		
1.	Short title, commencement and applicability	419
2.	Definitions	419
CHAPTER II GENERAL CONDITIONS		
3.	General Conditions for Public Offer of Securities	427
CHAPTER III Public Offer of Shares		
4.	Methods for public offer of shares	433
5.	Conditions for public offer of Shares	433
CHAPTER IV Offer of shares through fixed price method		
6.	Conditions for public offer of shares through fixed price method.....	434
CHAPTER V Public Offer of shares through book building method		
7.	Conditions for offer of shares through Book Building	435
8.	Procedure for public offer of shares through Book Building	436
9.	Procedure for bidding.....	438
10.	Restrictions	440
11.	Procedure for allocation of shares to retail investors.....	441
[Regulations 12 to 25 are not included in syllabus].		
CHAPTER VI Offer for sale of shares by an Offeror		
12.	Offer for sale of shares by the Offeror.....	442
CHAPTER VIIA Special Purpose Acquisition Company, Functions and other Requirements		
12a.	Eligibility to Commence business as SPAC	443
12b.	Functions of SPAC.....	443
12c.	Listing.....	443
12d.	Modes of fund raising.....	443
12e.	Minimum Fund Raised	444
12f.	Time frame for completion of qualifying acquisition.....	444
12g.	Shareholders' Approval.....	444
12h.	Rights of holders of voting securities who vote against a qualifying acquisition /Refund to Investors Or incase where SPAC fails to complete the merger or acquisition transaction	444
12i.	Management of Escrow Account.....	445
12j.	Fair market value of Acquisition	446
12k.	Additional financing.....	446

Regulation	Title/Description	Page No.
12l.	Majority ownership and management control.....	446
12m.	Change in board of directors and management team	446
12n.	The Custodian - its roles and responsibilities	446
12o.	Failure to complete merger or acquisition transaction.....	447
12p.	Power of the Commission to issue directions.....	447
12q.	Relaxation	447
CHAPTER VII PUBLIC OFFER OF DEBT SECURITIES		
13.	General Conditions for public offer of Debt Securities.....	448
14.	Conditions for Public Offering of short term debt securities	452
15.	Conditions for issue of convertible debt securities	452
15a.	Book Building Mechanism for debt securities.....	453
15b.	Restrictions	454
15c.	Procedure for allocation of debt securities to the retail investors	455
CHAPTER VIII MISCELLANEOUS		
16.	Post Issue Reporting and Disclosures	456
16a.	Offering an Exit Opportunity in case of change in principal purpose of Issue as disclosed in prospectus.....	456
16b.	Relaxation	457
CHAPTER IX Functions and responsibilities		
17.	General responsibilities of the Consultant to the Issue, Book Runner, Underwriter, Banker to an Issue and Issuing and Paying Agent	458
18.	Functions of the Consultant to the Issue	459
19.	Responsibilities of the Consultants to the Issue	460
20.	Responsibilities of the book runner	461
21.	Responsibilities of Banker to an Issue	462
22.	Responsibilities of underwriter	462
23.	Responsibilities of Issuing and Paying Agent.....	463
24.	Responsibilities of Designated Institution in case of book building	465
25.	Repeal and Savings	466
FIRST SCHEDULE		
SECOND SCHEDULE		
THIRD SCHEDULE.....		
FOURTH SCHEDULE.....		
FIFTH SCHEDULE.....		
SIXTH SCHEDULE		
SEVENTH SCHEDULE.....		
EIGHTH SCHEDULE		
NINTH SCHEDULE.....		
SCHEDULE TEN		
ELEVEN SCHEDULE.....		
TWELVE SCHEDULE		

PUBLIC OFFERING REGULATIONS, 2017

S.R.O. 296(I)/2017, Islamabad, the 2nd May, 2017.— In exercise of powers conferred by sections 19, 87, 88, 89, 90, 91, 94 and 95 read with section 169 of the Securities Act, 2015 (III of 2015), the Securities and Exchange Commission of Pakistan hereby makes the following regulations, the same have been previously published in the official Gazette vide Notification No.S.R.O.1139(I)/2015 dated 16th November 2015 as required by sub-section (4) of section 169 of the Act, namely:-

CHAPTER I PRELIMINARY

1. Short title, commencement and applicability.— (1) These Regulations shall be called the Public Offering Regulations, 2017.

(2) They shall come into force at once.

(3) They shall apply to:

- (i) a public limited company or body corporate proposing to issue securities to the general public;
- (ii) an Offeror who intends to offer securities to the general public; and
- (iii) sponsors of the public limited company or body corporate, the Consultants to the Issue, the Underwriter, the Book Runner, the Designated Institution, the Banker to an Issue, Investment Agent and Issuing and Paying Agent.

(4) These Regulations shall not apply to an Issue by Special Purpose Vehicle or body corporate specifically setup by the Federal Government or any provincial Government for the purpose of issue of any debt security, under any other law or offer of securities as mentioned under sub-section (4) of section 87 of the Act.

2. Definitions.— (1) In these Regulations, unless there is anything repugnant in the subject or context, —

- (i) “Abridged Prospectus” means condensed form of the Prospectus containing such information and disclosures as mentioned in Second Schedule to these Regulations;
- (ii) “Act” means the Securities Act, 2015 (III of 2015);
- (iii) “Application Supported by Blocked Amount” means an application for subscription to shares or bidding, where money is blocked in the applicant’s or bidder’s respective bank account;
- (iv) “Banker to an Issue” means a scheduled bank licensed by the Commission as a Banker to an Issue.;
- [(v) “Bid” in case of shares means an intention to buy a specified number of shares at a specified price;]

1 Clause (v) substituted by S.R.O. 819(I)/2020 dated September 07, 2020.

- ¹[(va) “Bid” in case of debt securities means an intention to buy a specified number of debt securities for a particular profit rate/spread;]
- (vi) “Bid Amount or Bid Money” ²[in case of shares] means the amount equal to the product of the number of shares bid for and the Bid Price;
- ³[(via) “Bid Amount or Bid Money” in case of debt securities means the amount equal to the product of the number of debt securities bid for and the face value of debt security;]
- (vii) “Bid Collection Center” includes designated offices of the Book Runner, specified branches of any scheduled bank and offices of any other institution specified by the Book Runner where bids are received and processed;
- (viii) “Bidder” means an investor who makes a bid for subscription of ⁴[securities] in the Book Building process;
- (ix) “Bidding Period” means the period during which bids for subscription of ⁴[securities] are received;
- (x) “Bid Price” means the price at which Bid is made for a specified number of shares;
- ⁵[(xi) “Book Building” in case of shares means a process undertaken to elicit demand for shares under which bids are collected from the Bidders and a book is built which depicts demand for the shares at different price levels;]
- ⁶[(xia) “Book Building” in case of debt securities means a process undertaken to elicit demand for debt securities under which bids are collected from the Bidders and a book is built which depicts demand for the debt securities at different profit rate/spread levels;]
- (xii) “Book Building Portion” means the part of the total Issue which has been allocated for subscription through Book Building;
- (xiii) “Book Building System” means an online electronic system operated by the Designated Institution for conducting Book Building;
- (xiv) “Book Runner” means a securities broker or a scheduled bank who holds a valid license from the Commission to act as an Underwriter;
- (xv) “Centralized E-PO System (CES)” means a centralized system through which applications for subscription of securities through Public Offering can be made electronically through internet, Automated Teller Machines (ATM) and mobile phones;

1 Clause (va) inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

2 Words inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

3 Clause (via) inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

4 Substituted for the word “shares” by S.R.O. 819(I)/2020 dated September 07, 2020.

5 Clause (xi) substituted by S.R.O. 819(I)/2020 dated September 07, 2020.

6 Clause (xia) inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

- (xvi) "Commercial Paper" means an unsecured debt security with a maturity of not less than 30 days and not more than one year;
- ¹[(xviii) "Companies Act" means Companies Act, 2017 (XIX of 2017);]
- (xvii) "Consultants to the Issue" means any person licensed by the Commission to act as a Consultant to the Issue ²[, which may also be called Lead Manager Advisor];
- (xviii) "Consolidated Bid" mean a bid which is fully or partially beneficially owned by persons other than the one named therein.
- ³[(xviiiia) "Cut off profit rate/spread" mean the profit rate/spread of a debt security determined on the basis of book building process.]
- ⁴[(xviiib) "Custodian" means an investment agent/debt securities trustee, Bank, Investment Finance Service license holder and Depository Company engaged in regulated activities, not being an associate of the Special Purpose Acquisition Company, appointed for securing the monies of investors in the escrow account.]
- (xix) "Debt Securities Trustee" means a person licensed by the Commission under the Act and appointed as a Debt Securities Trustee by an Issuer ⁵[through execution of trust deed];
- (xx) "Designated Institution" includes the securities exchange, central depository and clearing company to provide Book Building System;
- (xxi) "Dutch Auction Method" means the method through which Strike Price is determined by arranging all the Bids in descending order based on the Bids Prices along with the number of shares and the cumulative number of shares bid for. The Strike Price is determined by lowering the Bid Price to the extent that the total number of securities offered under the Book Building Portion are subscribed;
- ⁶[(xxia) "Escrow Account" means an account maintained with a scheduled bank (having an investment grade rating) by a custodian]
- (xxii) "Financial Institution" means a financial institution as defined in the ⁷[Companies Act];
- (xxiii) "Floor Price" in case of book building means the minimum price per share set by the Issuer in consultation with Consultant to an Issue ;
- ⁸[(xxiiia) "Green Field Project" includes a project that is being newly built by the Issuer and has not commenced commercial production/operation;]

1 Clause (xviii) inserted vide S.R.O. 838(I)/2017 dated August 23, 2017

2 Comma and words inserted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

3 Clause (xviiiia) inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

4 Clause (xviiib) inserted by S.R.O. 1214(I)/2021 dated September 15, 2021.

5 Substituted for the word "of debt security" vide S.R.O. 1383(I)/2020 dated December 23, 2020

6 Clause (xxia) inserted by S.R.O. 1214(I)/2021 dated September 15, 2021.

7 Substituted for the word "Ordinance" vide S.R.O. 838(I)/2017 dated August 23, 2017

8 Clause (xxiiia) inserted vide SRO 7(I)/2018 dated January 5, 2018

- ¹[(xxiib) "Government Guaranteed Sukuk" means Sukuk issued by any corporation or body corporate owned and controlled by the Federal Government and such Sukuk is guaranteed by the Federal Government;]
- (xxiv) "Green Shoe Option" means a pre-determined number of securities to be issued by the Issuer in case of over-subscription of the issue;
- (xxv) "Initial Public Offering or IPO" means first time offer of securities to the general public;
- (xxvi) "Institutional Investors" means any of the following entities:
- (a) A financial institution;
 - (b) A company as defined in the ²[Companies Act];
 - (c) An insurance company established under the Insurance Ordinance, 2000;
 - (d) A securities broker;
 - (e) A fund established as Collective Investment Scheme under the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
 - (f) A fund established as Voluntary Pension Scheme under the Voluntary Pension System Rules, 2005;
 - (g) A private fund established under Private Fund Regulations, 2015;
 - (h) Any employee's fund established for benefit of employees;
 - (i) Any other fund established under any special enactment; ³[]
- ⁴[(ia) A foreign company or any other foreign legal person; and]
- (j) Any other entity as specified by the Commission.
- ⁵[(xxvii) "Investment Agent" means an entity that holds a valid license to act as Consultant to the Issue under the Act and is appointed by the issuer through execution of issuance agreement;]
- (xxviii) "Issue" means public offer of securities to the general public or a class thereof by an Issuer;
- (xxix) ⁶["Issuer" in relation to securities, means any person including a company, a Special Purpose Vehicle and a body corporate who has issued or proposes to issue a security and includes an Offeror;]
- (xxx) "Issuing and Paying Agent" means a Financial Institution appointed by an Issuer of Commercial Paper under these Regulations as an Issuing and Paying Agent;
- ⁷[]

1 Clause (xviiib) inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

2 Substituted for the words "Companies Ordinance, 1984 (XLVII of 1984)" vide S.R.O. 838(I)/2017 dated August 23, 2017

3 Word "and" omitted by S.R.O. 838(I)/2017 dated August 23, 2017

4 Inserted vide S.R.O. 838(I)/2017 dated August 23, 2017

5 Clause (xxvii) substituted by S.R.O. 1383(I)/2020 dated December 23, 2020.

6 Substituted for the words "Issuer" in relation to securities, means any person who has issued or proposes to issue a security and includes an Offeror;" vide S.R.O. 838(I)/2017 dated August 23, 2017

7 Clause (xxxi) omitted by S.R.O. 819(I)/2020 dated September 07, 2020.

- ¹[(xxxii) "Limit Bid" in case of shares mean a bid placed by the bidder at a maximum price that he is willing to pay for shares under the Book Building method;]
- ²[(xxxiii) Limit bid in case of debt security means a bid placed by the bidder for a particular profit rate/spread under the book building method.]
- ³[(xxxiii) "Limited Liability Partnership (LLP)" means a partnership registered under the Limited Liability Partnership Act, 2017;]
- (xxxiii) "Minimum Bid Size" means the Bid Amount equal to ⁴[one] million rupees under the Book Building method;
- ⁵[(xxxiii) "Merger" means the merger, acquisition, amalgamation, combination or joining of two or more companies or other entities as may be specified by the Commission for the purpose of merger or part thereof into an existing company]
- (xxxiv) "Offeror" means any person or entity holding, directly or indirectly, such number of securities as prescribed in these Regulations and offers such securities for sale to the public or invites any other person to make subscription for such an offer and includes an Issuer;
- (xxxv) "Offer Size" means the total number of securities offered for sale comprising allocation to the Book Building Portion and allocation to the retail portion, if any, excluding pre-IPO placement;
- ⁶[(xxxv) "Offer Price" means the price per share at which shares are offered to the general public in case of Fixed Price method and the retail investors in case of the Book Building and set by the Issuer in consultation with the Consultant to the Issue;]
- (xxxvi) "Offer for Sale" means an offer of securities for sale to the general public by an Offeror;
- ⁷[(xxxvii) "Permitted Investments" means investments in Government securities, mutual funds (except equity based), money market instruments, debt securities and sukuks with investment grade ratings;]
- ⁸[(xxxviii) "Price Band" in case of Book Building means Floor Price with an upper limit of 40% above the Floor Price, allowing Bidder to make Bid at Floor Price or within the Price Band;]

⁹[]

1 Clause (xxxii) substituted by S.R.O. 819(I)/2020 dated September 07, 2020.

2 Clause (xxxiii) inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

3 Clause (xxxiii) inserted vide S.R.O. 838(I)/2017 dated August 23, 2017

4 Substituted for the word "two" by S.R.O. 819(I)/2020 dated September 07, 2020. Earlier it was substituted for the word "one" vide SRO 7(I)/2018 dated January 5, 2018

5 Clause (xxxiii) inserted by S.R.O. 1214(I)/2021 dated September 15, 2021.

6 Inserted vide SRO 7(I)/2018 dated January 5, 2018

7 Clause (xxxvii) inserted by S.R.O. 1214(I)/2021 dated September 15, 2021.

8 Inserted vide SRO 7(I)/2018 dated January 5, 2018

9 Deleted the words "(xxxvii) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984);" vide S.R.O. 838(I)/2017 dated August 23, 2017

- (xxxviii) "Prospectus" includes any document, notice, circular, material, advertisement, offer for sale document, publication or other invitation offering to the public (or any section of the public) or inviting offers from the public for the subscription or purchase of any securities of a company, body corporate or entity, other than deposits invited by a bank and certificate of investments and certificate of deposits issued by non-banking finance companies;
- (xxxix) "Public Offer" means offer of securities by an Issuer including an offer to the general public or a section of the public but does not include Private Offer or Private Placement;
- (xli) "Regulations" means the Public Offering Regulations, 2017;
- (xli) "Related Employees" mean such employees of the Issuer, the Offeror, the Book Runner, the Underwriters, and the Consultants to the Issue, who are involved in the Issue or the Offer for Sale;
- (xlii) "Retail Investor" means an investor who bids for a security or make an application for subscription of a security out of the offer size allocated to the general public;
- ¹[(xliia) "Reverse Dutch Auction Method" means the method through which the cutoff profit rate/spread is determined by arranging all the profit rate/spread in an ascending order along with the number of debt securities and the cumulative number of debt securities bid for at each profit rate/spread. The cut off profit rate/spread is determined by increasing the profit rate/spread to the extent that the total number of debt securities offered under the Book Building portion are subscribed.]
- (xliii) "securities" means shares and debt securities
- (xliv) "Schedule" means a schedule to these Regulations;
- (xlv) "Secondary Public Offering" means offer of securities to the general public subsequent to IPO;
- (xlvi) ²"[Shariah Advisor" means an individual, a Limited Liability Partnership (LLP) or a company who/that meets the fit and proper standards specified by the Commission;]
- (xlvii) ³[“Shariah Compliant Security” means a security structured on the basis of any of the Shariah concepts;]
- ⁴[(xlviiia) "Shariah concepts" for the purpose of these Regulations includes Ijarah, Musharakah, Murabahah, Modaraba, Salam and any other concept allowed by the Shariah Advisor;]

1 Clause (xliia) inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

2 Substituted for the words "Shariah Advisor" means a firm or a company who/that meets the fit and proper standards specified by the Commission or the State Bank of Pakistan for Shariah advisory services." Vide S.R.O. 838(I)/2017 dated August 23, 2017

3 Substituted for the words "Shariah Compliant Security" means a security structured on the basis of any of the Shariah concepts including Ijarah, Musharika, Morabiha, Modaraba, Salam and any other concept allowed by the Shariah Advisor;" vide S.R.O. 838(I)/2017 dated August 23, 2017

4 Inserted vide S.R.O. 838(I)/2017 dated August 23, 2017

- (xlviii) ¹[“Shariah certificate” for the purpose of these Regulations means a Shariah pronouncement, a fatwa or Shariah opinion signed by Shariah Advisor in such form and manner as notified by the Commission from time to time;]
- ²[(xlix) “Shelf Registration” means an arrangement that allows the Issuer to make offering in multiple tranches through a single offering document i.e. Prospectus;]
- (I) “Supplement to the shelf prospectus” means an updated condensed form of the full prospectus for inviting public subscription through subsequent tranche(s);
 - (II) “Step Bid” ³[in case of shares] means a series of Limit Bids at increasing prices provided that Bid Amount of any step is not less than ⁴[one] million rupees under the Book Building method;
- ⁵[(lia) “Step Bid” in case of debt securities means a series of Limit Bids at different profit rates/spreads provided that Bid Amount of any step is not less than one million rupees under the Book Building method;]
- (III) “Strike Price” means the price per share determined on the basis of Book Building process;
 - (lvi) ⁶["Special Purpose Vehicle (SPV)" for the purpose of these regulations means a public limited company or a body corporate registered with the Commission under the Companies (Asset Backed Securitization) Rules, 1999;]
- ⁷[(liii)a) “Special Purpose Acquisition Company” or “SPAC” means a Company formed and registered under the Companies Act, 2017, having sole principal line of business to raise money through public offering for entering into merger or acquisition transactions;]
- (liv) “Sponsor” means:
 - (a) a person who has contributed initial capital in the issuing company or has the right to appoint majority of the directors on the board of the issuing company directly or indirectly;
 - (b) A person who replaces the person referred to in clause (a) above; and
 - (c) A person or group of persons who has control of the issuing company whether directly or indirectly.

1 Substituted for the words ““Shariah certificate” for the purpose of these Regulations includes a Shariah pronouncement or fatwa by the Shariah Advisor;” vide S.R.O. 838(I)/2017 dated August 23, 2017

2 Clause (xlix) substituted by S.R.O. 819(I)/2020 dated September 07, 2020.

3 Words inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

4 Substituted for the word “two” by S.R.O. 819(I)/2020 dated September 07, 2020. Earlier it was substituted for the word “one” vide SRO 7(I)/2018 dated January 5, 2018

5 Clause (xlia) inserted by S.R.O. 819(I)/2020 dated September 07, 2020.

6 Inserted vide SRO 7(I)/2018 dated January 5, 2018

7 Clause (liii)a) inserted by S.R.O. 1214(I)/2021 dated September 15, 2021.

- (iv) "Sukuk" means an instrument of equal value representing undivided share ¹[] in ownership of the identified tangible assets, usufruct and services or in the ownership of the assets of particular projects or special investment activity.
- ²[(lvi) "Tranche" means offer of a certain portion out of the total issue size as disclosed in the shelf prospectus.]
- (lvi) "Valuation Section" means a section in the prospectus containing the justifications given by the Consultant to the Issue in support of the offer price or Floor Price set by the Issuer ³[and disclosure of post issue Free Float as number of shares as well as in percentage].

(2) Words and expressions used but not defined in these Regulations shall have the same meaning as are assigned to them in the Act, the ⁴[Companies Act], or the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

1 Substituted for the word "Ordinance" vide S.R.O. 838(I)/2017 dated August 23, 2017

2 Clause (lvi) substituted by S.R.O. 819(I)/2020 dated September 07, 2020.

3 Substituted for the words ""Special Purpose Vehicle" means a special purpose vehicle as defined in the Companies (Asset Backed Securitization) Rules, 1999;" vide S.R.O. 838(I)/2017 dated August 23, 2017

4 Deleted comma "," vide S.R.O. 838(I)/2017 dated August 23, 2017

CHAPTER II GENERAL CONDITIONS

3. General Conditions for Public Offer of Securities.— (1) An Issuer shall make a public offer of securities, subject to the following general conditions, namely.—

¹[²(i) the Issuer has obtained approval from its Board of Directors relating to Public Offering.]

(ii) the Issuer has profitable track record for at least 2 preceding financial years from its core business activities;

³[Provided that in case of non-compliance with profitability criteria, the sponsors of the Issuer shall retain at least 51% of the post issue paid-up capital till the company reports net profit after tax for two consecutive financial years including profit from its core business activities;

Provided further that the issuer shall: (a) submit a business plan to turnaround the company into a profitable venture; and (b) disclose the following on the cover page of the Prospectus in bold language:

"This is a loss-making company. The risks associated with loss making companies are comparatively much higher than profitable companies. The prospective investor should, therefore, be aware of the risk of investing in such companies and should make the decision to invest only after careful due diligence. It is advisable to consult any independent investment advisor before making any investment."

(iii) not less than 51% of the shares of the issuer are held by same persons for at least 2 preceding financial years;

³[Provided that this clause shall not apply in case of new issuance of shares by the issuer.

⁴[Provided further that the above clauses (ii) and (iii) shall not apply in case of: (i) Green Field Project; (ii) public offering of debt security whose debt servicing is guaranteed from the Government. (iii) public offering of debt security by multilateral agencies. (iv) public offering of debt security by state owned enterprises having entity rating of BBB+ and above.]

Provided further that Commission may consider relaxing any of the above clauses (ii) to (iii) in case of privatization of government owned entities by Privatisation Commission through capital markets.]

⁵[(iv) In case of green field project, following criteria shall be applicable:

1 Inserted vide SRO 7(I)/2018 dated January 5, 2018

2 Clause (i) inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020. Earlier clause (i) omitted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

3 Proviso inserted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

4 Proviso substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

5 Clause (iv) substituted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

- a. Sponsors' contribution, in the form of equity in a green field project at the time of IPO, shall not be less than 51% of the entire equity and shall be retained till the commencement of commercial production.
 - b. In case the project requires debt financing, in addition to equity funding, financial close shall be mandatory.
 - c. Successful business track record of sponsors preferably running a listed company/ies, manufacturing/industrial units etc. considering various parameters such as operational profitability, operating cash flows, EPS and dividend payout etc.
 - d. Experience and skills of the Management to run the proposed project.
 - e. If required, Engineering, Procurement and Construction (EPC) contract shall be in place.
 - f. Land for the project, if required is acquired by the Issuer and the same is in the name of the issuer.
 - g. the sponsors of the Issuer shall retain at least 51% of the post issue paid-up capital till the company reports net profit after tax for two consecutive financial years including profit from its core business activities.
 - h. The Issuer shall disclose the following on the cover page of the Prospectus in bold language:
“It is a green field project. The risks associated with the green field project are much higher than a project that has commenced commercial production/operations. The prospective investor should, therefore, be aware of the risk of investing in such projects and should make the decision to invest only after careful due diligence. It is advisable to consult any independent investment advisor before making any investment.”
- (v) The securities shall be issued in book-entry form only;]

(2) No Issuer shall make a public offer if

- (i) the Issuer, its sponsors, promoters, substantial shareholders ¹[and,], directors ²[] associates have over dues or defaults, irrespective of the amount, appearing in the report obtained from the credit information bureau; and

³[Provided that the clause (i) above shall not apply to the nominee director of the government and financial institution/ creditor.

Provided further that the clause (i) shall not apply to independent director.]

1 Inserted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

2 Word “and” omitted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

3 Provisos inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

- (ii) the Issuer or its directors, sponsors or substantial shareholders have been holding the office of the directors, or have been sponsors or substantial shareholders in any company,
 - (a) which had been declared defaulter by the securities exchange or futures exchange; or
 - (b) whose TRE certificate has been cancelled or forfeited by the securities exchange; or
 - (c) which has been de-listed by the securities exchange due to non-compliance of its regulations.

Provided that Commission may grant relaxation upon reasons to be recorded, and rectification of cause leading to such delisting

¹[The Issuer shall appoint Consultant to the Issue, Book Runner, Underwriter, Balloter and Share Registrar and Banker to an Issue, where required, through separate agreements in writing.

Provided that appointment of consultant to the Issue shall not be mandatory in case of initial public offering of other class of shares by listed companies.

Provided further that the Commission may consider relaxing the appointment of Consultant to the Issue in case of privatization of government owned entities by Privatization Commission through capital markets

Provided further, that in case the Consultant to the Issue is not appointed by the Issuer than a specific disclosure in this context shall be made on the Cover page of the Prospectus.

Provided further, that scheduled bank, investment finance service license holder and development financial institution can only act as Consultant to the Issue in case of public offering of debt securities.

Provided further, that sub-regulation (3) shall not apply to the extent if the issue or offer of securities is made simultaneously both in domestic and international markets.]

(4) The Consultant to the Issue, Book Runner and Underwriter and their associates shall not publish any research report by whatever name called in respect of the Issuer or Issue from the date of their appointment as Consultant to the Issue, Book Runner and Underwriter ²[till] the date of allotment of securities to the general public ³[:]

Provided that information memorandum and other marketing material may be prepared and shared with the prospective investors through private arrangement.]

(5) Subsequent to the underwriting agreement with the issuer, the underwriter to the issue may enter into separate agreements with other

¹ Sub-regulation (3) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020. Earlier it was substituted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

² Substituted for the word "to" vide SRO 7(I)/2018 dated January 5, 2018

³ Substituted for the semi colon ":" vide SRO 7(I)/2018 dated January 5, 2018

underwriters ¹[duly licensed by the Commission], with the consent of the issuer ²[and any such arrangement shall be disclosed in the Prospectus in case of fixed price method and in supplement to the Prospectus in case of book building method].

(6) The Consultant to the Issue may enter into separate agreements with any expert for performance of its duties;

Provided that the said agreement(s) shall not absolve the Consultant to the Issue from its obligations as specified in these Regulations and the agreement entered with the Issuer.

(7) Issuer shall ensure that Centralized E-PO System (CES) is available for the general public

(8) The Issuer ³[itself or] through its Consultant to the Issue ⁴[if any], shall submit an application along with draft prospectus for listing of its securities to the securities exchange under section 19 of the Act read with the relevant regulations of the securities exchange. The copy of the said application along with draft prospectus shall also be sent to the Commission for its record;

(9) The Issuer while submitting draft prospectus to the securities exchange shall comply with the following requirements with respect to the contents of the draft prospectus and advertisement;

- ⁵[(i) Prepare the draft prospectus as per the format and disclosures prescribed in First Schedule and should be translated into Urdu in addition to English version.]
- (ii) Prepare the draft abridge prospectus, if any, ⁶[as per the disclosure] prescribed in Second Schedule.
- (iii) Prepare the draft advertisement, if any, ⁶[as per the disclosure] prescribed in Third Schedule.
- (iv) Prepare the draft supplement to the prospectus, in case of shelf registration, ⁶[as per the disclosure] prescribed in Fourth Schedule.

⁷[(9a) The Issuer and Consultant to the Issue, if any shall ensure that all applicable disclosures as prescribed under First Schedule are made in the draft prospectus.

(9b) In case, some disclosures are not applicable to a particular issue, the Issuer and Consultant to the Issue, if any shall report the same to the Commission along with rationale.]

(10) The language of the draft prospectus should be simple, plain, clear, precise and easily understandable.

1 Inserted vide SRO 7(I)/2018 dated January 5, 2018

2 Inserted vide SRO 7(I)/2018 dated January 5, 2018

3 Substituted for the semi colon “;” vide SRO 7(I)/2018 dated January 5, 2018

4 Words inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

5 Clause (i) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

6 Substituted for the words “in the form as” by Notification No. SRO 819(I)/2020, dated September 7, 2020.

7 Clause (9a) & (9b) inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

(11) The draft prospectus as submitted by the Issuer shall be placed by the securities exchange on its website for a period of seven working days and the same shall be notified by the securities exchange to its members, for seeking public comments. The draft prospectus shall also be placed on the website of the Issuer and Consultant to the Issue¹[if any];

(12) The securities exchange shall ensure that all comments received on the draft prospectus have been incorporated and suitably addressed by the Consultant to the Issue and the Issuer to the satisfaction of the securities exchange.

²[Provided that in case where Consultant to the Issue is not appointed, the Issuer, itself shall address the comments received on the draft prospectus.]

³[(13) While processing any application submitted by the Issuer⁴[itself or through its] Consultant to the Issue⁵[, if any] under section 19 of the Act for its approval, the securities exchange, in addition to any other requirements, shall examine the proposed issue from various aspects including eligibility requirements and suitability of the Issuer or security for listing considering the interest of general public and its benefits to the capital market. In order to assess the suitability aspect, the securities exchange shall ensure that the Issuer has made all such disclosures as are necessary to comply with the requirements of sub-section 4(a) of Section 20 read with Section 22 of the SECP Act, 1997. The securities exchange may ask for any additional information as required.]

⁶[(14) The securities exchange shall communicate its approval or reasons for rejection of the application to the Consultant to the Issue, if any, the Issuer and the Commission.]

⁷[(15) After obtaining the approval of the securities exchange, the Issuer itself or through its Consultant to the Issue, if any, shall submit an application along with the documents prescribed in Eight Schedule to the Commission for its approval under section 87 and 88 of the Act. The application shall be accompanied by the processing fee as prescribed in Fifth Schedule.]

⁸[(15a) Any change in the Prospectus subsequent to its approval by the Commission and prior to its publication, may be made only with prior written approval of the securities exchange and the Commission.”; and

(15b) Any change in the Prospectus subsequent to its publication, may be made only with the prior written approval of the securities exchange and the Commission and such change shall be disseminated to the public through

1 Comma and words inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

2 Proviso inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

3 Sub-regulation (13) by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

4 Substituted for the words “through the” by Notification No. SRO 819(I)/2020, dated September 7, 2020.

5 Comma and words inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

6 Sub-regulation (14) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

7 Sub-regulation (15) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

8 Inserted vide SRO 7(I)/2018 dated January 5, 2018

publication of addendum to the Prospectus in at least all those newspapers, websites in which the Prospectus has been published earlier]

¹[(16) Incase application for listing is refused by the securities exchange, the Issuer itself or through its Consultant to the Issue, if any, may file a petition before the Commission within thirty days of such refusal.]

(17) A company may issue securities outside Pakistan subject ²[to] prior approval of the Commission under section 95 of the Act and payment of non-refundable fee of one million rupees and submission of such documents as prescribed in Sixth Schedule.

(18) Securities of any company established outside Pakistan can be offered for sale to the public under sections 87 and 88 of the Act read with ³[section 446 and 447 of the Companies Act].

Provided such foreign company is compliant with the provision of Part ⁴[XII of the Companies Act], these Regulations and meets requirements of regulations of the securities exchange for listing of companies and securities.

⁵[(19) The securities subscription form on the format provided in Seventh Schedule shall be made part of the Prospectus.

⁶[(20) the Issuer, the Consultant to the Issue, the Underwriter, the Book Runner and the Designated institution shall maintain record of the issue for a period of at least ten years from the closing of the public subscription.]

(21) The offer size and allocation of capital to the general public shall be as per the requirements of the relevant regulations of the securities exchange.]

1 Sub-regulation (16) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

2 Word inserted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

3 Substituted for the words "Sections 461 and 462 of the Ordinance" vide S.R.O. 838(I)/2017 dated August 23, 2017

4 Substituted for the words "XIV of the Ordinance" vide S.R.O. 838(I)/2017 dated August 23, 2017

5 Inserted vide SRO 7(I)/2018 dated January 5, 2018

6 Sub-regulation (20) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

CHAPTER III

Public Offer of Shares

4. Methods for public offer of shares: An Issuer including an Offeror may make public offer of shares as per any of the method given below:

(1) **Fixed Price Method:** Under the fixed price method, the offer price is set by the Issuer in consultation with the Consultant to the Issue.

(2) **Book Building Method:** Book building is a mechanism of price discovery of shares through ¹[Bidders who make Bids at Floor Price or within the Price Band]. Bids received are listed in descending order of price evidencing demand at different price levels ²[at Floor Price or within the Price Band]. A Strike Price is arrived at through Dutch Auction Method.

5. Conditions for public offer of Shares.- An Issuer shall comply with the following conditions, namely,-

- (1) The sponsors of the Issuer shall retain their entire shareholding in the company for a period of not less than twelve months from the last date for public subscription or in case of green field projects from the date of commencement of commercial operations or production by the company, whichever is later;
- (2) The sponsors of the Issuer shall retain not less than twenty five percent of the paid up capital of the company for not less than three financial years from the last date for the public subscription or, in case of green field projects, from the date of commencement of commercial operations or production by the company, whichever is later;
³[Provided that sub regulation (1) and (2) shall not apply in case of: (i) secondary public offering; and (ii) initial public offering of other class of shares by listed companies.]
- (3) The shares of the sponsors mentioned at (1) and (2) above shall be kept unencumbered in a blocked account with central depository;
- (4) Subject to compliance with sub-regulation (1) and (2) above, and with the approval of the securities exchange, the sponsors of the Issuer may sell their shareholding through block-sale to any other person who shall be deemed sponsor for the purposes of these Regulations. Any such person and its directors, sponsors and substantial shareholders shall comply with conditions as stipulated in sub regulation (1) of regulation 3 above;
- (5) The issuer may allot shares on account of preferential allocation to its employees at the same price at which shares are offered to the general public;
- (6) In case of public offer of shares for a green field project, balancing, modernization and replacement or expansion,-
 - (i) The public offer of shares shall be in accordance with the financial plan approved by the board of directors of the Issuer. The financial plan shall be disclosed in the prospectus along with rationale for variations, if any;

⁴[]

1 Substituted for the words "bidders who make bids not below the Floor Price" vide SRO 7(I)/2018 dated January 5, 2018

2 Substituted for the words "at or above the Floor Price" vide SRO 7(I)/2018 dated January 5, 2018

3 Proviso inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

4 Clauses (ii), (iii) & (iv) omitted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

CHAPTER IV

Offer of shares through fixed price method

6. Conditions for public offer of shares through fixed price method.- In addition to the conditions as mentioned at regulation 5 above, an Issuer shall comply with the following conditions, namely,-

- ¹[(1) The Issuer shall decide the offer price in consultation with the Consultant to the Issue, if any. The Consultant to the Issue, if any or the Issuer shall provide explanations in support of the offer price under a separate section titled as "Valuation Section" of the prospectus.]
- (2) The public offer under the fixed price method shall be fully underwritten.
- (3) An issuer shall issue shares to the general public at the price not higher than the price at which the shares were issued to investor during the period of six months prior to the date of public subscription.
- ²[(4) After approval of the prospectus by the Commission, the Issuer itself or through its Consultant to the Issue, if any shall seek from the securities exchange the dates for the publication of prospectus and the subscription period.]
- (5) Non-compliance with any of the condition imposed by the securities exchange and the Commission while granting approval for issuance, circulation and publication of the prospectus shall be considered as violation of the prospectus and the Act.
- ³[(6) After inserting the dates of the subscription period, the copy of the approved Prospectus shall be placed on the website of the Issuer, the securities exchange and the Consultant to the Issue, if any.]
- (7) The prospectus shall be issued, circulated and published not less than seven days and not more than thirty days before the commencement of the subscription period for the retail portion of the Issue.
- (8) The prospectus or abridged prospectus, as approved by the Commission shall be published in at least one English and one Urdu Newspaper.
- (9) The general public shall submit application for the subscription of shares to the Banker to an Issue either in physical form or electronically. The application shall be duly accompanied by a crossed cheque or demand draft or pay order in the name of the Issuer or evidence of direct debit of subscription money from the applicant's bank account or blocking of the subscription money in the applicant's bank account.
- (10) Within ⁴[10 working] days of the close of public subscription period or such shorter period of time as may be specified by the Commission from time to time, the shares shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/ refunded.
- ⁵[(11) The company whose shares are offered through fixed price method shall not be provisionally listed.]

1 Sub-regulation (1) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

2 Sub-regulation (4) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

3 Sub-regulation (6) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

4 Substituted for the figure "7" vide SRO 7(I)/2018 dated January 5, 2018

5 Sub-regulation (11) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

CHAPTER V
Public Offer of shares through book building method

7. Conditions for offer of shares through Book Building: In addition to the conditions as mentioned at regulation 5 above, the Issuer shall comply with the following conditions, namely:

- (1) The offer Size is not less than twenty five million shares and two hundred fifty million rupees or such higher number of shares and amount as may be specified by the Commission from time to time;
- (2) The company whose shares are issued through Book Building shall not be provisionally listed.
- (3) Maximum seventy-five percent of the offer size is allocated to book building portion and the remaining minimum twenty-five percent to the retail investors. The retail portion of the public offer shall be fully underwritten.

¹[]

Provided further that the Commission may allow undertaking of book building process and subscription by retail investors simultaneously, subject to the condition that the Consultant to the Issue, the Book Builder and the Issuer shall satisfy the Commission that the necessary arrangements in terms of IT infrastructure, underwriting for the retail portion, distribution network, etc are in place for simultaneously undertaking book building and retail subscription;

- (4) The bidders may be allowed to place bids for hundred percent of the offer size and the strike price shall be the price at which the hundred percent of the offer size is subscribed. However, the successful bidders would be allotted and issued only seventy-five percent of the offer size and the remaining twenty five percent would be offered to the retail investors. The bidders shall give an undertaking along with the application that they would subscribe to the unsubscribed shares, if any, by the retail investors and their remaining bid money would remain deposited/ blocked till allotment of unsubscribed shares by the retail investors, if any, to them on pro-rata basis. In case the retail portion is fully subscribed, the bid money shall be immediately refunded or unblocked. In this case, the retail portion may not be underwritten.

²[]

- (6) Book building portion shall be ³[credit] underwritten by one or more book runners.
- (7) The Issuer and the Consultant to the Issue ⁴[, if any] shall provide names and Unique Identification Numbers of all their associates, if any, to the

1 Proviso omitted by SRO 7(I)/2018 dated January 5, 2018

2 Paragraph (5) omitted by SRO 7(I)/2018 dated January 5, 2018

3 Word inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

4 Comma and words inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

Book Runner; at least three working days before the commencement of the Bidding Period. The book runner shall enter the names and UIN number of associates of the Issuer, the associates of the Consultant to the Issue and its associates, if any in the book building system in order to ensure compliance with these regulations.

- ¹[(8) The associates of the Issuer as disclosed in the Prospectus shall not in aggregate make bids in excess of ten percent of the shares offered through Book Building.]
- ²[(9) The associates of the Consultant to the Issue and Book Runner shall not in aggregate make bids in excess of ³[ten percent] of the shares offered through Book Building:
Provided that sub-regulation (9) shall not apply to such associates of the Consultant to the Issue and the Book Runner that are Financial Institutions ⁴[,] Mutual Funds ⁵[and Insurance Companies].]
- (10) The consultant to the issue shall ensure that the issuer has entered into a tripartite agreement in writing with the Designated Institution and the Book Runner. The said agreement shall specify inter-alia, the rights, privileges, duties, responsibilities and obligations of each party to the agreement and shall provide a clause on dispute resolution mechanism among the parties to the agreement.
⁶[Provided that in case where there is no consultant to the Issue, the Issuer itself shall ensure that tripartite agreements contain the required content as prescribed above.]
- (11) The Issuer, the Consultant to the Issue, the Book Runner, the Underwriter and the Designated Institution shall maintain record of the issue for a period of at least ten years from the closing of the public subscription.

8. Procedure for public offer of shares through Book Building.- The following procedure shall be adopted for book building process:

- ⁷[(1) The Issuer shall decide the Floor Price and the Price Band in consultation with the Consultant to the Issue, if any.
Provided that the upper limit of the Price Band should not be more than 40% of the Floor Price.
The Floor Price and its determination shall be disclosed under a separate section titled as "Valuation Section" in the prospectus. The Consultant to the Issue, if any or the Issuer shall Justify the Floor price.]
- (2) After approval of the prospectus by the Commission, the ⁸[Issuer itself or through its] Consultant to the Issue ⁹[, if any] shall seek from the

1 Substituted for the words "(8) The associates of the Issuer as disclosed in the prospectus shall not in aggregate make bids for shares in excess of five per cent of the Book Building Portion;" vide SRO 7(I)/2018 dated January 5, 2018

2 Substituted for the words "(9) The associates of the Consultant to the Issue and the Book Runner shall not in aggregate make bids for shares in excess of two per cent of the Book Building Portion;" vide SRO 7(I)/2018 dated January 5, 2018

3 Substituted for the words "five percent" by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

4 Substituted for the word "and" by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

5 Words inserted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

6 Proviso inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

7 Sub-regulation (1) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

8 Words inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

9 Comma and words inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

securities exchange the dates for the publication of prospectus and the Bidding Period.

- (3) Non-compliance with any of the condition imposed by the securities exchange and the Commission while granting approval for issue, circulation and publication of the prospectus shall be considered as violation of the prospectus and the Act.
- (4) The prospectus and abridged prospectus as approved by the Commission shall be published in at least one English and one Urdu Newspaper.
- (5) The prospectus shall be issued, circulated and published not less than seven days and not more than thirty days before the commencement of the subscription period for the retail portion of the Issue.
- ¹[(6) After inserting the dates of the Bidding period, the copy of the approved Prospectus shall be placed on the website of the Issuer, the Book Runner, the Designated Institution, the securities exchange and the Consultant to the Issue, if any.]
- ²[(6(a) The Issuer shall publish the Prospectus at least one day before the commencement of registration of bidders by the Book Runner]
- (7) The bidding shall be conducted electronically through the System in a fair, efficient and transparent manner.
- ³[(8) Save as provided in regulation 3(15)(a) and (b), Floor price shall not be revised once the Prospectus has been approved by the Commission.]
- (9) The registration of bidders by the Book Runner shall commence at least three working days before the start of the bidding period and shall remain open till 03:00 pm on the last date of the bidding period.
- (10) The Book Runner shall at least establish bid collection centers in Islamabad, all the provincial capitals, Azad Kashmir and Gilgit/Baltistan. The Book Runner may also designate any of the Bankers to an Issue as its collection agent.
- (11) The Book Runner shall provide a mechanism for registration of the bidders at the bid collection centers and collection agents.
- (12) The Book Runner shall make all necessary arrangements for receiving bids and the instruments evidencing payment of the bid money
- (13) The Book Runner shall put in place a mechanism to enter details including the maximum Bid amount of the Bidders into the System
- (14) Once details of the bidders are entered into the System, the Designated Institution shall assign and communicate password and user ID to the bidders enabling them to directly place the bid and revise the bid ⁴[], if required.

1 Sub-regulation (6) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

2 Inserted vide SRO 7(I)/2018 dated January 5, 2018

3 Sub-regulation (8) by SRO 7(I)/2018 dated January 5, 2018

4 Words "upward only" omitted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

- ¹[(15) The bidding shall remain open for at least one working day.]
- (16) The Book Building process shall be considered as cancelled if the Issuer does not receive bids for the number of shares allocated under the Book Building Portion and the same shall be immediately intimated by the Book Runner and Consultant to the Issue to the Commission, the securities exchange, the Designated Institution and the bankers to an issue. All the Bankers to an Issue shall be advised by the book runner for refund/ unblocking of the Bid Money of the bidders. The margin money shall be unblocked/ refunded to the bidders, where required, immediately but not later than three working days of the closing of the Bidding Period;
- (17) The Book Building process shall be considered as cancelled if the total number of bids received is less than ²[forty]; and
- (18) The Book-Runner shall ensure that subscription money received against the bids accepted shall not be released to the Issuer by the Banker to the Book Building Portion until:
- (i) credit ³[] of all shares allocated under the retail portion of the issue; and
 - (ii) issuance of NOC by the securities exchange in case the company is already listed or formal trading of the company in case of new listing.

9. Procedure for bidding.— The following procedure shall be followed for bidding:

- (1) Bids can be placed ⁴[as] ‘Limit ⁵[Bid]’ or a ‘Step Bid’ either electronically or with the bid collection centers and collection agent. Provided that the minimum size of a limit bid and that of any step, in case of a Step Bid, shall not be less than ⁶[one] million rupees;
- (2) The book runner shall vet the bid applications and accept only such bid applications that are duly filled in and supported by a crossed cheque or demand draft or pay order or confirmation from the Banker to an Issue that Bid Money has been electronically debited from the bidder account or is blocked in the bidder account;
- (3) In case of institutional investors, the book runner may accept bid applications with minimum 25% margin money.

⁷[Provided that the book runner may waive this margin requirement for institutional investors at its own discretion.]

1 Sub-regulation (15) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

2 Substituted for the word “hundred” by Notification No. SRO 1619(I)/2019, dated December 26, 2019. Earlier it was substituted for the word “forty” vide SRO 7(I)/2018 dated January 5, 2018

3 Deleted the words “or dispatch” vide SRO 7(I)/2018 dated January 5, 2018

4 Substituted for the words “at a” by Notification No. SRO 819(I)/2020, dated September 7, 2020.

5 Substituted for the word “Price” by Notification No. SRO 819(I)/2020, dated September 7, 2020.

6 Substituted for the word “one” vide SRO 7(I)/2018 dated January 5, 2018

7 Proviso substituted by Notification No. SRO 1619(I)/2019, dated December 26, 2019.

- (4) On receipt of bid application, the Book Runner shall enter the Bid into the System and issue to the bidder an electronic receipt bearing name of the book runner, name of the bidding center, date and time;
- (5) The bidding shall commence from 09:00 a.m. and close at 05:00 p.m. on all days of the Bidding Period. The bids shall be collected and entered into the system by the Book-Runner till 05:00 p.m. on the last day of the bidding period;
- (6) The bidders can revise the bids upward till 05:00 p.m. on the last day of the Bidding Period;
- (7) The Book Runner may reject any bid application for reasons to be recorded in writing provided the reason of rejection is disclosed to such bidder. Decision of the Book Runner shall not be challengeable by the bidder.
- (8) The Designated Institution shall through the System display live throughout the bidding period an order book in descending order showing demand for shares at various prices and the accumulated number of shares bid for along with percentage of the total shares offered. The order book should also show the revised bids. The order book shall be accessible through websites of the Designated Institution, Book Runner, the Consultant to the Issue, securities exchange, clearing house and the central depository;
- (9) At the close of the bidding period, Strike Price shall be determined on the basis of Dutch Auction Method by the Designated Institution;
- (10) The bidders who have made bids at prices above the Strike Price shall be allotted shares at the Strike Price;
- (11) In case the bids received are sufficient to allot the total number of shares offered for sale under the Book Building Portion, the allotment shall be made on the basis of highest bid priority that is the bid made at the highest price shall be considered first for allotment of shares.
- ¹(12) In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares shall be allotted against the bids made at the Strike Price on proportionate basis]
- (13) The bidders who have made bids below the Strike Price shall not qualify for allotment of securities and the book runner shall intimate their respective banks for unblocking their Bid Money within one working day of the close of the bidding period;
- (14) Within one day of the closing of the bidding period, successful bidders shall be intimated the Strike Price and the number of shares provisionally allotted to each of them;

¹ Substituted for the words "(12) In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares will be allotted against the bids made at the Strike Price strictly on time priority basis." Vide SRO 7(I)/2018 dated January 5, 2018

- (15) The bid money of bidders who have undertaken to subscribe the unsubscribed retail portion shall remain deposited or blocked till allotment of unsubscribed retail portion, if any, to them on pro-rata basis; and
- (16) The successful bidders shall be issued securities only after the end of the public subscription, in the form of book-entry to be credited in their respective accounts. All the bidders shall, therefore, provide number of their accounts in the bid application; and
- (17) The Designated Institution shall continue to display on its website, the data pertaining to the Book Building and determination of the Strike Price for a period of at least three working days after closure of the bidding period.

10. Restrictions: (1) The bidding period shall not be extended except in extraordinary circumstances like closure of banks, failure of System, etc. In such case, Book Runner shall apply to the Commission for extension in the Bidding Period after obtaining NOC from securities exchange. In case extension is granted, the same shall be disseminated through publication in all those newspapers where the prospectus was published and the website of the issuer, consultant to the issue, book runner, the designated institution and the securities exchange.

- (2) The bidder shall not ¹[] –
- (i) ²[make] bid below the Floor Price ³[and above the upper limit of the Price Band];
- (ii) ⁴[make] bid for more than ⁵[10%] of the shares allocated under the Book Building Portion ⁶[];
- (iii) subject to the provision of clause (i) above, ⁷[make] bid with price variation of more than 10% of the prevailing indicative strike price or such other percentage as may be specified by the Commission;
- (iv) ⁸[make] consolidated bid;
- (v) ⁹[make more] than one bid either severally or jointly; ¹⁰[
- (vi) make downward revision both in terms of Bid Price and Bid Volume;
Provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same; or]

1 Deleted the word "make" vide SRO 7(I)/2018 dated January 5, 2018

2 Inserted vide SRO 7(I)/2018 dated January 5, 2018

3 Inserted vide SRO 7(I)/2018 dated January 5, 2018

4 Substituted for the word "a" vide SRO 7(I)/2018 dated January 5, 2018

5 Substituted for the expression "5%" by Notification No. SRO 1619(I)/2019, dated December 26, 2019. Earlier it was substituted for "10%" vide SRO 7(I)/2018 dated January 5, 2018

6 Words etc. "except for institutional investors who may make bid up to 10% of the shares allocated under the Book Building Portion" omitted by Notification No. SRO 1619(I)/2019, dated December 26, 2019. Earlier it was inserted vide SRO 7(I)/2018 dated January 5, 2018

7 Substituted for the word "a" vide SRO 7(I)/2018 dated January 5, 2018

8 Substituted for the word "a" vide SRO 7(I)/2018 dated January 5, 2018

9 Substituted for the word "More" vide SRO 7(I)/2018 dated January 5, 2018

10 Substituted for the words "or (vi) downward revision or withdraw the bid." Vide SRO 7(I)/2018 dated January 5, 2018

¹[(vii) withdraw the Bid.]

(3) No person shall take part in the book building process, directly or indirectly severally or jointly in any manner or engage in any act or practice which create a false and misleading appearance of active bidding for raising or depressing strike price in the book building process.

11. Procedure for allocation of shares to retail investors.— The following procedure shall be followed for allocation of shares to retail investors:

²[(1) Within three working days of the closing of the Bidding Period, the Issuer itself or through its Consultant to the Issue, if any shall publish supplement to the prospectus in those newspapers in which the prospectus was earlier published and also disseminate the same to the securities exchange, banker to an issue and underwriter. For this clause the term supplement to the prospectus means information relating to results of the Book Building or any other information prescribed below that is important for the retail investors.]

³[(1a) The supplement to the prospectus shall contain the information relating to the Strike Price, the Offer Price, names of the underwriters of the retail portion of the Issue if any, underwriting commission bifurcating as take up commission or any other, commitment by the successful bidders for subscribing the undersubscribed retail portion in case of hundred percent book building, category wise breakup of the successful bidders along with number of shares allocated to them, dates of public subscription and such other information as specified by the Commission.]

(2) The issuer may offer the shares to the retail investors at a certain discount to the strike price.

(3) The general public shall submit application for the subscription of shares to the Banker to an Issue either in physical form or electronically. The application shall be duly accompanied by a crossed cheque or demand draft or pay order in the name of the Issuer or evidence of direct debit of subscription money from the applicant's bank account or blocking of the subscription money in the applicant's bank account.

(4) Within 10 ⁴[working] days of the close of public subscription period or such shorter period of time as may be specified by the Commission from time to time, the shares shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/ refunded.

(5) In case retail portion of the issue, if any, remains unsubscribed, the unsubscribed shares shall either be taken up by the underwriters or allotted to successful bidders at the strike price determined in the book building process on pro-rata basis.

1 Inserted vide SRO 7(I)/2018 dated January 5, 2018

2 Sub-regulation (1) substituted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

3 Sub-regulation (1a) inserted by Notification No. SRO 819(I)/2020, dated September 7, 2020.

4 Inserted vide SRO 7(I)/2018 dated January 5, 2018

CHAPTER VI

Offer for sale of shares by an Offeror

12. Offer for sale of shares by the Offeror.—¹[(1) A person or group of persons, holding more than ten per cent shares of a listed company or listed body corporate, may offer such shares for sale to the public subject to the conditions that the offer size (product of the offer price or floor price and number of shares being offered) of capital to the public shall not be less than one hundred million rupees.]

(2) In case of offer for sale of shares of an unlisted company or unlisted body corporate, the size of the offer of capital to be offered to the public shall be in accordance with these Regulations and regulations of the securities exchange;

²[Provided that offer for sale of shares by the existing shareholders of a company is not allowed in case of green field project]

1 Sub-regulation (1) substituted by SRO 819(I)/2020 dated September 7, 2020

2 Proviso inserted by SRO 7(I)/2018 dated January 5, 2018

COMPENDIUM
OF
CORPORATE LAWS

¹[CHAPTER VIA]

Special Purpose Acquisition Company, Functions and other Requirements

12a. Eligibility to Commence business as SPAC.— (1) No person shall commence business as a SPAC unless,-

- (i) it is registered as a public limited company having principle line of business of SPAC, having a paid-up capital of not less than ten million rupees, and shall not carry out any commercial business other than the business of SPAC; and
- (ii) its promoters, sponsors, directors and chief executive officer fulfil the Fit and Proper criteria as specified in the Ninth Schedule.

12b. Functions of SPAC – (1) A SPAC shall be responsible, -

- (i) to raise and utilize funds for the sole purpose of merger or acquisition transaction and complete the transaction within permitted time frame as per these regulations;
- (ii) to open an escrow account and maintain custodial arrangements for escrow account at all times as required under these regulations;
- (iii) to act in the best interests of the investors and to ensure that merger transactions shall be structured in such a manner to avoid any conflict of interest;
- (iv) to be obliged to manage its assets, in the interest of the investors in good faith and to the best of its ability and without undue advantage for itself or any of its related parties, associates or its officers;
- (v) to ensure that at least 15% shareholding of merged entity (post-merger) are held by the sponsors for a period of at least one year from the date of merger:

Provided that SPAC sponsors may increase shareholding percentage in the merged entity, if merged entity (subsequent to merger) starts generating operating profit within specified time (as disclosed in prospectus);

- (vi) to ensure that sponsor's shareholding in the target company premerger/acquisition should be less than 30% of the total shareholding of the target company;
- (vii) to prepare the draft prospectus as per format and disclosures prescribed in Schedule Eleven and shall submit application for approval of the prospectus as per these regulations and the Act, 2015.

12c. Listing. - A SPAC offering securities to the public shall be listed on the securities exchange.

12d. Modes of fund raising. – (1) A SPAC can raise funds through issuance of equity securities and/or warrants either by way of;

- (i) Initial Public Offer (IPO); or
- (ii) Private placements

1 Chapter VIA inserted by S.R.O. 1214(I)/2021 dated September 15, 2021.

12e. Minimum Fund Raised.- A SPAC shall raise at least Rs. 200 million to undertake a merger or acquisition transaction. The offering document/prospectus should clearly provide the justification that the funds raised are sufficient enough to enable the SPAC to have a core business with sufficient size and scale relative to the industry in which the business operates.

12f. Time frame for completion of qualifying acquisition.- SPAC must complete the merger or acquisition transaction within the permitted time frame of thirty six (36) months from the date of listing of SPAC on the exchange:

Provided that the Commission may, upon request by the SPAC, after reasons to be recorded in writing, extend the permitted time by six months subject to terms and conditions as deemed appropriate by Commission.

12g. Shareholders' Approval. – (1) Each merger or acquisition transaction shall be approved by the shareholders by way of special resolution. The SPAC shall provide the disclosures as specified in Schedule Twelve, while presenting to the shareholder.

(2) SPAC shall ensure mandatory implementation of e-voting.

(3) The notice of general meeting by SPAC shall not be less than 21 days.

12h. Rights of holders of voting securities who vote against a qualifying acquisition /Refund to Investors Or incase where SPAC fails to complete the merger or acquisition transaction- (1) A SPAC shall be entitled to make refund to the entitled shareholders from the Escrow account in the following scenarios, -

- (i) where the company is unable to complete the merger or acquisition transaction within the permitted time period as specified in these regulations or as approved by the Commission; or
- (ii) to those entitled shareholders, who do not approve the merger or acquisition transaction.

(2) if the SPAC is unable to complete the merger or acquisition transaction within the permitted time period, the securities holders, will receive pro rata amount out of the Escrow account including any profit accrued/credited in the Escrow account, net of any taxes payable.

(3) The SPAC shareholder(s), other than directors, sponsors and chief executive officer, disapproving the merger or acquisition transaction shall be –

- (i) entitled to receive, in exchange for their securities, a sum equivalent to 90% of their initial investment, net of any taxes payable and expenses related to the facilitation of the exchange, provided that such merger or acquisition transaction is approved and completed within the permitted time frame; and
- (ii) paid as soon as practicable upon completion of the merger or acquisition transaction should they elect to exchange their securities. The securities tendered in exchange for cash must be cancelled. In

complying with this requirement, the SPAC must specify, in the circular to shareholders in relation to the qualifying acquisition, the timeframe for payment to holders of securities electing to exchange their securities. The SPAC must also demonstrate that this timeframe is reasonable, including providing details of all milestones or steps to be taken.

- (iii) the basis of computation for refund must be disclosed in the prospectus and notice of the general meeting.
- (iv) SPAC shall notify through its share registrar the list of dissenting shareholders to CDC. Shares of the dissenting shareholder shall immediately be blocked by CDC.
- (v) for the purpose of processing the list of dissenting shareholder(s) and freezing, SPAC shares shall not be tradeable on the securities exchange for one day i.e. immediately after the date of book closure.

(4) SPAC immediately after processing payments from the Escrow account as per the procedure specified in these regulations shall stand delisted and process of its voluntary winding up shall be initiated by the SPAC as specified in Companies Act, 2017.

12i. Management of Escrow Account.— (1) SPAC must place at least ninety percent (90%) of the funds raised in an escrow account immediately upon receipt of all proceeds. 10% of the total proceeds may be utilized to defray expenses related to the initial public offering/private placements, operating costs, fund the search for a target business and complete the qualifying acquisition;

(2) The monies in the escrow account shall only be utilized for the purpose of merger or acquisition transaction.

(3) The monies in the escrow account can be released by the custodian for such purposes as permitted under these regulations and upon termination of the escrow account.

(4) The escrow account can be terminated-

- (i) following the completion of all merger or acquisition within the permitted time frame; or
- (ii) upon failure to complete merger or acquisition transaction by SPAC.

(5) The proceeds in the escrow account can be invested in permitted investments and any income generated by the funds held in the escrow account, including profit or dividend income derived from the permitted investments, must accrue to the escrow account and SPAC must ensure that in such investments initial capital is preserved.

(6) Members of the management team shall not be eligible for any other payments from escrow account other than in relation to securities purchased by them during and after the public offering.

12j. Fair market value of Acquisition.— (1) The fair market value of the target company or companies, as the case may be, must equal to at least eighty percent (80%) of the aggregate amount in the escrow account, net of any taxes payable and the losses incurred on the investments made out of the escrow account.

(2) The fair market value should be supported by a valuer's report recognized under the Companies Act, 2017

12k. Additional financing.— (1) SPAC can raise additional funds by way of rights issue or other than right issue or through secondary public offering to complete its merger or acquisition transaction within the permitted time period specified in these regulations or as approved by the Commission. At least ninety percent (90%) of the proceeds received, as a result, shall also immediately be deposited into escrow account.

(2) Where a SPAC proposes to obtain debt financing, the SPAC must ensure that—

- (i) any credit facility obtained prior to the completion of the merger or acquisition transaction, may only be drawn after the approval of the merger or acquisition through special resolution;
- (ii) the funds from the credit facility obtained must be applied towards the financing of the merger or acquisition, defraying related costs or enhancing the business(es) acquired under the merger or acquisition; and
- (iii) the monies in the escrow account must not be used as collateral for the debt financing.

12l. Majority ownership and management control:— The merger or acquisition by SPAC should result in majority ownership or management control by the SPAC of the merged/target entity.

12m. Change in board of directors and management team.— Any change in the board, if so required, shall only be made in a manner provided in the Companies Act, 2017, provided that the directors of SPAC shall at all times comply with fit and proper criteria given under Ninth Schedule.

12n. The Custodian - its roles and responsibilities.— (1) The funds raised by SPAC from issuance of securities shall be kept by the custodian in escrow account, in accordance with the custodian agreement, these Regulations and applicable laws.

(2) Contents of the custodian agreement must be in accordance and in compliance with these regulations and at minimum should include such information as specified in Schedule Ten.

(3) SPAC must secure and maintain custodial arrangements at all times over the monies in the escrow account until the termination of the escrow account.

(4) A custodian must take appropriate measures to ensure the safekeeping of the monies held in the escrow account.

(5) A custodian must ensure that proper accounting records and other records of escrow account are maintained.

(6) A custodian may be provided a mandate by the SPACs to invest the amounts held in the escrow account in permitted investments.

(7) A custodian may only distribute the funds held in the escrow account in accordance with the provisions of the custodian agreement.

(8) The custodian shall disclose any information to the Commission and PSX upon request;

(9) The custodian agreement will terminate—

(i) on the appointment of a new custodian following the resignation or termination of services of the existing custodian; or

(ii) following the termination of the escrow account.

12o. Failure to complete merger or acquisition transaction- (1) In case SPAC fails to complete merger or acquisition transaction within the permitted time frame or within such extended time as approved by the Commission it shall notify the Commission and the concerned securities exchange of the same fact within seven days.

(2) In case where SPAC fails to complete the merger or acquisition transaction prior to expiry of the permitted time frame due to any unforeseen circumstances/reasons, it shall immediately notify the same to the Commission and the concerned securities exchange of the fact.

12p. Power of the Commission to issue directions. – The Commission may issue such directions to the SPAC, including but not limited to filing of reports and furnishing such documents and information to the Commission or to the investors, as it may deem fit, and SPAC shall comply with such requirements.

12q. Relaxation: The Commission may, if deems appropriate based on valid justification provided by the SPAC, upon reasons to be recorded in writing, relax any of the requirements of Chapter VIA subject to such conditions or limitations as it deems appropriate.]

CHAPTER VII

PUBLIC OFFER OF DEBT SECURITIES

13. General Conditions for public offer of Debt Securities. - An issuer may make a public offer of debt security under section 87 and 88 of the Act, if it fulfills the following conditions, namely,-

- (1) It is authorized by its Memorandum and Articles of Association to issue debt securities;
- ¹[(2) For issuance of debt security, other than the commercial paper, the Issuer shall appoint, as applicable, -
 - (i) Debt Securities Trustee;
 - (ii) Investment Agent;
 - (iii) Shariah Advisor.]
- (3) It has obtained rating of the debt security from a credit rating company licensed by the Commission and the rating shall not be more than six months old. The minimum rating shall be A2 (short term) in case of short term debt securities (instruments with tenor of up to one year) and BBB+ (long term)/ A2 (short term) in case of long term debt securities (instruments with tenor exceeding one year) ;

Provided that in case of short term debt securities (instruments with tenor of up to one year), the condition of instrument rating may be waived, if the issuer has obtained entity rating and such rating is not less than "A-" (long term)/ "A2" (short term) and not more than six months old ²[:

Provided further that this clause shall not apply to a Sovereign Sukuk ³[.] a Government Guaranteed Sukuk ⁴[and any other debt security whose debt servicing is guaranteed from the Government;]

- (4) The public offer for debt securities shall be fully underwritten, except in case of issuance of Sukuk, where underwriting may not be required in the following conditions:
 - i. The issue is made for the repayment of debt;
 - ii. Utilization of the proceeds of the issue is solely for meeting the working capital requirement; and
 - iii. The issuer has alternative funding arrangements in place for meeting short fall, if any, in the event of undersubscription of the issue.
- (5) The long term debt securities ⁵[including Sukuk and other Shariah compliant securities] shall not be restructured or rescheduled unless approval of two third of the debt securities holders in value for the time being outstanding is obtained;

¹ Substituted for the text "(2) In case of debt securities, other than Commercial Paper and Sukuk, it has appointed debt securities trustee licensed by the Commission;" by SRO 1383(I)/2020 December 23, 2020

² Substituted for the full stop "." vide SRO 838(I)/2017 dated August 23, 2017

³ Substituted for the word "and" vide SRO 1619 (I)/2019 dated December 26, 2019

⁴ Words etc. inserted vide SRO 1619 (I)/2019 dated December 26, 2019

⁵ Words inserted vide SRO 838(I)/2017 dated August 23, 2017

- (6) It shall report profit payment and redemption status of the securities on semiannual basis to the Commission, securities exchange, debt securities trustee, investment agent, and issuing and paying agent, till complete redemption of the issue.
- (7) In case of Shariah compliant debt securities including Sukuk, the following conditions shall also be complied with:
 - (i) The issuer has appointed Investment Agent through an investment agency agreement which contains at least roles and responsibilities of both parties to the agreement, dispute resolution mechanism and such other clauses as specified by the Commission from time to time;
 - (ii) The investment agent shall endeavor that assets are transferred to Sukuk holders through an SPV.
 - (iii) In case the Sukuk is issued without establishment of SPV then Shariah Advisor should give reasons referring to Shariah principles for allowing issuance of Sukuk without establishment of an SPV ¹[]
 - (iv) The Investment Agent shall not be ²[associated company or associated undertaking of the Issuer];
 - ³[(v) In case of secured Sukuk, the Issuer has arranged appropriate security, in the form acceptable to the Investment Agent:
Provided that this sub-clause shall not apply to ⁴[] Government Guaranteed Sukuk;]
 - ⁵[(vi) The Issuer shall, before the issue of Sukuk, engage Shariah Advisor and obtain in writing from it/him/her Shariah certificate and the Shariah certificate must be signed by Shariah Advisor ascertaining that the basis on which the Sukuk are structured is Shariah compliant;]
 - ⁶[(vii) The Shariah Advisor may not remain engaged throughout the tenor of the Issue, if the Shariah certificate states so and where an Issuer opts to engage Shariah Advisor for a longer period, the term of engagement shall be at the discretion of the Issuer;]
 - (viii) The Issuer has obtained a Shariah Certificate from the Shariah Advisor which must contain at least such information and certification and in the form and manner as notified by the Commission from time to time including the following:

1 Words "and what additional measures have been taken for the protection of assets of Sukuk issue and protection of rights of Sukuk holders" omitted SRO 838(I)/2017 dated August 23, 2017

2 Substituted for the words "associate of the issuer" vide SRO 838(I)/2017 dated August 23, 2017

3 Substituted for the words "(v) The issuer may arrange appropriate security, where required, in the form and manner acceptable to the Investment Agent;" vide SRO 838(I)/2017 dated August 23, 2017

4 Deleted the words "a Sovereign Sukuk and a" vide SRO 819(I)/2020 dated September 7, 2020

5 Substituted for the words "(vi) The Issuer has appointed a Shariah Advisor, through agreement in writing. The agreement beside other things must clearly define roles and responsibilities of the Shariah Advisor;" vide SRO 838(I)/2017 dated August 23, 2017

6 Clause (vii) substituted by SRO 838(I)/2017 dated August 23, 2017

- a. ¹[how the structure is free from riba;]
- b. whether and to what extent the return to Sukuk holders is attributable to the underlying assets;
- c. whether and to what extent the ownership of underlying assets, belongs to the Sukuk holders;
- d. whether and to what extent ²[the related agreements and contracts,] separately and collectively, are consistent with the concerned Shariah principles; and
- e. exceptions, reservations, and qualifications regarding Shariah compliance, if any, and details thereof.

³[Provided that the Issuer shall ensure that all relevant documents, contracts, details, and information required by the Shariah Advisor for understanding of the transactions, concepts, structure and framing or review of the Shariah certificate are provided and adequately explained to the Shariah Advisor;]

⁴[]

- ⁵[(x) The Issue shall not embed any swaps, options or other derivatives except in the case of convertible or exchangeable Shariah compliant securities;]
- (xi) The Issuer shall ensure that proceeds of the Issue are utilized ⁶[for Shariah compliant purposes and] in the form and manner as disclosed in the Prospectus.
- (xii) Where Shariah compliant debt securities are convertible or exchangeable into ordinary shares of the ⁷[Issuer], the option of conversion or exchange, as the case may be, shall be at the discretion of the investors and the underlying ordinary shares shall be listed at the time of the offer of such debt securities. ⁸[]
- ⁹[Provided that this clause shall not apply in case of issuance of Tier 1 and Tier 2 instruments by Scheduled Banks.]
- ¹⁰[(xiia) The Shariah Advisor providing the initial Sharah certificate shall state in their Shariah certificate whether or not Shariah Audit of the issued Sukuk is required;
- (xiib) The compliance of features and Shariah requirements of Sukuk shall be audited on annual basis, where applicable; and

1 Substituted for the words "why the structure is free from riba, and how it is different from a comparable conventional structure based on lending money at interest" by SRO 838(I)/2017 dated August 23, 2017

2 Substituted for the words "agreements and undertakings," vide SRO 838(I)/2017 dated August 23, 2017

3 Proviso substituted by SRO 838(I)/2017 dated August 23, 2017

4 Clause (ix) omitted by SRO 838(I)/2017 dated August 23, 2017

5 Clause (x) substituted by SRO 838(I)/2017 dated August 23, 2017

6 Words inserted by SRO 838(I)/2017 dated August 23, 2017

7 Substituted for the word "issuer" by SRO 838(I)/2017 dated August 23, 2017

8 Words "The compliance of features and Shariah requirements of Sukuk shall be audited on annual basis." Omitted by SRO 838(I)/2017 dated August 23, 2017

9 Proviso inserted vide SRO 1619 (I)/2019 dated December 26, 2019

10 Clause (xiia) inserted vide SRO 838(I)/2017 dated August 23, 2017

- (xiic) The Issuer shall appoint its own statutory auditors or another firm of Chartered Accountants to perform Shariah audit;]
- ¹[(xiii) The Shariah audit report where required shall made part of the annual financial report of the Issuer;]
- ²[(xiv) The external Shariah audit fee where applicable shall be disclosed in the audited financial statements of the Issuer;]
- ³[(xiva) Where a Sukuk is structured using a single Shariah concept, the Sukuk shall preferably be named according to that concept;
- (xivb) In case of rescheduling or restructuring of an Issue, the Issuer shall seek a fresh Shariah certificate from the Shariah Advisor;
- (xivc) The Prospectus must make it unambiguously clear to the investors whether or not the Sukuk are asset backed, that is, based on true sale, providing investors an unqualified right over the concerned assets and where the Sukuk are not asset backed, the Prospectus shall explain the implications, most notably, if the Sukuk holders are assuming credit risk of the Issuer and their standing in the hierarchy of creditors;
- (xivd) Where Sukuk are issued without transferring concerned assets, where applicable, to an SPV, the Issuer shall explain in the Prospectus why the SPV structure has not been used and any potential implications regarding investor protection and Shariah compliance;
- (xive) The Prospectus shall specify fees and expenses pertaining to Shariah compliance, including the fee, if any, paid to the Shariah Advisor;
- (xivf) The Issuer shall furnish the Shariah certificate and the transaction documents to all the Sukuk holders in physical or electronic form or shall make available the same on its website, in downloadable format, for information of the investors;
- (xivg) The engagement letter or agreement executed with the Shariah Advisor among other things must clearly define the roles and responsibilities of both parties to the agreement, dispute resolution mechanism and such other clauses as specified by the Commission from time to time;]
- (xv) Any other condition as may be specified by the Commission from time to time.

⁴[omitted]

- ¹[(8) Within 10 working days of the close of public subscription period or such shorter period of time as may be specified by the Commission from time to

1 Clause (xiii) substituted by SRO 838(I)/2017 dated August 23, 2017

2 Clause (xiv) substituted by SRO 838(I)/2017 dated August 23, 2017

3 Clauses (xiva) to (xivg) inserted vide SRO 838(I)/2017 dated August 23, 2017

4 Explanations omitted by SRO 819(I)/2020 dated September 7, 2020

5 Sub-regulation (8) inserted by SRO 819(I)/2020 dated September 7, 2020

time, the debt securities shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/ refunded.]

14. Conditions for Public Offering of short term debt securities. An issuer may make public offer of short term debt securities in the form of Commercial Paper only subject to compliance with the following conditions, namely:-

- (1) The equity of the Issuer is not less than Rs. 50 million as per its latest audited financial statements.
- (2) The commercial paper shall be issued for maturities between thirty days and one year and the date of maturity shall be calculated from the first day of subscription. Where the maturity date happens to be a holiday, the payment shall be made on the immediate following working day.
- (3) The Commercial Paper shall be issued in denomination of Rs.10,000 or multiples thereof.
- (4) The aggregate amount of a Commercial Paper shall be within such limits as may be approved by its Board of Directors, provided the total liabilities of the issuer after the issue of such Commercial Paper do not exceed four times of the issuer's equity.
- (5) The commercial paper shall be issued at discount to face value.
- (6) The commercial paper shall not be rolled over or restructured or rescheduled.
- (7) The Issuer shall appoint an Issuing and Paying Agent through an agreement in writing. The agreement shall contain all the basic terms and conditions, and role and responsibilities of both the parties to the agreement.
- (8) The Issuing and Paying Agent appointed shall not be associate of the issuer.
- (9) On maturity, the holder shall present the commercial paper for payment to the Issuing and Paying Agent who, having received funds from the Issuer, shall effect repayment through crossed cheque, pay order, demand draft or direct credit in the holders respective account.
- (10) Commercial Paper may be redeemed before maturity under a call option and an investor may ask the Issuer for early redemption under a put option subject to the condition that such options are provided in the offering document.

15. Conditions for issue of convertible debt securities. An issuer may make a public offer of a convertible debt security under ¹[clause (b) of sub-section (1) of section 83 of the Companies Act] subject to the following conditions, namely:

- (1) the Issuer is authorized by its Memorandum and Articles of Association to issue convertible securities;

¹ Substituted for the words "the first proviso to sub-section (1) of section 86 of the Ordinance" vide SRO 838(I)/2017 dated August 23, 2017

- (2) the Issuer has obtained approval of the Commission under ¹[clause (b) of sub-section (1) of section 83 of the Companies Act];
- (3) The conversion ratio or mechanism is disclosed in the prospectus; and
- (4) The mechanism for resolution of dispute if arises at the time of conversion is provided in the prospectus.

²**[15a. Book Building Mechanism for debt securities:** An issuer can adopt book building mechanism for discovery of profit rate in case of fixed rate instrument and spread (+/-) in relation to the Kibor in case of floating rate instrument.

Bid for the purpose of this regulation means intention to buy specified number of debt securities for a particular spread/profit rate quoted in basis points.

The Book Building shall be conducted as per the conditions and procedure prescribed below:

- i. The total issue size of the debt security shall be offered to the General Public including both book building portion and retail portion.
- ii. Maximum Seventy Five percent of the issue size shall be allocated to the Book Building portion and the remaining twenty five percent to the retail investors. The retail portion of the public offer shall be fully underwritten.
Provided that the requirement of 25% allocation to the retail portion may be relaxed by the Commission upon reasons to be recorded in writing.
- iii. The Issuer shall enter into a tripartite agreement in writing with the Designated Institution and the Book Runner. The said agreement shall specify inter-alia, the rights, privileges, duties, responsibilities and obligations of each party to the agreement and shall provide a clause on dispute resolution mechanism among the parties to the agreement.
- iv. The Issuer shall publish the prospectus at least one day before the commencement of registration of bidders by the book runner;
- v. For Floating rate instruments, Bidder can enter spread on both positive and negative sides in relation to the KIBOR.
- vi. The Book Building shall be considered as cancelled if the Issuer does not receive bids for total number of debt securities offered under the book building.
- vii. Clause (9) to (15) of Regulation 8 and clause (1), (4) and (5) of Regulation 9 relating to procedure for Book Building and bidding of shares shall also apply in case of debt securities.
- viii. The Book Runner shall collect full amount of the bid money as margin money in respect of bids placed by the individual investors.

¹ Substituted for the words "the first proviso to sub-section (1) of section 86 of the Ordinance" vide SRO 838(I)/2017 dated August 23, 2017

² Inserted vide SRO 819(I)/2020 dated September 7, 2020

- ix. In case of Institutional Investors, the Book Runner shall accept application with minimum 10% margin money.
Provided that Book runner may waive/reduce the margin requirement for institutional investors at its own discretion
- x. Book Building Portion shall be credit underwritten by one or more book runners:
- xi. At the close of the bidding period, cut-off profit rate/ spread shall be determined on the basis of reverse Dutch Auction Method by arranging all the profit rate/spread in an ascending order along with the number of debt securities and the cumulative number of debt securities bid for at each profit rate/spread. The cut off profit rate/spread is determined by increasing the profit rate/ spread to the extent that the total number of debt securities offered under the Book Building portion are subscribed. The allotment shall be made on following basis:
 - a. The allotment shall be made on the basis of highest bid priority, i.e. the bid made at the lowest profit rate/ spread shall be considered first for allotment;
 - b. The bidders who have made bids at profit rate/spread less than the Cut-off profit rate/ spread shall be allotted the debt securities at the Cut-off profit rate/Spread;
 - c. In case all the bids made at profit rate/spread below the cut off profit rate/spread are accommodated and debt securities are still available for allotment. Such available debt securities shall be allotted against the bids made at the Cutoff profit rate/spread on proportionate basis.
 - d. The bidders who have made bids at profit rate/spread higher than the Cut-off profit rate/spread shall not qualify for allotment.
- xii. Within one day of the close of the bidding period, successful bidders shall be intimated the Cut-off profit rate/spread and the number of debt securities allotted to each of them;
- xiii. Successful bidders shall deposit remaining amount of bid money within three working days of intimation of successful bid. In case any bidder fails to do so, margin money shall be forfeited without any recourse.
- xiv. The successful bidders shall be issued securities only after the end of the public subscription, in the form of book-entry to be credited in their respective accounts.

15b. Restrictions:

- (1) The bidding period shall not be extended except in extra ordinary circumstances like closure of banks, failure of System, etc. In such case, Book Runner shall apply to the Commission for extension in the Bidding Period after obtaining NOC from securities exchange. In case extension is granted, the same shall be disseminated through publication in all those newspapers where the

prospectus was published and the website of the issuer, consultant to the issue, if any, book runner, the designated institution and the securities exchange.

(2) The bidder shall not:

- (i) make consolidated bid;
- (ii) make upward revision in terms of profit rate/spread;
- (iii) make downward revision in terms of bid amount; and
- (iv) withdraw the Bid;

(3) No person shall take part in the book building process, directly or indirectly severally or jointly in any manner or engage in any act or practice which create a false and misleading appearance of active bidding for raising or depressing cutoff profit rate/spread in the book building process.

15c. Procedure for allocation of debt securities to the retail investors:

- i. Within three working days of the closing of the Bidding Period, the Issuer itself or through its Consultant to the Issue, if any shall publish supplement to the prospectus in those newspapers in which the prospectus was earlier published and also disseminate the same to the securities exchange, banker to an issue and underwriter. For this clause the term supplement to the prospectus means information relating to results of the Book Building or any other information prescribed below that is important for the retail investors.
- ii. The supplement to the prospectus shall contain the information relating to the cut off profit rate/spread, names of the underwriters of the retail portion of the Issue , underwriting commission bifurcating as take up commission or any other, category wise breakup of the successful bidders along with number of debt securities allocated to them, dates of public subscription and such other information as specified by the Commission.
- iii. The general public shall submit application for the subscription of debt securities to the Banker to an Issue either in physical form or electronically. The application shall be duly accompanied by a crossed cheque or demand draft or pay order in the name of the Issuer or evidence of direct debit of subscription money from the applicant's bank account or blocking of the subscription money in the applicant's bank account.
- iv. Within 10 working days of the close of public subscription period or such shorter period of time as may be specified by the Commission from time to time, the debt securities shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/ refunded.]

CHAPTER VIII

MISCELLANEOUS

16. Post Issue Reporting and Disclosures. The issuer upon completion of public offering of securities shall,

- (i) report detailed break-up of the utilization of the proceeds of the issue in its post issue quarterly/half-yearly and annual accounts ¹[till the fulfillment of the commitments mentioned in the prospectus]; and
- ²[(ii) submit a: (a) Half yearly progress report; and (b) annual progress report reviewed by the auditor, to the securities exchange till the fulfillment of the commitments mentioned in the prospectus stating the following:

- a. Implementation status of the project/commitment made in the Prospectus as per format given below:

Commitment made in the Prospectus	Start date (disclosed in the prospectus)	Completion date (disclosed in the Prospectus)	Current status	Rationale for delay, if any.

- b. Detailed break-up utilization of the proceeds raised from the issue.]

- ³[(iia) Submit a final report reviewed by the auditor after the fulfillment of the commitments mentioned in the Prospectus.]

- ⁴[(iii) in case of Sukuk and other Shariah compliant securities, ensure that while preparing their financial reports, all the relevant standards, notified by the Accounting and Auditing Organization of the Islamic Financial Institutions and the Islamic Financial Accounting Standard as notified by the Commission for adoption, from time to time relating to the financial reporting and accounting treatment of Sukuk are complied with.]

⁵[16a. Offering an Exit Opportunity in case of change in principal purpose of Issue as disclosed in prospectus:

- (1) The Issuer shall not, at any time change the principal purpose of the issue as disclosed in the Prospectus.
- (2) In exceptional circumstances, the issuer may change the principal purpose of the issue subject to passing of special resolution and offering an exit opportunity to dissenting shareholders who have not agreed to the change in principal purpose of the issue as disclosed in the Prospectus.

1 Substituted for the words "for three years" by SRO 1619 (I)/2019 dated December 26, 2019

2 Clause (ii) substituted by SRO 1619 (I)/2019 dated December 26, 2019

3 clause (iia) Inserted by SRO 1619 (I)/2019 dated December 26, 2019

4 Clause (iii) inserted by SRO 838(I)/2017 dated August 23, 2017

5 Inserted by SRO 1619 (I)/2019 dated December 26, 2019

- (3) Offering an exit opportunity shall also be mandatory where the principal purpose of issue was undertaken and thereafter funds were diverted to other purposes, which resulted in non-completion of principal purpose of issue in a timely manner as disclosed in the prospectus.
- (4) The mechanism for an exit offer opportunity shall be as under:
 - (i) EOGM notice in respect of any change in the principal purpose of the issue as disclosed in the prospectus shall be given along with draft special resolution as required under the provisions of Companies Act, 2017.
 - (ii) Subject to approval of special resolution as defined in the Companies Act, 2017, the shareholders who have dissented against the special resolution and conveyed their dissent to the company secretary under intimation to PSX, shall be provided an opportunity to exit by offering a price per share, by the sponsors of the issuer that shall be highest of the following:
 - a) Intrinsic value based on the latest available audited accounts;
 - b) Weighted average closing price for last six preceding months
 - c) offer price at which the shares were subscribed through IPO.
 - (iii) The exit offer shall be executed by the sponsors within a period of thirty days from the date of passing of special resolution.]

¹[**16(b) Relaxation:** The Commission may relax any of the requirements of the Public Offering Regulations, 2017 for privatization of government owned entities by Privatization Commission through capital market.]

¹ Inserted vide SRO 819 (I)/2020 dated September 7, 2020.

CHAPTER IX

Functions and responsibilities

17. General responsibilities of the Consultant to the Issue, Book Runner, Underwriter, Banker to an Issue and Issuing and Paying Agent: The Consultant to the Issue, Book Runner, Underwriter, Banker to an Issue and Issuing and Paying Agent shall –

- (1) make all efforts to protect the interests of investors.
- (2) maintain high standards of integrity, dignity and fairness in the conduct of its business.
- (3) fulfill its obligations in a prompt, ethical, and professional manner.
- (4) at all times exercise due diligence, ensure proper care and exercise independent professional judgment.
- (5) endeavor to ensure that inquiries and complaints from investors are dealt with in a timely and appropriate manner;
- (6) avoid conflict of interest and make appropriate disclosure to the customers of their possible source or potential areas of conflict of duties and interest which would impair their ability to render fair, objective and unbiased services;
- (7) ensure that they have made the reporting lines and compensation arrangements for their employees in a way to eliminate or effectively manage actual and potential conflicts of interest;
- (8) ensure that their directors and employees shall not directly or indirectly indulge in any insider trading or other market abuses;
- (9) have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, its customers, investors and other regulated persons from financial loss arising from theft, fraud, and other dishonest acts, professional misconduct or omissions;
- (10) be responsible for the acts or omissions of its employees in respect of the conduct of its business;
- (11) frame policies and procedures to ensure compliance with the requirements of these Regulations by its employees;
- (12) ensure that communications with the securities exchange and the Commission are kept confidential, except as required to be disclosed to the customers;
- (13) render only such services as agreed in writing with their customer and are not prohibited under these Regulations and any other applicable law;
- (14) Maintain a functional website containing all public information about the issue and mechanism for handling of complaints;
- (15) inculcate a culture of compliance of the regulatory requirements through ongoing education and training of their employees.

- (16) ensure that internal control policy is widely disseminated for compliance by all employees and is reviewed for appropriateness and sufficiency by the competent authority at least once every year;
- (17) promptly investigate, in the event of a breach of policies, procedures, controls or misconduct, and take appropriate steps to rectify the weaknesses, if any, to prevent recurrence of such breach;
- (18) Employ sufficient human resource which is adequately trained to efficiently perform its functions;
- (19) Submit any document, report or information as and when required by the Commission;
- (20) ensure that annual review, for appropriateness and sufficiency, of the internal control system is carried out by the internal audit department, which reports directly to the board of directors or its audit committee.
- (21) ensure that any change in license status, any penal action against it or any material change in its financial and operating position which may have adverse effect on the interest of the Issuer, or investors is promptly notified to the Issuer, the offeror, the Commission and the securities exchange;
- (22) ensure that all information provided to the securities exchange and Commission is true, accurate and no material fact is omitted or suppressed; and
- (23) in case of consultant to the issue give, directly or indirectly, any investment advice about any security in the media unless a disclosure of its interest in the said security is made, while giving such advice.

18. Functions of the Consultant to the Issue.— The Consultant to the Issue shall perform the following functions, namely:-

- (1) preparation of prospectus, and related documents and ensuring that the same are prepared in accordance with the requirements of the applicable laws including section 89 of the Act, these Regulations, regulations of the securities exchange and other applicable regulatory framework;
- (2) before submitting the application to the securities exchange under section 19 of the Act, the Consultant to the Issue shall examine the proposed issue from various aspects including eligibility requirements and suitability of the Issuer or security for listing considering the interest of general public and its benefits to the capital market.

¹[]

- (3) give justifications in support of the offer/ Floor Price set by the Issuer under a separate section titled as "Valuation section " in the prospectus.
- (4) assist in the execution of agreements of the issuer with underwriters, bankers to an issue, book runner, Designated Institution, debt security trustee, issuing and paying agent ,balloter and transfer agent and investment agent;

¹ Explanation omitted by SRO 1619 (I)/2019 dated December 26, 2019

- (5) on behalf of the Issuer, seeking the approval of the securities exchange under section 19 of the Act and Commission under section 87 and 88 of the Act;
- (6) preparation and publication of prospectus and advertisements with regard to public issue;
- (7) ensure that the public offering including book building is carried out in accordance with the prospectus and requirement of these Regulations and the Act;
- (8) preparation and submission of final report on the issue to the Commission;
- (9) comply with all the applicable directives and orders issued by the Commission; and
- (10) any other related function as may be specified by the Commission from time to time.

19. Responsibilities of the Consultants to the Issue.— (1) The Consultants to the Issue shall.—

- (i) ensure that, after having made due and careful enquiry, they have reasonable grounds to believe that
 - (a) the application submitted to the securities exchange under section 19 of the Act and the prospectus submitted to the Commission under section 87 and 88 of the Act meets the relevant requirements of the Act, these Regulations, regulations of the securities exchange and other applicable regulatory framework; and
 - (b) the documents, reports, statements and information submitted along with the aforesaid application and prospectus are not false or misleading and do not contain any material omission;
- (ii) ensure that adequate disclosures are made to the investors in a timely manner so as to enable them to make a balanced and informed decision.
- (iii) endeavor to ensure that the investors are provided with true and adequate information without making any misleading or exaggerated claims or any misrepresentation and are made aware of the associated risks before taking any investment decision.
- (iv) obtain from their employees an undertaking stating therein that they will not misuse their position of having access to non-public information, if any, relating to the issue for their personal benefit or for the benefit of any other person who does not have or is not authorized to have access to such information;
- (v) actively participate in preparation of the prospectus and ensure that all material facts, including all potential risks, as required under the law are disclosed therein and that the Issuer is compliant with all the laws applicable to the issue of securities;

- (vi) remain associated with the issue till its completion i.e.¹[] credit of securities, submission of final report to the securities exchange and Commission, resolution of the issue related complaints, if any, and implementation of final decision of the Commission on application rejected, if any.
 - (vii) ensure that they understand the nature of business of their customer.
 - (viii) ensure that their customer is fully briefed on its obligations and potential liabilities pertaining to its application and supporting documents including the prospectus, in relation to the requirements stipulated by the Commission.
 - (ix) ensure that their customer has been made aware of the need for it to extend its full cooperation in the provision and verification of information for the purposes of the assignment;
 - (x) withdraw from the assignment in case their customer fails or refuses to address its concerns about the issue or any related information provided to it.
- (2) The Consultants to the Issue shall not-
- (i) make any false statement, whether oral or written, either about their qualifications or capability to render services or their achievements with regard to services rendered to their potential customers;
 - (ii) make unsubstantiated claims or statements, in order to acquire business from the customer, about qualifications of their professional staff or their capability to render certain services or their achievements concerning the consultancy services rendered by them;
 - (iii) submit any document or report to the Commission that contains any untrue or false statement, or any material fact omitted therefrom;
 - (iv) agree to manage or be associated with any issue as consultant unless its responsibilities relating to the issue are clearly determined through an agreement in writing; and
 - (v) be a party to or instrumental for -
 - (a) creation of false market;
 - (b) price rigging or manipulation or;
 - (c) Conveying of non-public price sensitive information in respect of securities proposed to be listed in securities exchange to any person.

20. Responsibilities of the book runner.- The Book Runner shall be responsible to:

- (1) ensure that necessary infrastructure and electronic system is available to accept bids and to conduct the whole Book Building process in a fair, efficient and transparent manner;
- (2) ensure blocking of bid and margin money of the Bidders in their respective accounts;

1 Words "dispatch and" omitted by SRO 7(I)/2018 dated January 5, 2018

- (3) the Book Runner must be financially capable for honoring its commitments arising out of defaults by their investors, if any;
- (4) use the software provided by the Designated Institution for the Book Building on such terms and conditions as may be agreed through an agreement in writing
- (5) ensure that the software used for Book Building is based on Dutch Auction Method for display of the order book and determination of the strike price;
- (6) ensure that the bidders can access to the System and can revise their bids electronically using the user ID and the password;
- (7) underwrite the Book Building Portion;
- (8) ensure that it has obtained list and Unique Identification Numbers of the associates of the Issuer and the consultant to the issue;
- (9) ensure that names and Unique Identification Numbers of all the persons mentioned above are entered and capped in a manner as prescribed in these Regulations before commencement of the Bidding Period;
- (10) ensure that it blocked all Unique Identification Numbers and names of all related employees for participation in the bidding; and

21. Responsibilities of Banker to an Issue:—The Banker to an Issue shall.-

- (1) ensure that information related to the subscription of the issue is provided to the Issuer, within the time period and in the form and manner as disclosed in the prospectus or as required under the agreement executed with the them;
- (2) in case of Application Supported by Blocked Amount, on receipt of the application, immediately block the bid money or subscription money in respective account of the bidder or the subscriber;
- (3) Upon receipt of information from the book runner and balloter and share registrar, immediately unblock the bid money or subscription money of the unsuccessful bidders or subscribers;
- (4) Immediately inform the Commission regarding any penal action, legal proceedings initiated against it by the State Bank of Pakistan;
- (5) not accept applications for subscription of securities and subscription money thereof after closing of the subscription period.

22. Responsibilities of underwriter.—(1) An underwriter shall, -

- (i) obtain from its relevant employees, an undertaking stating therein that they will not misuse their position of having access to the non-public information, if any, relating to the Issue being underwritten for their personal benefit or for the benefits of any other person who does not have or is not authorized to have access to such information;
- (ii) ascertain before entering into an underwriting agreement that the regulatory requirement, if any, relating to the exposure limits on investment in securities are not breached in case it is called upon to

fulfill its commitment of subscribing the unsubscribed portion of an issue pursuant to the underwriting agreement;

- (iii) in the event of being called upon to subscribe to the securities underwritten pursuant to an agreement, subscribe such securities within such time as specified in the agreement but it shall not exceed fifteen days starting from the date of issue of such intimation, notice, invitation by the Issuer;
 - (iv) sell the securities subscribed pursuant to the underwriting agreement in the secondary market or to persons other than the directors, sponsors and associates of the Issuer;
 - (v) Publish its entity credit rating in its periodic financial reports, and each advertisement and brochure, if any, in relation to promotion of its business;
- (2) The underwriter shall not,-
- (i) enter into any buy-back or repurchase arrangement with the Issuer or any other person with respect to the securities underwritten by it;
 - (ii) derive any undue benefits directly or indirectly, from any underwriting transaction other than the commission payable to it under the underwriting agreement;
 - (iii) make any oral or written statement, which would misrepresent its underwriting commitment;
 - (iv) give, directly or indirectly, any investment advice about any security in the media unless a disclosure of its interest in the said security is made, while giving such advice;
 - (v) willfully make false statement or conceal any material fact in any document, report or paper furnished to the Commission;
 - (vi) participate itself or through its associates for the subscription of shares out of retail portion of an issue which is underwritten by it;
 - (vii) be party to or instrumental for creation of false market;
 - (viii) be party to or instrumental for price rigging or manipulation;
 - (ix) be party to or instrumental for passing of unpublished price sensitive information in respect of securities which are listed or proposed to be listed on the securities exchange to any person or intermediary;
 - (x) undertake underwritings commitments exceeding four times of its equity (excluding unrealized gains and revaluation surplus) as per its latest audited financial statements at any time.

Provided that any subsequent agreement by the underwriter to the issue with other underwriters ¹[duly licensed by the Commission] may be excluded while arriving at exposure limit of an underwriter in respect of its commitment.

23. Responsibilities of Issuing and Paying Agent.- The issuing and Paying Agent shall,-

¹ Words inserted by SRO 7(I)/2018 dated January 5, 2018

- (1) enter into an agreement in writing with the Issuer to act as Issuing and Paying Agent for the issue;
- (2) ensure that the conditions laid down for the issuance of debt securities are strictly adhered to;
- (3) ensure that the Issuer has the minimum credit rating as specified in these Regulations;
- (4) ensure that the Issuer has met all the requirements as prescribed in these Regulations before the issuance of debt securities;
- (5) obtain copies of all the investor agreements i.e. the agreements executed with the initial subscribers and the said agreements contain salient features and other terms and conditions of the issue including the following,-
 - (i) covenants of the issue of debt securities;
 - (ii) non availability of any recourse to the initial subscribers on the Issuer and Issuing and Paying Agent and to the subsequent purchasers on the sellers in the secondary market;
 - (iii) non availability of any guarantee by any bank or other financial institution;
 - (iv) default history of the Issuer including rescheduling/restructuring of loan for the last 5 years; and
- (6) verify all the documents submitted by the Issuer i.e. copy of Board's resolution etc. and have in custody certified copies of the original document and issue a certificate that documents are in order;
- (7) Place specimen of the investors' agreement between the Issuer and the subscribers containing minimum terms and conditions on its website.
- (8) on the issue date, deliver debt securities to investors against proof of payment and at maturity, after receiving funds from the Issuer, effect repayment on receipt of the debt security from the investors;
- (9) make it clear to the initial subscribers in the investor agreement and the general public in the prospectus that their investment is subject to credit and other risks inherent in such instruments and payment would be made to them after the Issuer has made the funds available to Issuing and Paying Agent;
- (10) inform the initial subscribers that in case of any default by the Issuer, it will not be in a position to seek recovery from the Issuer or initiate any action against the Issuer either on its own or on behalf of the investors;
- (11) in case of any default by the Issuer, be responsible for the immediate notification of such default to the holders of the debt security and the Commission

Explanation.— For the purpose of these Regulations the term "default" shall include partial payment of redemption amount instead of full amount.

- (12) in case of partial payment by the Issuer, distribute the received funds, among all the holders of the debt securities, on pro-rata basis and while doing so it shall take all necessary measures to safeguard its position against any adverse consequences including incorporation of this provision in the agreement executed between the Issuer and the Issuing and Paying Agent;
- (13) submit a report on the issue to the Commission within fifteen days from the last date for closing of the subscription of the debt security and the report shall contain all the material facts and figures relating to the issue including those as required under these Regulations to be reported to the Commission; and
- (14) obtain from the concerned depository company list of debt security holders on monthly basis.

24. Responsibilities of Designated Institution in case of book building.—(1) The Designated Institution in case of book building system shall perform following functions namely;

- (i) record name, Unique Identification Number (UIN), National Tax Number (NTN), postal and email addresses, land line and cell numbers, bank account Number and branch address and Investor Account Number or Sub-Account Number of the bidder with participant account number;
- (ii) provide a mechanism for registration of the bidders before commencement of the bidding period till 03:00 p.m. on the last day of the Bidding Period and require the investors to provide at least such information as mentioned in para (i) above;
- (iii) generate bidders' Internet Protocol (IPs) address and keep record of all IP addresses from where the bids are placed;
- (iv) record the number of shares bid for, the Bid Price, type of the bid i.e. Limit Bid or Step Bid, date and time of the entry of the bid;
- (v) display the bids revised, and date and time of upward revision;
- (vi) ¹[neither allow withdrawal of bid, nor] accept the bids placed at a Bid Price that is below the Floor Price ²[or above the upper limit of the Price Band];
- (vii) display live the total number of shares offered for sale, the Floor Price, ²[Price Band,] total number of bids received, total number of shares bid for and indicative Strike Price;
- (viii) build an order book showing demand for the shares at various price levels in a descending order along with the accumulated number of shares bid for and percentage of total shares offered under the Book Building Portion;
- (ix) discover the strike price at the close of the Bidding Period;

1 Substituted for the word "not" vide SRO 7(I)/2018 dated January 5, 2018

2 Words inserted vide SRO 7(I)/2018 dated January 5, 2018

- (x) generate alerts for the Bidders via Short Message Service through cell phones and emails upon entry of the bid, at the time of upward revision of the bid, and upon discovery of the strike price; and
 - (xi) ensure that system must provide the bidders the option to upward revise their bids online or through the Book Runner during the period permitted under these Regulations;
- (2) The Designated Institution shall ensure that:
- (i) identity of the bidder is not displayed; and
 - (ii) no bid is entered into the System after closing of the Bidding Period;

25. Repeal and Savings (1) The following shall stand repealed;

- (i) Book Building Regulations, 2015
- (ii) Guidelines for issuance of Prospectus,2002
- (iii) Guidelines for Issuance of Term Finance Certificates To The General Public, 2002

(2) Save as otherwise specifically provided, nothing in these Regulations shall affect or be deemed to affect anything done, action taken, registration granted, investigation or proceedings commenced, order issued, relaxation granted unless withdrawn, appointment, conveyance, mortgage deed, document or agreement made, fee paid or accrued, resolution passed, direction given, proceedings taken or instrument executed or issued, under the repealed regulations and guidelines and any such thing, action, investigation, proceedings, order, appointment, conveyance, mortgage deed, document, agreement, fee, resolution, direction, proceedings or instrument shall if in force at the coming into force of these Regulations and not inconsistent with any of the provisions of these Regulations, continue to be in force, and have effect as if it were respectively done, taken, commenced, made, directed, passed, given, executed or issued under these Regulations.

SCHEDULES
FIRST SCHEDULE
FORMAT OF THE PROSPECTUS, DISCLOSURE
REQUIREMENTS1 AND REPORTS TO BE SET OUT THEREIN

Section 1

Format of the prospectus

1. Cover Page:
- (i) The following statement should appear on the upper most top in bold capital letters:

"ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS, ESPECIALLY THE RISK FACTORS GIVEN AT PART --- BEFORE MAKING ANY INVESTMENT DECISION.

SUBMISSION OF FALSE & FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015."

- (ia.) The following additional statement should appear in case of offering of equity securities: -

"Investment in equity securities involves a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offering. For taking an investment decision, investors must rely on the examination of the issuer and the offer including the risks involved as disclosed at Part of the Prospectus.

- (ii) The following statement should appear in case of offer of shares through book building after the above-mentioned statement: -

"ADVICE FOR INSTITUTIONAL INVESTORS AND HIGH NET WORTH INDIVIDUAL INVESTORS

A SINGLE INVESTOR CANNOT SUBMIT MORE THAN ONE BIDDING APPLICATION EXCEPT IN THE CASE OF UPWARD REVISION OF BID. IF AN INVESTOR SUBMITS MORE THAN ONE BIDDING APPLICATION THEN ALL SUCH APPLICATIONS SHALL BE SUBJECT TO REJECTION.

SUBMISSION OF CONSOLIDATED BIDS PROHIBITED UNDER THESE REGULATIONS. A BID APPLICATION WHICH IS BENEFICIALLY OWNED (FULLY OR PARTIALLY) BY PERSONS OTHER THAN THE ONE NAMED THEREIN SHALL BE DEEMED TO BE A CONSOLIDATED BID.

PLEASE NOTE THAT A SUPPLEMENT TO THE PROSPECTUS SHALL BE PUBLISHED WITHIN THREE WORKING DAYS OF THE CLOSING OF THE BIDDING PERIOD WHICH SHALL CONTAIN INFORMATION RELATING TO THE STRIKE PRICE, THE OFFER PRICE, NAMES OF THE UNDERWRITERS OF THE RETAIL PORTION OF THE ISSUE IF ANY, UNDERWRITING COMMISSION, BIFURCATING AS TAKE UP COMMISSION OR ANY OTHER, COMMITMENT BY THE SUCCESSFUL BIDDERS FOR SUBSCRIBING THE UNDERSUBSCRIBED RETAIL PORTION IN CASE OF HUNDRED PERCENT BOOK BUILDING, CATEGORY WISE BREAKUP OF THE SUCCESSFUL BIDDERS ALONG WITH NUMBER OF SHARES ALLOCATED TO THEM, DATES OF PUBLIC

SUBSCRIPTION AND SUCH OTHER INFORMATION AS SPECIFIED BY THE COMMISSION”

- (iii) Full name of the Issuer (including previous name, if any) along with logo/monogram, if any, date and place of its incorporation, incorporation number, address of its registered and corporate offices, telephone number, contact person, website address and e-mail address.
- (iv) In case of offer for sale, full Name of the Offeror and the following statement:
“THIS IS NOT A PROSPECTUS BY [... NAME OF THE ISSUER ...] (THE “COMPANY”) BUT AN OFFER FOR SALE BY THE [... NAME OF THE OFFEROR ...] (THE “OFFEROR”) FOR OFFER FOR SALE OF SHARES HELD IN THE COMPANY.”
- (v) Total issue size i.e. the number of securities to be offered with breakup of pre-IPO preferential allocation, if any; allocation to book building portion, in case of book building; allocation to retail investors; and allocation under the green shoe option, if any. In case of shelf registration, the total approved issue size, the size of the current tranche and the time period of shelf registration.
- (vi) The offer price, the Floor Price, the Price Band, in case of book building.
- (vii) In case of book building, dates for registration of the bidders; dates of bidding i.e the bidding period along with timing.
- (viii) Date(s) of public subscription along with timing in bold letters.
- (ix) Name of the consultants to the issue, the book runner in case of book building, the bankers to an issue; web link along with timing through which e-application for subscription of securities can be submitted; and names of the underwriters.
- (x) Disclosure regarding availability of Centralized E-PO System and any other additional electronic system offered for Public Subscription.
- (xi) Contact details of at least two relevant persons of the Issuer, consultants to the issue, Book Runner and Underwriter, if any, well conversant with the issue who could be contacted by the investors, if needed.
- (xii) Website addresses from where the prospectus, application and bidding forms can be downloaded.
- (xiii) Date of publication of the prospectus.
- (xix) Name of the securities exchange where the specified securities are proposed to be listed.
- (xv) Additional information in case of issuance of debt securities:
 - (a) Entity and instrument rating,
 - (b) name of the rating agency;
 - (c) tenor;
 - (d) name of Shariah advisor/Shariah board (in case of issuance of Islamic debt security or such other securities which are claimed to be Shariah compliant); and
 - (e) rate of profit.

2. Inside Cover Page:

- (i) The following undertaking by the Issuer:
“WETHE CHIEF EXECUTIVE OFFICER AND..... CHIEF FINANCIAL OFFICERCERTIFY THAT;
 - (1) **THE PROSPECTUS CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;**

- (2) THE INFORMATION CONTAINED IN THE PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF;
- (3) THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
- (4) THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THE PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
- (5) ALL REQUIREMENTS OF THE SECURITIES ACT, 2015; THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS, RELATING TO APPROVAL AND DISCLOSURES HAVE BEEN FULFILLED."
- (6) NO CHARGES, FEE, EXPENSES, PAYMENTS ETC. HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN THIS PROSPECTUS.

For and on behalf of (... Name of the Issuer...and in case of an offer for sale ... name of the offeror...)

.....Sd-.....Sd-.....

Name of the Chief Executive Officer Name of the Chief Financial Officer”

- (ii) In case of book building, a supplement to the prospectus as per the following format.

“Supplement to the Prospectus

This Supplement is being published pursuant to Public Offering Regulations 2017 and in continuation of the prospectus of ... (name of the Issuer)... earlier published on MM DD, YYYY.

Name of the Issuer...

- Floor Price
- Strike Price
- Issue Price
- Price Band]

Underwriters to the retail portion of the issue if any

S. No.	Names of underwriter	Number of shares underwritten	Amount (Rs. in million)
(i)			
(ii)			
Total			

Underwriting commission (in %age):

Category-wise breakup of successful bidders

S. No.	Category	No. of bidders	Number of shares provisionally allocated
	Institutional Investors:		
	Commercial banks:		
	Development financial institutions		
	Mutual funds:		
	Insurance companies		

	Investment banks:		
	Employees' provident/ pension funds		
	Leasing companies:		
	Modarabas:		
	Securities brokers		
	Foreign institutional investors		
	Any other		
	Institutional Investors		
	Individual investors:		
	Foreign investors:		
	Local		
	Individual Investors		

3. Glossary of Technical Terms: All the technical terms and abbreviations used in prospectus must be defined in the glossary.

4. Definitions

5. Table of Content

6. Part I: Approvals, Consents and Listing on the Securities Exchange:

(i) **Approval of the Commission:** Detail of approvals obtained from the Commission with respect to the issue. The detail must contain nature of approval, date of approval and relevant law.

(ii) The following disclaimer must be given:

"DISCLAIMER:

It must be distinctly understood that in giving this approval, SECP does not take any responsibility for the financial soundness of the Company and any of its schemes stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the Company in this Prospectus.

SECP has not evaluated quality of the issue and its approval for issue, circulation and publication of the Prospectus should not be construed as any commitment of the same. The public/investors should conduct their own independent due diligence and analysis regarding the quality of the issue before subscribing."

(iii) Approval of the Securities Exchange: Detail of approvals obtained from the Securities Exchange with respect to the issue. The detail must contain nature of approval, date of approval and relevant law.

(iv) The following disclaimer must be given:

"DISCLAIMER:

(a) The Securities Exchange has not evaluated the quality of the issue and its approval should not be construed as any commitment of the same. The public/investors should conduct their own independent investigation and analysis regarding the quality of the issue before subscribing.

- (b) The publication of this document does not represent solicitation by the Securities Exchange.
- (c) The contents of this document does not constitute an invitation to invest in shares or subscribe for any securities or other financial instrument by the Securities Exchange, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever of the Exchange.
- (d) It is clarified that information in this Prospectus should not be construed as advice on any particular matter by the Securities Exchange and must not be treated as a substitute for specific advice.
- (e) The Securities Exchange disclaims any liability whatsoever for any loss however arising from or in reliance upon this document to any one, arising from any reason, including, but not limited to, inaccuracies, incompleteness and/or mistakes, for decisions and/or actions taken, based on this document.
- (f) The Securities Exchange neither takes responsibility for the correctness of contents of this document nor the ability of the Company to fulfill its obligations there under.
- (g) Advice from a suitably qualified professional should always be sought by investors in relation to any particular investment."
- (v) Statement on filing of the Prospectus and other documents like experts' reports and contracts mentioned in the Prospectus, with the registrar of companies.
- (vi) Statement about making of application to the securities exchange for listing of the Issuer, in case of unlisted entity.

7. Part II Summary of the Prospectus:

This part shall contain summary of the following information, as applicable:

- i. Primary business of the Issuer and the industry in which it operates;
- ii. Names of the Sponsors;
- iii. Salient features of the Issue including method of offering;
- iv. Pre and Post issue shareholding of the Sponsors;
- v. Principal purpose of the Issue and utilization of the proceeds;
- vi. Cross-reference to the Part--- titled Valuation Section.
- vii. Qualified opinion, if any given by the auditor during the last three financial years.
- viii. Following details as per the financial statements for last 3 years or for a shorter period if 3 years of commencement of business are not completed in tabular format and cross reference to the Part ----- titled financial information:
 - a. Share capital;
 - b. Net Worth;
 - c. Revenue;
 - d. Gross margin
 - e. Operating margin
 - f. Profit after tax;
 - g. Profit after tax margin;
 - h. Earnings per share;

- i. Breakup value per share;
 - j. Total borrowings as per the balance sheet;
 - k. Total debt to equity ratio;
 - l. Cash flow from operations
 - ix. Summary table of outstanding legal proceedings other than the normal course of business against the issuer its sponsors, substantial shareholders, directors or its associated group companies, over which the issuer has control, that could have material impact on the issuer and a cross-reference to the Part ----- titled "Legal proceeding and Overdue Loans"
 - x. Cross-reference to the Part ----- titled 'Risk Factors'
 - xi. Summary of related party transactions for last 3 years
- 8. Part III Overview, History and Prospects:**
- (i) Background and history of the company including its name, registration number, date of incorporation, date of commencement of business, date of conversion into public limited company, description of the business including core and others, if any.
 - (ii) Pattern of shareholding of the company.
 - (iii) revenue and cost driver of the company in detail
 - (iv) Organizational structure of the company; group information, if any;
 - (v) Major events in the history of the issuer such as:
 - a) Significant financial or strategic partnerships as per Issuer.
 - b) Time/cost overrun in setting up projects.
 - c) Capacity enhancement, location of plants.
 - d) launch of key products or services.
 - e) entry in new geographies or exit from existing markets.
 - f) Key awards, accreditations or recognition .
 - g) Defaults or rescheduling/ waiver / restructuring of borrowings with financial institutions/ banks.
 - (vi) Nature and location of the company's projects, if any; current implementation and operational status of the projects; nature and type of plant and machinery; total capacity and capacity utilization; financial plan with detailed breakup, in case the proceeds of the issue are to be used for financing a project.
 - (vii) Infrastructure facilities like roads, buildings, housing colonies; utilities like water, electricity; raw materials.
 - (viii) Product or services of the issuer:
 - a) Nature of the product(s)/services
 - b) Approach to marketing of products and services
 - (ix) End users, demand for the products, names of the competitors.
 - (x) Intellectual property rights
 - (xi) Details of material property
 - (xii) Future prospects, demand outlook.
 - (xiii) Vendors to the issuer
 - (xiv) Approvals: All government and other approvals which are material and necessary for carrying on the business of the issuer.
 - (xv) Group Structure of the Issuer showing shareholding in relative and absolute term.
 - (xvi) Details regarding Associated companies of the issuer including:

- a) Name of company
- b) Nature of business
- c) Nature of relation
- d) Shareholding of Issuer
- (xvii) Related parties' transactions, if any and their significance on the financial performance of the Issuer.
- (xviii) Performance for the last three years, of associated listed companies of the Issuer over which the issuer has control along with following information:
 - a) Name of the company;
 - b) Date of incorporation;
 - c) Registration number;
 - d) Nature of business
 - e) date of listing;
 - f) Paid-up-capital; equity; total assets; total liabilities; profit before and after tax; rate of cash dividends paid; break-up value per share; earning per share, return on equity and return on assets.
- (xix) Industry overview and sector analysis.

9. Part IIIA. Share Capital and Related Matters

- (i) Share Capital in tabular form (both existing and post IPO) along-with necessary notes relating to the issued and allocated shares, if any.
- (ii) Pattern of shareholding of the issuer in both relative and absolute terms.
- (iii) Number of shares held by the sponsors of the Issuer that shall be kept in blocked form as per regulation 5 of these regulations.
- (iv) Present issue size of the issue with detailed break-up of allocation to Pre-IPO investors including their names, employees, non-resident Pakistanis etc., if any and general public.
- (v) Details of Green Shoe Option, if any:
 - (a) Maximum number of equity shares under green shoe option
 - (b) Maximum amount of funds to be received by the issuer in case of oversubscription.
- (vi) Break up of shares issued during preceding years.
- (vii) Bonus shares, right shares and non-cash shares issued during the preceding years.
- (viii) Details of employee's stock option scheme, if any offered to the employees.
- (ix) Shares issued at a price lower than the offer price during the preceding one year.
- (x) Undertaking from the Sponsors of the Issuer that IPO proceeds shall be utilized as per the purpose disclosed in the prospectus.

10. Part IV. Principal Purpose of the Issue and funding arrangements:

- a. Details of the principal purpose of the issue.
- b. Additional disclosures relating to purpose of the issue shall be made in case of the following:
 - i. One of the purpose of the issue is to finance a project:
Details of:
(a) location of the project;

- (b) plant and machinery, technology, process, etc.;
 - i) Details shall be given in a tabular form, which shall include the details of the machines required to be bought by the issuer, cost of the machines, name of the suppliers, date of placement of order and the date or expected date of supply, etc.
 - ii) The percentage and value terms of plant and machinery delivered
 - iii) The percentage and value terms of the plant and machinery for which orders are yet to be placed.
 - (c) The details of the second hand machinery bought or proposed to be bought, if any, including the age of the machines, balance estimated life, performance guarantee etc.
 - (d) The following information regarding persons or entities with whom technical agreement, if any have been entered into shall be given:
 - i) place of registration and year of incorporation.
 - ii) Nature of business
 - iii) paid up share capital.
 - iv) Net worth
 - v) Revenue
 - vi) general information relevant to the issuer.
- ii. One of the purpose of the issue is to finance working capital:
 - (a) Basis of estimation of working capital requirement
 - (b) Reasons for raising additional working capital.
 - iii. One of the purpose of the issue is to purchase Plant/ Equipment/ Technology:
 - a. Details in a tabular form, which shall include the details of the equipment required to be bought by the issuer, cost of the equipment, name of the suppliers, date of placement of order and the date or expected date of supply, etc.
 - b. The percentage and value terms of the equipment delivered
 - c. The percentage and value terms of the equipment for which orders are yet to be placed.
 - d. The details of the second hand equipment bought or proposed to be bought, if any, including the age of the machines, balance estimated life, etc.
 - e. The following information regarding persons or entities with whom technical agreement, if any have been entered into shall be given:
 - i) place of registration and year of incorporation.
 - ii) Nature of business
 - iii) paid up share capital.
 - iv) Net worth
 - v) Revenue
 - vi) general information relevant to the issuer.
 - iv. One of the purpose of the issue is to acquire Land:
 - a. location of the land

- b. area of the land
- c. estimated cost of the land
- d. Details of whether the land has been acquired by the Issuer
- e. Title of the land.
- v. One of the purpose of the issue is loan repayment:
 - (a) details of loan proposed to be repaid such as name of the lender, brief terms and conditions and amount outstanding;
 - c. Requirement of Funds.
 - d. Details of source of funding.
 - e. Status of debt financing, if any.
 - f. Details regarding financial close of the project.
 - g. Details of letter of credit, if applicable.
 - h. Utilization of the proceeds at Floor Price:
 - i. Utilization of excess IPO funds, in case the strike price is determined above the floor price.
 - j. Breakup of the funds required and funds already deployed
 - k. Implementation schedule of the project like land acquisition, execution of civil works, installation of plant and machinery, date of trial production, date of commercial production.
 - l. Details regarding implementation of the project.
 - m. Pre and post expansion production capacity of the Issuer, if applicable.

11. Part IVA: Valuation Section

- (i) Justifications given by the Consultant to the Issue, if any or the issuer in support of the Offer/ Floor Price set by the Issuer.
Explanation: The term suitability with regard to listing includes assessing various risks involved such as sector risk, operational risk, legal risk, etc, track record of sponsors, quality and capability of the management, past financial performance of the Issuer, future strategies of the Issuer, dividend payout history, financial projections, financial viability, dividend policy, etc.
- (ii) Disclosure of Post issue Free Float both in terms of the number of shares and percentage.
- (iii) Disclosure of Peer group comparison with respect to the following:
 - a. Earning per share;
 - b. Book value per share;
 - c. Market value per share;
 - d. P/E multiple;
 - e. P/B multiple;
 - f. Return on Equity;
 - g. Return on Assets; and
 - h. Free Float as number of shares as well as in percentage

12. Part V: In case of issue of debt securities (Islamic and conventional): In case of issue of debt securities, the following shall be disclosed, inter-alia,-

- (i) Structure of the issue, i.e. issue size with breakup of pre-IPO placement, if any, preferential allocation, if any, and allocation to the general public.

- (ii) Salient features of the issue including its tenor, rate of return, denomination of the certificate, market lot, secured/unsecured, credit rating details, purpose of the issue and utilization the proceeds thereof; brief security arrangement with reference to main part on security in case of secured, restrictions and covenants, if any; opening and closing of the subscription list; investors eligibility; facilities available to investors local, foreign and NRPs, minimum application amount and basis of allotment; minimum amount that must be raised; refund/unblocking of subscription money of the unsuccessful applications; issue, credit of securities; procedure for transfer of securities.
- (iii) Details of outstanding debt securities issued during preceding years along with date of issue, issue size, amount redeemed, amount outstanding; amount of profit paid; tenor; and credit rating.
- (iv) Redemption schedule; redemption reserve, if any.
- (v) Interest of the existing holders of the security being issued; nature of the security whether registered or bearer;
- (vi) Options like conversion option, put options, call option etc.
- (vii) Market Making and liquidity
- (viii) Deduction of Zakat
- (ix) Taxations, like applicability of tax on income from investment in the security; withholding tax, capital gain tax, stamp duty, capital value tax etc.
- (x) Deferred Taxation
- (xi) In case of issue of Shariah compliant securities, structure of the instrument, Shariah principle based of which the instrument is structured; name and profile of the Shariah advisor; Shariah Certificate by the Shariah advisor.

13. Part VI: Risk Factors:

- i. Risk factors shall be classified as internal and external risk factor.
- ii. Risk factors shall be disclosed in the descending order of materiality.
- iii. All possible risk factors relating to business of the company, the project, technology, competition, suppliers, consumers, industry, liquidity, regulatory, changes in Govt. policies, law and order situation, capital market, pending litigations, defaults etc. shall be disclosed.
- iv. Additional risk factors relating to the following areas shall necessarily be disclosed in the prospectus, wherever applicable:
 - a) Approvals that are yet to be received by the issuer;
 - b) Seasonality of the business;
 - c) Risk associated with orders not having been placed for plant and machinery in relation to the principal purpose of the issue;
 - d) Lack of experience of the Management to run the business;
 - e) If the issuer has incurred losses in the last three financial years;
 - f) Dependence of the issuer or any of its business segments upon a single customer or a few customers
 - g) Loans, if any, taken by the issuer and its subsidiaries that can be recalled at any time.
 - h) In case of outstanding debt instruments, any default in compliance with the material covenants;
 - i) Default in repayment of loan by the issuer and associated group companies, if any.

- j) Potential conflict of interest of the Sponsors, substantial shareholders or directors of the issuer if involved with one or more ventures which are in the same line of activity or business as that of the issuer.
 - k) Excessive dependence on any key managerial personnel for the project for which the issue is being made.
 - l) Any material investment in debt instruments by the issuer which are unsecured.
 - m) Pending legal Proceeding against the issuer and associated group companies, which could have material adverse comments.
 - n) Negative cashflow from operating activities in the last three preceding financial years.
 - o) Any restrictive covenant that could hamper the interest of the equity shareholders
 - p) Low credit rating of the Issuer.
- v. A statement that to the best of our knowledge and belief all risk factors have been disclosed shall be given immediately after the risk factors.

14. Part VII: Financial Information:

- (i) Auditor's report as certificate on issued, subscribed and paid-up capital.
- (ii) Auditor's certificate on break-up value per share, free float before and after Issue.
- (iii) In case of subsidiaries auditors' certificates based on consolidated accounts of the issuing company.
- (iv) Latest management/un-audited accounts of the company, if any.
- (v) Summary of financial highlights of the Issuer along with key financial ratios for the last 3 years or for a shorter period if 3 years of commencement of business are not completed.
- (vi) Summary of major items of revenue and expenditure for the last 3 years.
- (vii) Bifurcation of revenue with respect to local and export sales, if applicable.
- (viii) Summary of revenue on account of major product/major activities.
- (ix) In case other income constitute more than 25% of the operating income or 10% of the Revenue, the breakup of the same along with the nature of the income i.e. recurring or nonrecurring.
- (x) If a material part of the revenue i.e. 50% or more is dependent upon a single customer or few major customers then the same shall be disclosed.
- (xi) If the material part of the company's purchases i.e. 50% or more is dependent upon a single supplier or few major suppliers then the same shall be disclosed.
- (xii) Comparative financial analysis with peer group companies.

15. Part VIIA: Revaluation of the assets

Details of valuation, if any, of assets

16. Part VIIB: Dividend policy:

- i. **Dividend policy:** The Issuer shall clearly mention its existing dividend policy, past 5 years dividend track record and future dividend policy. The Issuer shall clearly state the factors on which future dividend payments would depend. These factors may include earnings, capital requirements, contractual obligations including restrictive covenants under financing agreements the Issuer may enter into to finance the fund requirements for its business activities, applicable legal restrictions and overall financial position and projections of the Issuer.

- ii. Dividend payout history of listed associated companies over which the Issuer has control.

17. Part VIIC: Credit Rating (in case of debt securities):

- (i) Credit rating report in summarized/press release form.
- (ii) Complete credit rating report showing instrument or entity rating, whichever is applicable;
- (iii) Credit rating of the Issuer for the last three years, if undertaken, along with name of the respective rating agency;

18. Part VIID: Trustee and Security (in case of debt securities):

- (i) Details of security and assets backing the instrument including nature of assets, book value of the assets as per the latest audited accounts; nature of charge established in favour of the Trustee, number and nature of charges on the said assets; names of the creditors having charge on these assets; and aggregate amount and type of such borrowing;
- (ii) Name of the Trustee, amount or rate of fee payable to the trustee;
- (iii) Event of defaults as mentioned in the Trust Deed;
- (iv) Circumstance under which security becomes enforceable;
- (v) Mechanism for enforcement of security including authority by way of special resolution by the security holders; quorum of the meeting; authority for approval of resolution etc.

¹[Part VIIE: Investment agent and Security (in case of debt securities):

- (i) Details of security and assets backing the instrument including nature of assets, book value of the assets as per the latest audited accounts; nature of charge established in favor of the investment agent, number and nature of charges on the said assets; names of the creditors having charge on these assets; and aggregate amount of type of such borrowing;
- (ii) Name of the investment agent, amount or rate of fee payable to the investment agent;
- (iii) Event of defaults as mentioned in the issuance agreement;
- (iv) Circumstance under which security becomes enforceable;
- (v) Mechanism for enforcement of security including authority by way of special resolution by the security holders; quorum of the meeting; authority for approval of resolution etc.]

19. Part VIII: Management of the Company

- (i) Composition of the board of directors of the company along with their names, executive or non-executive director, independent director or otherwise, addresses, CNIC number, brief profile, qualification, period of directorship and directorship in other companies.
- (ii) For each director, details of current and past directorship(s) in listed companies whose shares have been/were suspended from being traded on the securities exchange during his/her tenure, as follows:
 - a. Name of the Company:
 - b. date of Listing
 - c. reasons for suspension and period of suspension.
 - b) If the suspension of trading revoked,
 - c) the date of revocation of suspension.
 - d) Term of the director in the above company/companies.
- (iii) For each director, details of current and past directorship(s) in listed companies which have been/were delisted from the stock exchange(s), during his/her tenure, as follows:
 - a) Name of the Company

¹ Part VIIE inserted vide SRO 1383(I)/2020 dated December 23, 2020.

- b) Date of Listing
 - c) Date of delisting
 - d) Compulsory or voluntary delisting:
 - e) Reasons for delisting:
 - f) Term of the director in the above company/companies.
 - (iv) Profile of the senior management including chief executive officer, chief financial officer, chief operating officer and company secretary.
 - (v) Appointment and election of directors and chief executive
 - (vi) Interest of the directors and promoters along with number and value of shares held by each of them, if any.
 - (vii) Interest of the director and promoter in property/assets and profit of the company.
 - (viii) Benefits (monetary or otherwise) provided to sponsors, substantial shareholders and directors during last three years.
 - (ix) Composition of the audit committee and its role and responsibilities.
 - (x) Powers of the directors including any borrowing power
 - (xvii) Indemnity available to the board of directors and other employees of the company.
- Statement on compliance with the code of corporate governance

20. Part IX: Legal proceedings and overdue loans:

- i. Legal proceedings:
 - a) Any outstanding legal proceeding other than the normal course of business involving the issuer, its sponsors, substantial shareholders, directors and associated companies, over which the Issuer has control, that could have material impact on the issuer.
 - b) Action taken by the securities exchange against the issuer or associated listed companies of the issuer during the last three years due to noncompliance of its regulations.
- ii. Overdue loans: Details of overdue amount, if any appearing in the Credit information Bureau (CIB) report of the Issuer, its sponsors, promoters, substantial shareholders, directors and associated group companies over which the issuer has control.

21. Part X: Underwriting arrangement, Commissions, Brokerage and other Expenses:

- (i) Underwriting; name of the underwriters and amount underwritten by each of them.
- (ii) Opinion of the directors regarding resources of the underwriters
- (iii) Rate of the underwriting and take up commission.
- (iv) Statement about non-execution of any buy-back, or repurchase agreement between the underwriters or their associates and the Issuer or its associates.
- (v) Fees and expenses for Centralized E-PO system.
- (vi) Rate of commission to the banker to an issue.
- (vii) Rate of the brokerage commission.
- (viii) Fees and expenses for Shariah advisory and Shariah audit in case of Shariah compliant debt security.
- (ix) Breakup of the expenses of the issue including fee/amount payable to (a) consultant to the issue; the book runners; the ballotters and registrar to the issue; the underwriters; listing fee; CDC fee; SECP fee; printing and publication cost fee etc.

22. Part XI: Miscellaneous Information

- (i) Address of the registered and corporate office of the company (complete address, telephone & fax numbers and e-mail address)
- (ii) Name, address, telephone number and email address of bankers to the company
- (iii) Name, address, telephone number and email address of the company's auditors
- (iv) Name, address, telephone number and email address of the legal advisors to the company
- (v) Name, address, telephone number and email address of legal advisor to the issue
- (vi) Name, address, telephone number and email address of the ballotters and share registrar
- (vii) Name, address, telephone number and email address of Consultant to the Issue

23. Part XII: Material Contracts:

- i. Details of material contracts referred to in the prospectus like:
 - a) underwriting agreements,
 - b) due diligence reports by the underwriters and consultant to the issue,
 - c) private placement agreements,
 - d) project related agreements,
 - e) long term and short-term financing agreements
 - f) technical agreements,
 - g) letter of credits and bank/corporate guarantees,
 - h) related party agreements. etc.
- (ii) Title and date of document/contract, parties to the contract, amount involved, if any, etc.
- (iii) Inspection of Documents & Contracts by security exchange
Place and timing where documents relating to the Issuer and the issue can be inspected. The documents to be made available there must include copies of all those agreements, contracts, reports etc. referred to in the prospectus. The timing of inspection must be the usual business hours on working days at the registered office of the company from the date of publication of the prospectus until the closing of subscription list.

24. Part XIII:- Book Building Procedure/instructions for registration and bidding:

- (i) In case of issue through book building, information needed to be disclosed i.e. number of shares allocated under the book building portion and retail portion, Floor Price and the Price Band,
- (ii) Types of bids and procedure for making a bid.
- (iii) Mechanism for determination of the strike price.
- (iv) Time frame for intimation to the successful bidders. Mechanism for payment of the balance amount by the successful bidders
- (v) Name of the book runner, its roles and responsibilities, Address, telephone number, cell number and fax number of the bid collection centers.
- (vi) Name of the designated institution and its roles and responsibilities.
- (vii) Role and responsibilities of the Issuer.
- (viii) Opening and closing of the bidding period.

- (ix) Eligibility to participate in bidding.
- (x) Information about availability of the prospectus, the registration form, and the bidding form.
- (xi) Procedure for registration.
- (xii) Procedure for bidding.
- (xiii) Title and number of the bank account for book building portion of the issue and Mechanism for payment of the margin money into the book building account.
- (xiv) Procedure for payment of the margin money by the foreign investors.
- (xv) Procedure for rejection of bids.
- (xvi) Time frame for upward revision of bids by the bidder.
- (xvii) Procedure for withdrawal of issue.
- (xviii) Mechanism for determination of strike price.
- (xix) Basis of allotment of share.
 - (a) In case the bids received are sufficient to allot the total number of shares offered for sale under the Book Building Portion, the allotment shall be made on the basis of highest bid priority that is the bid made at the highest price shall be considered first for allotment of shares.
 - (b) In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares shall be allotted against the bids made at the Strike Price on proportionate basis
 - (i) Mechanism and mode for refunding/unblocking of the margin money.
 - (ii) Procedure and time frame for publication of the supplement to the prospectus.
 - (iii) Procedure for allotment of shares in case of 100% book building and allotment of unsubscribed retail portion to the bidders.

25. Part XIV: Application and Allotment instructions for retail portion:

- i. Eligible Investors Instructions for submitting application.
- ii. Opening and closing of subscription list. Procedure for public subscription through physical form.
- iii. Procedure for public subscription through Centralized E-PO System and other additional electronic system
- iv. Facilities available to local, Non-Resident Pakistanis and Foreign Investors.
- v. Code of occupation of investors/applicants.
- vi. Nationality Code.
- vii. Minimum amount of application and basis for allotment of shares.
- viii. Refund/Unblocking of subscription money to unsuccessful applicants.
- ix. Minimum amount of application and basis of allotment.
- x. Issue and credit of shares.
- xi. Transfer of shares.
- xii. List of Bankers to the Issue
- xiii. List of E-IPO facilities
- xiv. Interest of share holders
- xv. Eligibility for dividend
- xvi. Deduction of Zakat.

- xvii. Taxations, like applicability of capital gain tax, withholding tax on dividends, tax on bonus shares, federal excise duty and capital value tax & withholding tax on sale/purchase of shares.
- xviii. Tax on income of the Issuer, sales tax.
- xix. Deferred taxation.
- xx. Tax credit for enlistment, tax credit for investment in IPOs.

26. Part XV: Signatories to the Prospectus:

- (i) List of the signatories to the prospectus and their signatures in original duly dated and witnessed
- (ii) The Prospectus should be signed by every director and CEO of the Issuer and shall be duly witnessed.

Provided that in case of offer for sale of shares the prospectus should also be signed by every Offeror or the persons authorized in writing by the Offerors

27. Part XVI: Memorandum of Association:

Memorandum of Association of the Issuer

28. Application Form

The application form both front and back containing instructions and other information

29. Bidding Form

The bidding form both front and back containing bidding procedure, strike price determination mechanism and basis of allotment.

Section 2**REPORTS TO BE SET OUT IN THE PROSPECTUS**

1. A report made by auditors (who shall be named in the prospectus) for each of the two financial year immediately preceding the issue of the prospectus with respect to the following:
 - (a) Profits and losses and assets and liabilities, in accordance with the clause (2) or (3), as the case may require; and
 - (b) the details of dividend (date, rate, class of shares) paid by company during last two financial years immediately preceding the issue of prospectus of the company. if no accounts have been made up in respect of any part of the period of two years ending on a date three months before the issue of the prospectus, containing a statement of that fact.
2. If the company has no subsidiaries, the report shall so far as regards profits and losses, assets and liabilities for each of the two financial years immediately preceding the issue of the prospectus;
3. If the company has subsidiaries, the report shall so far as regards profits and losses, assets and liabilities of the company as a whole with combined profits and losses of its subsidiaries, and individually with profit and losses of each subsidiary concern;
4. If any shares have been or are to be issued or the proceeds, or any part of the proceeds, of the issue of the securities are or is to be applied directly or indirectly for the purchase of any business and by reason of that purchase entitled to an interest, as respects either the capital or profits and losses or both, in such business exceeding fifty per cent thereof, a report made by auditors (who shall be named in the prospectus) upon profit and loses and assets and labilities of the business;
5. If the proceeds, or any part of the proceeds, of the issue of the shares or debt securities are or is to be applied directly or indirectly in any manner resulting in the

acquisition by the company of shares in any other body corporate and by reason of that acquisition or anything to be done in consequence thereof or in connection therewith, that body corporate will become a subsidiary of the company, a report made by auditors (who shall be named in the prospectus) upon the profits or losses, the assets and liabilities of the other body corporate for each of the two financial year immediately preceding the issue of the prospectus;

6. The said report shall indicate how the business acquired is in the best interest of shareholders of the issuer. Where the business being acquired has subsidiaries, how such subsidiaries are in the best interest of shareholders;
7. In case of debt security, summary of the credit rating report by the credit rating agency, report by the company's auditors on security backing the issue and report by the debt security trustee that the security arranged and the mechanism for its enforcement, if needed, is appropriate for safeguarding interest of the security holders;
8. Statement on accuracy of the contents of the prospectus; and
9. The Chief Executive and Chief Financial Officer of the company shall certify that the prospectus constitutes a full, true and plain disclosure of all material facts relating to the securities offered by the prospectus."

COMPENDIUM
OF
CORPORATE LAWS

SECOND SCHEDULE
MATTERS TO BE SPECIFIED IN THE ABRIDGED PROSPECTUS AND
REPORTS TO BE SET OUT THEREIN

1. The matters to be specified in the abridged prospectus and the reports to be given therein must be the same as provided in the full prospectus but, subject to provisions of this Schedule, in condensed or briefed form. The abridged prospectus must not contain any such information, material or report that is not contained in or part of the full prospectus.
2. The word, abridged must appear as a prefix to the word prospectus throughout the document.
3. Website addresses from where the complete prospectus along with experts reports, securities subscription application form and/or bidding form can be downloaded.
4. Addresses from where copies of the prospectus along with experts report can be obtained in physical form along with time and dates for collection.
5. Advices for investors, relating to reading of risk factors; prohibition of making false and fictitious application; consolidated and multiple bids etc.
6. The following information relating to the Issuer and the issue:
 - i. name of the Issuer; issued capital; date of incorporation, nature of the principle business, components of operations and five years financial summary;
 - ii. type of security; size of the issue including pre-IPO placement, if any, and offer price; dates for public subscription and minimum amount of application;
 - iii. in case of book building, minimum bid value; date and time for registration of the prospective bidders; bidding period; date and time for revision of bids; rejection of bids;
 - iv. Valuation Section as appearing in the prospectus
 - v. Disclosure regarding availability of Centralized E-PO System and any other additional electronic system offered for Public Subscription
 - ¹[vi. in case of debt security additional information like, as applicable,
 - (a) tenor;
 - (b) rate of return/profit;
 - (c) redemption schedule;
 - (d) Option details;
 - (e) redemption reserve;
 - (f) name and contact details of the debt securities trustee
 - (g) Name and contact details of the investment agent;
 - (h) Name and contact details of the credit rating company;]

¹ Sub-clause (vi) substituted by SRO 1383(I)/2020 December 23, 2020.

- vii. in case of issue of Sukuk, additional information like name of the Shariah Advisor, brief on the transaction structure, Shariah Certificate by the Shariah Advisors, etc; and
- viii. Principal purposes of the issue.
7. Detail of approvals obtained including date of approval, name of the approving authority, relevant law and clause under which approval has been granted; disclaimer, if any, by the approving authority;
8. Names of the underwriter(s) and amount underwritten by each of them, if relevant;
- 1¹[9. Address and other contact detail of the following, as applicable:
 - (a) Consultant to the issue;
 - (b) the book runner;
 - (c) bid collection centres;
 - (d) all bankers to an issue;
 - (e) the ballotters;
 - (f) the transfer agents;
 - (g) the auditors of the Issuer;
 - (h) legal advisor to the issue;
 - (i) the debt securities trustee;
 - (j) the investment agent;
 - (k) the credit rating agency;
 - (l) Shariah advisors;]
10. The abridged prospectus must be signed and witnessed in such form and manner as the full prospectus.

¹ S.No. 9 substituted by SRO 1383(I)/2020 December 23, 2020.

COMPLIANCE
CORPORATE LAWS

THIRD SCHEDULE
CONTENTS OF THE ADVERTISEMENT
FOR PUBLIC OFFER OF SECURITIES

1. The matters to be specified in an advertisement to be published, telecasted or broadcasted, subsequent to publication of prospectus in full or in abridged form must contain only such material or information that is contained in or part of the prospectus.
2. Advices for investors, relating to reading of risk factors; prohibition of making false and fictitious application; consolidated and multiple bids; seeking professional advice before making investment decision etc. must be given.
3. The following information relating to the Issuer and the issue shall be disclosed in the advertisement:
 - (i) Name of Issuer, number of securities to be offered; offer price; bankers to an issue; consultant to the issue, and contact detail of the person who can be contacted by the investors for information about the issue;
 - (ii) Website addresses from where the complete prospectus along with experts reports, securities subscription application form and/or bidding form can be downloaded;
 - (iii) Addresses from where copies of the prospectus along with experts report can be obtained in physical form alongwith time and dates for collection;
 - (iv) In case of book building, the following additional information shall be disclosed:
 - (a) Bidding period; floor price; ¹[Price Band] and
 - (b) name of the book runner; address and contact detail of the bid collection centers.
- ²[(v) In case of debt security, the following additional information, as applicable, shall be disclosed:
 - (a) Entity and instrument rating;
 - (b) rate of return of the instrument;
 - (c) tenor of the instrument;
 - (d) Name of the rating agency;
 - (e) Name of the debt security trustee;
 - (f) Name of the Investment Agent;
 - (g) Name of the Shariah advisors.]
4. Any other information or material that the Commission deems necessary to be disclosed.
5. It is the responsibility of Issuers to ensure that the advertisements comply with all other relevant laws and Regulations.
6. The advertisements should be published at least in all those newspapers in which the prospectus or the abridged version of prospectus has been published.

¹ Words inserted by SRO 7(I)/2018 dated January 5, 2018

² Sub-clause (v) substituted by SRO 1383(I)/2020 December 23, 2020.

FOURTH SCHEDULE
MATTERS TO BE SPECIFIED IN THE SUPPLEMENT TO THE
PROSPECTUS AND REPORTS TO BE SET OUT THEREIN

- (1) Supplement to the prospectus shall be published in all those newspapers in which the shelf prospectus has been published.
- (2) The period between publication of supplement to the prospectus and the previous supplement to the prospectus or shelf prospectus should not be less than ¹[30 days].
- (3) The last supplement to the prospectus shall be published within a time period of not more than three years from the date of publication of the shelf prospectus.
- (4) The supplement to the prospectus for each issue shall contain updated status of the information contained in the shelf prospectus. The supplement to the prospectus shall contain the following:
 - (i) Reference of the shelf prospectus including date of publication of the shelf prospectus and date of publication of the supplements published earlier, if any;
 - (ii) Advices for investors, relating to reading of risk factors; prohibition of making false and fictitious application; consolidated and multiple bids etc.;
 - (iii) name of the Issuer;; number of securities to be issued under this tranche; the offer price; date of subscription; subscription period; name of advisors and consultant to the issue, name of the bankers to an issue; names of underwriters;
 - (iv) date of publication of the supplement to the prospectus;
 - (v) contact details of the relevant person for seeking further information by investors;
 - (vi) website addresses from where the shelf prospectus, the supplement to the prospectus earlier published, if any, the supplement to the prospectus, application and bidding forms can be downloaded;
 - (vii) name of the offeror, if any; type of security; size of the issue including pre-IPO placement, if any, and offer price; dates for public subscription; minimum amount of application and basis of allotment; refund of subscription money; transfer, issue ²[] and credit of securities;
 - (viii) in case of debt security additional information like tenor; rate of return; redemption schedule; call, put, conversion options, if any; detail of assets backing the instrument; redemption reserve, if any; amount raised through earlier tranches;
 - (ix) in case of issue of Sukuk, additional information like transaction structure, names and role of related parties like originator, service providers etc;

¹ Substituted for the words "six months" by SRO 1619 (I)/2019 dated December 26, 2019

² Comma and word ", dispatch" omitted by SRO 7(I)/2018 dated January 5, 2018

- (x) in case of book building, the bidding procedure including investors' eligibility for bidding; minimum bid value; date and time for registration of the prospective bidders; bidding period; date and time for revision and withdrawal of bids; rejection of bids; strike price determination; basis of allotment, refund/ unblocking of margin money;
- (xi) Pricing of the security being offered;
- (xii) Minimum amount which must be raised;
- (xiii) Dividend history of the company;
- (xiv) in case of debt security additional information like tenor; rate of return; redemption schedule; call, put, conversion options, if any; credit rating; name of the rating agency; detail of assets backing the instrument; redemption reserve, if any;
- (xv) Addresses from where copies of the prospectus can be obtained in physical form along with time and dates for collection;
- (xvi) detail of approvals obtained including date of approval, name of the approving authority, relevant law and clause under which approval has been granted; disclaimer, if any, by the approving authority and name of the securities exchange where the security will be listed;
- (xvii) All risk factors which in the opinion of the company may be assumed by investor whether specific to the issuer; and
- (xviii) financial snapshots based on last ¹[three years].

REPORTS TO BE SET OUT IN THE SUPPLEMENT TO THE PROSPECTUS

In the supplement to the prospectus, the following reports and statements shall be set out:

- (1) Auditors updated reports on income statement, balance sheet, paid up capital and breakup value per share in the form and manner as disclosed in full prospectus.
- (2) In case of debt security:
 - (i) summary of the updated, if any, credit rating report by the credit rating agency;
 - ²[]
- (3) In case of Sukuk and asset based securitization transaction, brief on the transaction structure.
- (4) In case of Sukuk or other Shariah compliant instrument, Shariah pronouncement (Fatwa) by the Shariah advisors to the issue.
- (5) A statement by the board of directors or by the chief executive officer or the chief financial officer duly authorized by the board that the supplement contains a fair summary of the key information set out in the prospectus.

¹ Substituted for the words "five years audited accounts" by SRO 1619 (I)/2019 dated December 26, 2019

² Sub-clauses (ii) & (iii) omitted by SRO 1619 (I)/2019 dated December 26, 2019

**¹[FIFTH SCHEDULE
PROCESSING FEE**

- (i) In case of public offering of equity securities of a company: Rs.200,000/-
- (ii) In case of issuance of debt security: Rs.100,000/-

[*fee revised as per the directive of Policy Board vide SRO 716(I)/2019, dated 2nd July, 2019]]

1 Fifth Schedule substituted by SRO 1286(I)/2019 dated October 28, 2019

COMPENDIUM
OF
CORPORATE LAWS

SIXTH SCHEDULE
CHECKLIST OF DOCUMENTS IN CASE OF ISSUE/LISTING OF
SECURITIES (GDRs/GDSs/Bonds) OUTSIDE PAKISTAN
UNDER SECTION ¹[95 OF THE SECURITIES ACT, 2015]

S.#	Name of Document
1	Application by the applicant under section 95 of the Act.
2	Copy of the draft Offering Circular for issue of securities outside Pakistan by the Company
3	Copy of Memorandum and Articles of Association containing Certificates of Incorporation and Commencement of Business, duly certified from the concerned Company Registration office (CRO)
4	Copy of approval as required under 2[clause (b) of sub-section (1) of section 83 of the Companies Act, 2017] for issuance of shares by way of other than right offer, (<i>where applicable</i>).
5	Copy of special resolution, on Form 26 duly certified from Company Registration Office(CRO) concerned, passed in the AGM/EOGM of the members of the Company regarding issuance of securities outside Pakistan;
6	Copy of the notice of general meeting in which approval of the members obtained.
7	Confirmation that copy of the above mentioned special resolution has been submitted to the securities exchanges
8	Detailed justification for the issuance of the securities (GDRs GDSs/Bond) outside Pakistan
9	Complete break-up of the utilization of the proceeds of the GDRs GDSs/Bond issue.
10	Complete detail of the projects, if any, alongwith its feasibility, which will be financed through the proceeds of the GDRs/GDSs/Bond issue;
11	Copy of the resolution passed in the Board of Director's meeting of the Company authorizing issuance of GDRs/GDSs/Bond outside Pakistan;
12	Five years financial projections of the Company duly reviewed by its auditors or any other audit firm;
13	Copy of approval of SBP and that of any other approval/NOC obtained from any regulatory authority/agency/department with respect to the proposed issue of GDRs/GDSs/Bond;
14	Detail of international regulatory requirements relating to the proposed issue of GDRs/GDSs/Bond and compliance status with these requirements by the Company;
15	Copy of audited annual accounts of the Company for the last five years alongwith latest quarterly and half yearly accounts;
16	Copy of CIB reports of the Company, its directors, associated and subsidiary companies;

1 Substituted for the words "62-A OF THE COMPANIES ORDINANCE, 1984" by SRO 838(I)/2017 dated August 23, 2017

2 Substituted for the words "proviso to sub-section (1) of Section 86 of the Companies Ordinance, 1984" by SRO 838(I)/2017 dated August 23, 2017

17	Copy of Credit Rating Report (for both entity and the instrument) in case of debt securities.
18	Complete group structure along with shareholding position of the group in each group company;
19	Complete latest pattern of shareholding of the Company in hard and soft form (both before and after issue of GDRs/GDSs/Bonds);
20	Affidavit on Non-judicial stamp paper from Chief Executive on accuracy of the disclosure made in the Offering Circular, Term Sheet and all documents submitted in connection with the proposed issue of GDRs/GDSs/Bond to the Commission, duly certified by the Oath Commissioner;
21	Copy of the term sheet containing of shares and Amount); (ii) number of shares that represents each GDRs/GDSs or number of shares to be issued in case of conversion of Bonds ; (iii) name of Depository; (iv) name of custodian; (v) name of lead manager, book runner, underwriter, co-lead manager, local financial advisor etc.; (vi) timeline for issuance of GDRs/GDSs/Bond; (vii) Legal provisions under which GDRs/GDSs/Bond will be issued and governed; (viii) name of the Stock Exchange on which GDRs/GDSs/Bond will be listed (ix) rights and entitlement of GDRs/GDSs/Bond holder; (x) mechanism of conversion of GDRs/GDSs/Bond into ordinary shares; (xi) Breakup of the expenses related to the proposed issue of GDRs/GDSs/Bond; (xii) the amount and percentage of Commission payable to the underwriters etc.(xiii) complete redemption schedule in case of issue of debt securities.
22	Consent to act as Global-coordinator, Lead manager, financial advisor and/or Book runner;
23	Name of countries where the proposed GDRs/GDSs/Bond will be offered
24	Receipted challan of the application filing and processing fee
25	Power of Attorney, on Non-Judicial Stamp Paper, in favor of local consultants to the issue, certified by the Notary Public.

Note: Copies of all the documents should be truly certified by the Company Secretary.

1 [Seventh Schedule

¹ Seventh Schedule inserted by SRO 7(l)/2018, dated January 5, 2018.

2 Inserted by SRO 1619(I)/2019, dated December 26, 2019.

a) Name in FULL (as per CNIC)	Mr.	Ms.	Mr. Co.	<input type="checkbox"/> Please Tick	Father's Husband's Name (as per CNIC)
Identity Number (CNIC / Passport /	* INVESTORS ARE ENCOURAGED TO DISCLOSED THEIR NTN NUMBER TO FACILITATE THE ISSUER TO CHECK STATUS OF SECURITIES HOLDERS AS TAX RETURN FILER OR NON FILER FROM THE ACTIVE TAXPAYER LIST (ATL) AVAILABLE ON THE WEBSITE OF FER. PLEASE NOTE THAT REDUCED TAX RATE OF 15% APPLIES TO FILERS INSTEAD				
Full Address ³ [(including Email Address)]					
Phone No. ⁴ [(including Mobile Number)]					
International Bank Account Number(IBAN)					
Bank Name					
Branch Name & Address					
Additional Information – For Non-Resident Pakistani and Foreign Investor Only					
Place of Issue of Passport	Yes	No	Date of Issue of Passport		
Corporate Business Letter enclosed			Country of Residence		
5) FOR JOINT HOLDER, IF ANY					
b) Name in Full (as per CNIC)	Mr.	Ms.	Mr. Co.	<input type="checkbox"/> Please Tick	Identity Number (CNIC / Passport /Registration No.)
DIVIDEND MANDATE: (Mandatory) In order to enable the Company to credit the cash dividend declared, if any, by the Company, directly in the Securities Holders bank account, please fill in the following boxes:					
Title of Account	International Bank Account Number(IBAN)	Bank Name			

3 Inserted by SRO 1619(I)/2019, dated December 26, 2019.

4 Inserted by SRO 1619(I)/2019, dated December 26, 2019.

Branch Name And Address												
(TO BE FILLED IN BY THE APPLICANT'S BANKER)												
<p>6.) It is certified that the above-mentioned applicant (s) is/are maintaining account number as mentioned above at this bank branch and his/her/their particulars and signature (s) are correct and verified as per the bank's record and their CNIC/Passport. It is further certified that only one application has been made in the name of the above account holder through this branch. We also confirm that the original CNIC/Passport has been seen by us.</p> <p>Note: In case the subscription money is paid through a bank other than the bankers to the offer (through pay order or bank draft), this certification shall be provided by the manager of the bank where the applicant maintains his/her bank account.</p>												
SPECIMEN SIGNATURE(S) OF THE APPLICANT					SPECIMEN SIGNATURE(S)							
NAME OF THE APPLICANT IN BLOCK LETTERS (AS PER CNIC)												
a	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____		
b	_____	_____	_____	_____	_____	_____	_____	_____	_____	_____		
Banker's to the Offer: Provisional acknowledgement of application for Securities of Name of Issuer Received from Mr/Ms/Mrs.					application for _____ Securities			Bank's Authorized Signature Bank's _____ Rubber Stamp				
Name of bank	Branch Code	Application Serial No.	Date of Receipt									

[Back Page](#)

APPLICATION AND ALLOTMENT INSTRUCTIONS

1. ELIGIBLE INVESTORS INCLUDE:

- (a) Pakistani citizens resident in or outside Pakistan or Persons holding dual nationalities including Pakistani nationality;
- (b) Foreign Nationals whether living in or outside Pakistan;
- (c) Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
- (d) Mutual Funds, Provident / pension / gratuity funds / trusts, (subject to the terms of the Trust Deed and existing regulations); and
- (e) Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

2. COPIES OF THE PROSPECTUS

Copies of the Prospectus and applications forms can be obtained from the Trading Rights Entitlement Certificate (TREC) Holders of PSX, the Bankers to the Issue and their Branches, the Consultant to the issue and the registered office of the **Name of the Issuer**. The Prospectus and the Application Forms can also be downloaded from the following websites:

- (i) website address of the Issuer; (ii) website address of Consultant to the Issue; and
<https://eipo.cdcaccess.com.pk/public/index.xhtml>

The applicants are required to complete the relevant sections of the application in order to get the Securities in scrip-less form. In accordance with the provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such securities are allowed ONLY in the applicant's own CDC account 1[OR in CDC's IPO Facilitation Account. (IPO Facilitation Account is an Investor Account opened by CDC under its Regulations for the purpose of crediting and holding of Securities on behalf of individual Pakistani investors who have subscribed to such Securities offered by an Issuer/Offeror).]

3. NAME(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH, AND SHOULD NOT BE ABBREVIATED.

4. ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THAT RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANI (NICOP) OR PASSPORT, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.

5. APPLICATIONS MADE BY INDIVIDUAL INVESTORS

- (a) In case of individual investors, a photocopy of the CNIC (in case of resident Pakistanis) / NICOP or Passport (in case of non-resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / NICOP / Passport should be written against the name of the applicant.
- (b) Original CNIC / NICOP / Passport, along with a photocopy, must be produced for verification to the Banker to the issue and the applicant's banker (if different from the Banker to the issue) at the time of presenting an application. The photocopy will, after verification, be retained by the branch along with the application.

6. APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

- (a) Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by a photocopy of their memorandum and articles of association or equivalent instrument / document. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.

1 Inserted vide SRO 1619 (I)/2019 dated December 26, 2019

- (b) Photocopies of the documents mentioned in paragraph 6(a) above must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the banker to the issue) at the time of presenting the application. The copies, will after verification, be retained by the bank branch along with the application.

7. ADDITIONAL INSTRUCTIONS FOR INVESTORS

- (a) Only one application will be accepted against each account, however, in case of joint accounts, one application may be submitted in the name of each joint account holder.
- (b) Joint application in name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit copies of their CNICs / NICOP / Passports. The securities will be credited to the CDS account mentioned on the face of the form ¹[OR in CDC's IPO Facilitation Account] and where any amount is refundable, in whole or in part , the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit, or return. Please note that application will be considered as a single application for the purpose of allotment of securities.
- (c) Subscription money must be paid by cheque drawn on applicants own bank account or pay order / bank draft payable to one of the Bankers to the Issue in favor of "**A/C IPO OF Name of the Issuer**" and crossed "**A/C PAYEE ONLY**".
- (d) For the application made through pay order / bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.
- (e) The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of securities.
- (f) Applications are not to be made by minors and / or persons of unsound mind.
- (g) Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form.
- (h) Applicants should retain the bottom portion of their application forms as provisional acknowledgment of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of securities for which the application has been made.
- (i) Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
- (j) Banker to the issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the issue.
- (k) It would be permissible for a Banker to the issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
- (l) Submission of false and fictitious applications is prohibited and such Application Money may be forfeited under section 87(8) of Securities Act, 2015.

(m)

عوام افاس کو مطلع کیا جاتا ہے کہ بکیو ریز ایکٹ 2015 کی شن نمبر (7) 87 کے تحت جوئی یا جعلی درخواستیں دینا قانوناً محرم ہے۔ خلاف ورزی کرنے والوں کی رقم، جو کو درخواست کے ساتھ جمع کرائی جاتی ہے، بکیو ریز ایکٹ 2015 کی شن نمبر (8) 87 کے تحت ضبط کی جا سکتی ہے۔

8. ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON RESIDENT INVESTORS

- (a) In case of Foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.
- (b) Foreign / Non-resident investors should follow the payment instructions given in Para () of the prospectus.

9. BASIS OF ALLOTMENT

The basis and conditions of transfer of securities to the General Public shall be as follows:

- (a) The minimum value of application for subscription of 500 securities is PKR 1/- (Issue Price x 500 securities) Application for amount below the minimum value shall not be entertained.
- (b) Application for securities must be made for 500 securities or in multiple thereof only. Applications which are neither for 500 securities nor for multiple thereof, shall be rejected.
- (c) Allotment / transfer of securities to successful applicants shall be made in accordance with the allotment criteria / instructions disclosed in the Prospectus.
- (d) The allotment of securities shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and / the instructions by the Securities and Exchange Commission of Pakistan.
- (e) Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all the data fields in the application form.
- (f) **The Issuer will credit the respective CDS accounts of the successful applicants.**

10. CODE OF BANKERS TO THE ISSUE

CODE No.	Bank name
01.	
03.	
04.	
05.	
06.	
07.	
08.	
09.	
10.	
11.	
12.	

11. CODE OF OCCUPATIONS

CODE No.	OCCUPATIONS
01.	Business
02.	Business Executive
03.	Service
04.	Housewife
05.	Household
06.	Professional
07.	Student
08.	Agriculturist
09.	Industrialist
10.	Other

12. PUBLIC SUBSCRIPTION THROUGH e-IPO:

e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following two systems are available for e-IPOs:

(i) Centralized e-IPO System (CES):

The Central Depository Company of Pakistan Limited (CDC) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this IPO and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.

For making application though CES, investors must be registered with CES. Registration with CES is free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) ¹[OR CDC's IPO Facilitation Account] may registered themselves with CES.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details.

For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.

For further detail on CES, please refer to para ().

(ii) e-IPO facilities by Bankers to the Issue:

CODE	NAME OF COUNTRY	CODE	NAME OF COUNTRY
001.	U.S.A.	006.	Bangladesh
002.	U.K	007.	China
003.	U.A.E.	008.	Bahrain
004.	K.S.A.	009.	Other
005.	Oman		

For further queries, you may contact:

Contact details of relevant person of the Issuer		Contact details of relevant person of Consultant to the Issuer
Name	Name	Name
Phone Number	Phone Number	Phone Number
Email Address	Email Address	Email Address

1 Words etc. inserted vide SRO 1619(I)/2019, dated December 26, 2019

¹[EIGHTH SCHEDULE**LIST OF DOCUMENTS TO BE SUBMITTED ALONGWITH APPLICATION FOR APPROVAL TO ISSUE, CIRCULATE AND PUBLISH PROSPECTUS**

S. No.	Documents to be submitted along with application for approval of Prospectus.
1.	Application under section 88(1) read with section 87(2) of the Securities Act, 2015 for approval to issue, circulate and publish prospectus.
² [1a.]	Copy of the board resolution relating to approval of the Public Offering.]
2.	Copy of the Pakistan Stock Exchange Limited (PSX) approval letter.
3.	Copy of the prospectus both in hard and soft form, approved by PSX.
4.	Copy of the abridged prospectus, if any, both in hard and soft form, approved by PSX.
5.	Copy of the advertisement, if any, both in hard and soft form, approved by PSX.
6.	Last page of the full prospectus and abridged prospectus, if any, duly signed in original by every person who is named therein as director of the issuing company. Signatures of the directors must be witnessed by the company secretary. In case of offer for sale of shares, last page of the full prospectus and abridged prospectus if any signed in original by every Offeror or the persons authorized in writing by the Offerors.
7.	Copy of the audited accounts of the company, both in hard and soft form, for the last two years or for a shorter period in case the company is in existence for a shorter period.
8.	Copy of the Memorandum of Association and Articles of Association of the company.
9.	Affidavit on non-judicial stamp paper from the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) on making full, true, fair and plain disclosure of all material facts in the prospectus duly certified by an Oath Commissioner.
10.	Undertaking, on non-judicial stamp paper, from CEO or the Company Secretary (CS) or CFO, that they have fully disclosed in the prospectus all the legal proceedings pending in any court in which the company or any of its associated companies over which it has control, is a party and which may have an adverse material impact on the business of the company, duly certified by the Oath Commissioner.
11.	Copy of the consent letters from the Consultant to the Issue, the Book Runner, where required, the Underwriters, if any, the Share Registrar and Ballotter, and the Bankers to the Issue.
12.	Power of Attorney, on non-judicial stamp paper in favor of the Consultant to the Issue, to file the application and other documents and information on behalf of the company.

1 Eighth Schedule inserted vide SRO 1619(I)/2019, dated December 26, 2019

2 Inserted vide SRO 819(I)/2020 dated September 7, 2020

13.	Undertaking on non-judicial stamp paper from the Underwriters regarding no buy-back/re-purchase agreement, duly certified by the Oath Commissioner.
14.	Undertaking on non-judicial stamp paper regarding no buy-back/re-purchase agreement, by the sponsors, duly certified by the Oath Commissioner.
15.	In case of supplement to the prospectus, an undertaking, on non-judicial stamp paper, from CEO of the company to the effect that basic structure/features of the issue is/are in line the prospectus approved by the Commission. In case there is any change/deviation, it should be clearly stated in the said undertaking.
16.	Additional documents in case of debt securities: (i) copy of the credit rating report where required, by a credit rating company licensed by the Commission. (ii) copy of the agreement regarding appointment of the market maker, if any. (iii) copy of the trust deed and related documents including letter of hypothecation, certificate of registration of mortgage/charge, detail of the charged assets, particular of mortgages/charges etc. (iv) copy of only one investor agreement in full, if the terms and conditions of all the agreements are same, along with key pages of others. (v) copy of the shariah pronouncement in case of Sukuk.
17.	Original paid challan evidencing payment of application processing fee as under: (i) in case of public offering of equity securities: Rs. 200,000/-. (ii) in case of issuance of debt securities: Rs.100,000/-.
18.	Any other document/information as may be required by the Commission for its own record or for inclusion in the prospectus.
Documents required after Approval of the Prospectus:	
19.	Three printed copies of the prospectus in magazine form and on Compact Disk (CD), within two days of its publication.
20.	Copies of all those newspapers in which the prospectus and the advertisement(s), if any, are published, within two days of their publication.
21.	Copy of the supplement to the prospectus, in case of book building
22.	In case of debt securities, statement regarding the payment of profit and redemption of the principal amount, regularly on semiannual basis.
23.	A final report regarding public offering within 15 working days of the close of the subscription period. The report must contain the following information: salient features of the issue, date of publication of prospectus, book building period, number of securities offered under the book building portion, floor price, total number of bidders, number of bids declared successful/unsuccessful/rejected, number of securities bids for, strike price, allotment of securities to various categories of investors, number of securities offered under the retail portion, offer price, total number of applicants and amount thereof, applications received through e-ipo facilities, number of physical applications, number of successful applicants and unsuccessful applicants, amount refunded, date of credit of securities, credit of shares held by sponsors into their respective CDS Accounts in blocked form, date of formal listing etc.

Note: The documents submitted in the form of photo copy must be certified by the Company.]

**¹[NINTH SCHEDULE
FIT AND PROPER CRITERIA
[see regulation 12(a)]]**

Fit and proper criteria for Promoters / Sponsors, directors and chief executive officer of Special Purpose Acquisition Companies (SPACs).

(A) Application and Scope:

The Fit and Proper Criteria in relation to Special Purpose Acquisition Companies (SPACs) shall be applicable to the following persons:

- (i) Promoters or sponsors;
- (ii) Directors; and
- (iii) Chief executive officer

(B) Integrity and Track Record:

A person shall not be considered Fit and Proper if he:

- (i) has been convicted of an offence involving moral turpitude, fraud or breach of trust;
- (ii) has been involved in the mismanagement of investments, financial or business misconduct, fraud etc.;
- (iii) has been suspended or barred from capital market activities;
- (iv) has been subject to material adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;
- (v) has been actively involved in the management of a company or firm whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;
- (vi) is ineligible, under the Act, Companies Act or any other legislation or regulation, from acting as a director or serving in a managerial capacity of a company;
- (vii) found involved in money laundering or terrorist financing, illegal deposit taking/ banking business/ financial dealings;
- (viii) has been adjudged as insolvent or has suspended payment or has compounded with his creditors;
- (ix) The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:
 - a. Integrity and track record of such person;
 - b. Competence and capability of the person; and
 - c. Conflict of interest of such person;

Undertaking from all the sponsors, directors and key management with regard to the above shall be enclosed along with application for registration as SPAC.

1 Ninth Schedule inserted vide SRO 1214(I)/2021, dated September 15, 2021

(C) Competence and Capability:

The sponsors shall be required to submit an undertaking w.r.t competence and capability. In determining a person's competence and capability the following shall be considered:

- (i) A SPAC must demonstrate that promoters/sponsors/directors have the experience, qualification and competence to–
 - a) achieve the SPAC's business objective and strategy as disclosed in the prospectus issued in relation to the initial public offering; and
 - b) perform their individual roles, including an understanding of the nature of their obligations and those of the SPAC under the regulatory requirements relevant to their roles.
- (ii) The SPAC promoters/sponsors/directors, as a whole, must possess the appropriate experience and track record which demonstrate that it will be capable of identifying and evaluating acquisition targets, completing the qualifying acquisition and managing the company sustainably based on the business strategy outlined in the prospectus. The SPAC must demonstrate that the promoters/sponsors/directors/chief executive officer have the requisite collective experience and track record, which include having–
 - a) sufficient and relevant technical and commercial experience and expertise;
 - b) positive track record in corporations within the same industry and business activity evidenced by promoters/ sponsors/ directors/ chief executive officer's contribution to the growth and performance of such corporations, including ability to deal with the relevant risks relating to the business operations;
 - c) ability to locate and develop appropriate acquisition opportunities for corporations; and
 - d) positive corporate governance and regulatory compliance history.
- (iii) the chief executive and director must be fully conversant with their duties as prescribed under the statutes, rules and regulations; and
- (iv) in case of promoters or sponsors or directors, should have special knowledge of matters which the company may have to deal with as a SPAC.

(D) General:

- (i) The Fit and Proper Criteria is perpetual in nature and SPAC shall ensure compliance with the provisions of Fit and Proper Criteria;
- (ii) In case of any change in status result in non-compliance with the Fit and Proper Criteria, the SPAC shall immediately stop the person from performing his assigned functions, informs the Commission and initiate

the process for replacement of the individual with a fit and proper individual;

- (iii) All persons subject to Fit and Proper Criteria shall report any change with reference to their fitness and propriety to the SPAC within three business days of such change taking effect and SPAC shall within three business days from the date of receipt, report the same to the Commission;
- (iv) Any violations or circumvention of the Fit and Proper Criteria shall be dealt with under the provisions of the Act; and
- (v) All persons subject to fit and proper criteria shall submit an affidavit to the Commission affirming under the oath that the person meets the fit and proper criteria and it has no overdue payment of any financial institution.]

COMPENDIUM
OF
CORPORATE LAWS

¹[SCHEDULE TEN
Minimum Contents of the Custodian Agreement

Custodian Agreement at minimum should include -

- (i) provisions relating to the powers of the custodian including any indemnity given by the SPAC to the custodian;
- (ii) general covenants by the SPAC to-
 - (a) comply with the provisions of the custodian agreement; and
 - (b) provide the custodian any information which the custodian may require in order to discharge its duties and obligations as custodian under the custodian agreement;
- (iii) reporting covenants by the SPAC to immediately notify the custodian of any-
 - (a) circumstance that has occurred that would materially prejudice the SPAC;
 - (b) change in the utilization of proceeds; and
 - (c) other matter that may materially prejudice the interests of the holders of voting securities;
- (iv) Where the custodian is allowed to invest the monies kept in the escrow account, the conditions under which it is permitted to do so and the types of permitted investment;
- (v) provision on release of funds from escrow account, clearly specifying that funds can only be released in relation to-
 - (a) Making permitted investments of the monies in escrow account as specified under Regulation 12(h)(4);
 - (b) For the purpose of merger or acquisition transaction in accordance with Regulation 12(h)(1) and 12(i) of these regulations;
 - (c) the release of funds to the holders of voting securities, in accordance with 12(g)(3) of these regulations, who had voted against the qualifying merger or acquisition and the remaining funds to the SPAC upon completion of the qualifying acquisition within the permitted time frame; and
 - (d) the release of funds to the holders of voting securities upon failure to complete the merger or acquisition transaction as referred to in regulation 12(o) of these regulations;
 - (e) meeting expenses related to the initial public offering/private placements and operating costs, fund the search for a target business and complete the qualifying acquisition in accordance with these regulations.
- (vi) the conditions for the resignation and termination of the custodian.

¹ Inserted vide SRO 1214 (I)/2021 dated September 15, 2021

¹[Eleven Schedule
[Format of the Prospectus - SPAC]
[see Regulation 12(b)]

ADVICE FOR INVESTORS

- INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ CONTENTS OF THIS PROSPECTUS, ESPECIALLY THE RISK FACTORS GIVEN PART -- OF THIS PROSPECTUS BEFORE MAKING ANY INVESTMENT DECISION.
- SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.
- ADVICE FOR INSTITUTIONAL INVESTORS AND HIGH NET WORTH INDIVIDUAL INVESTORS
- A SINGLE INVESTOR CANNOT SUBMIT MORE THAN ONE BIDDING APPLICATION EXCEPT IN THE CASE OF UPWARD REVISION OF BID. IF AN INVESTOR SUBMITS MORE THAN ONE BIDDING APPLICATION THEN ALL SUCH APPLICATIONS SHALL BE SUBJECT TO REJECTION.
- SUBMISSION OF CONSOLIDATED BID IS PROHIBITED UNDER PUBLIC OFFERING REGULATIONS, 2017. A BID APPLICATION WHICH IS BENEFICIALLY OWNED (FULLY OR PARTIALLY) BY PERSONS OTHER THAN THE ONE NAMED THEREIN SHALL BE DEEMED TO BE A CONSOLIDATED BID.
- PLEASE NOTE THAT A SUPPLEMENT TO THE PROSPECTUS SHALL BE PUBLISHED WITHIN THREE WORKING DAYS OF THE CLOSING OF THE BIDDING PERIOD WHICH SHALL CONTAIN INFORMATION RELATING TO THE STRIKE PRICE, THE OFFER PRICE, COMMITMENT BY THE SUCCESSFUL BIDDERS FOR SUBSCRIBING THE UNDERSUBSCRIBED RETAIL PORTION IN CASE OF HUNDRED PERCENT BOOK BUILDING, CATEGORY WISE BREAKUP OF THE SUCCESSFUL BIDDERS ALONG WITH NUMBER OF SHARES ALLOCATED TO THEM, DATES OF PUBLIC SUBSCRIPTION AND SUCH OTHER INFORMATION AS SPECIFIED BY THE COMMISSION.

Company Name – SPAC's name & Logo

PROSPECTUS

Company's Incorporation date: _____

Company's Incorporation Number: _____

For more information about Company, please refer to its website at <http://----->

Contact person of the Company: Mr./Ms.-----Phone-----Email:.....

Disclaimer

- The money raised through IPO will be used for acquisition of company(ies) or merging with company within a period of three years from the date of listing of SPAC on the exchange.
- (Disclosure if applicable) SPAC currently does not have any specific business combination under consideration and that the SPAC's officers and directors have neither individually selected nor considered a target business for the business combination nor have they had any discussions regarding possible target businesses among themselves or with underwriters or other advisors.

Issue Size: The Issue consists of ----- Ordinary Shares (i.e. ---% of the total post-IPO paid up capital of (name of company) of face value of PKR 10/- each. [Please also disclose the size of warrants and features, If the issue also consists of warrants, convertible in to shares post acquisition or merger]

Method of Offering: Fixed Price or 75%/100% Book Building Method (whichever is applicable)

Floor Price: The entire Issue will be offered through book building method at a Floor Price of PKR --/- per share (including premium (if any) of PKR --/- per share with a price band of upto 40%. Justification of premium is given under "Valuation Section", i.e. Section ---).

Book Building Method: The bidders shall be allowed to place bids for hundred percent (100%/75% (whichever is applicable) of the Issue size and the Strike Price shall be the price at which the hundred percent (100%/75% whichever is applicable) of the Issue is subscribed. However, the successful bidders shall be provisionally allotted only seventy-five percent (75%) (in case of 100% book building) of the Issue size i.e. ----- shares and the remaining twenty five percent (25%) i.e. ----- shares shall be offered to the retail investors.

Retail/general public portion: General Public portion of the Issue comprises of ----- ordinary shares (--- of the total issue) at the Strike Price. In case retail portion of the Issue remains unsubscribed, the unsubscribed shares will be allotted to the successful bidders of book building on a pro rata basis.

Public Comments: The Draft Prospectus was placed on PSX's website for seeking public comments starting from ----- (date) to ----- (date). The comments received have been duly responded/incorporated by the Lead Manager.

REGISTRATION OF ELIGIBLE INVESTORS: The registration of eligible investors will commence at 9:00 am on --- (date) and will close at 3:00 pm on --- (date)

BIDDING PERIOD DATES: From ----- (date) to ----- (date) (From: 9:00 am to 5:00 pm)

DATE OF PUBLIC SUBSCRIPTION: From ----- (date) to ----- (date) (both days inclusive) From: 9:00 am to 5:00 pm

Lead manager/ consultant to the issue	Book runner	Custodian
Bankers to the Book Building portion of the Issue	Bankers to the Issue (Retail Portion) *	

*Online applications can be submitted through Centralized E-IPO system (CES) of Central Depository Company of Pakistan Limited (CDC), PSX's e-IPO system (PES) and ---(name of bank) e-IPO system. CES, PES and ---(name of bank) e-IPO system can be accessed via web link www.cdceipo.com, <https://eipo.psx.com.pk> and <http://www.---> respectively. For details please refer to section --- of the Prospectus.

In order to facilitate investors, ----- Bank Limited ("---") is providing the facility of electronic submission of application (e-IPO) to their account holders. ---[name of bank] account holders can use ---[name of bank] net banking to submit their application via <http://---> . . . Further, please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on ----- [Date].

The Company is Proposed to be listed at the Pakistan Stock Exchange Limited Prospectus and Subscription Forms can be downloaded from the following websites <http://----->; <http://----->; and <http://----->

For further information/queries you may contact:

Mr./Ms.	Mr./Ms.	Mr./Ms.
Phone:.....	Phone:.....	Phone:.....
Email:.....	Email:.....	Email:.....

DATE OF PUBLICATION OF THIS PROSPECTUS: -----

UNDERTAKING BY THE ISSUER, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

DATE: -----

WE, Mr./Ms.----- (name & designation) and Mr./Ms.----- (name & designation) OF ----- LIMITED hereby certify that:

1. We being the Chief Executive Officer and Chief Financial Officer of the issuer accept absolute responsibility for the disclosures made in this prospectus.
2. We hereby certify that we have reviewed this prospectus and that it contains all the necessary information with regard to the issue and constitutes full, true and plain disclosures of all material facts relating to the shares being offered through this prospectus and that nothing has been concealed.
3. The information contained in this prospectus is true and correct to the best of our knowledge and the opinions and intendeds expressed herein are honestly held.
4. This prospectus contains all information with regard to the issuer and the issue, which is material in the context of the issue and nothing has been concealed in this respect;
5. There are no other facts, the omission of which makes this prospectus as a whole or any part thereof misleading;
6. All requirements of the Securities Act, 2015, the disclosures in Public Offering Regulations, 2017 for preparation of prospectus, relating to approval and disclosures have been fulfilled; and all information as required under the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited has been disclosed in the Prospectus; and
7. No charges, fee, expenses, payments etc. have been committed to be paid to any person in relation to this public offering except for those as disclosed in the prospectus.
8. Whatever stated in Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.
9. The funds raised through IPO shall be utilized only for the purpose of Acquisition or Merger.

JOINTLY IN THEIR INDIVIDUAL CAPACITY AND FOR AND BEHALF OF ----- LIMITED

-sd-	-sd-	Witness-1 Witness-2
Mr./Ms..... PRESIDENT & CEO	Mr./Ms..... CHIEF FINANCIAL OFFICER	

UNDERTAKING BY THE COMPANY AND SPONSORS

The Company and its sponsors undertake:

1. The SPAC has been formed for the sole purpose of merger and/or acquisition transaction(s) and the funds raised from IPO shall be utilized for the said purpose;
2. That neither Issuer nor its directors, sponsors or substantial shareholders have been holding the office of the directors, or have been sponsors or substantial shareholders in any company:
 - (i) which had been declared defaulter by the securities exchange or futures exchange; or
 - (ii) whose TRE Certificate has been cancelled or forfeited by the Exchange, PMEX or any other registered securities exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by SECP due to noncompliance of any applicable rules, regulations, notices, procedures, guidelines etc. which has been de-listed by the securities exchange due to non-compliance of its regulations.
 - (iii) which has been de-listed by the Exchange due to its non-compliance of any applicable provision of PSX Regulation.
3. That none of the Sponsors, Major Shareholders, Directors or Management of the Company as well as the Company itself or its Associated Company / Entity have been found guilty of being engaged in any fraudulent activity. The Company have made full disclosure regarding any / or all cases in relation to involvement of the person named above in any alleged fraudulent activity i.e., pending before any Court of Law / Regulatory Body / Investigation Agency in or outside of the Country.

-sd-	-sd-	Witness-1 Witness-2
Mr./Ms..... For and on behalf of the Issuer	Mr./Ms..... For and on behalf of the Sponsors	

UNDERTAKING BY THE CONSULTANT TO THE ISSUE

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Limited
Stock Exchange Road
Karachi

Being mandated as Consultant to this Initial Public Offering of shares of -----
SPAC Limited, we hereby confirm that;

1. All material information as required under the Companies Act, 2017, the Securities Act, 2015, the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited and the Public Offering Regulations, 2017 has been disclosed in this Prospectus and that whatever is stated in Prospectus and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.
2. We have examined the business model and audited financial statements of the Issuer and based on the same, material information, including risks that would enable the investor to make an informed decision, has been disclosed in the Prospectus.

For and on behalf of ----- Limited

- sd-	- sd-	Witness-1 Witness-2
Mr./Ms.----- [Designation] Date: -----	Mr./Ms.----- [Designation]	

UNDERTAKING BY THE BOOK RUNNER

The Chief Executive
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Being mandated as the Book Runner to this Initial Public Offering of ----- Limited through the Book Building process, we hereby confirm that all material information as required under the Securities Act, 2015, the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited and the Public Offering Regulations, 2017 has been disclosed in this Prospectus and that whatever is stated in Prospectus and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and behalf of --- Limited.

- sd-	- sd-	Witness-1 Witness-2
Mr./Ms.----- [Designation] Date: -----	Mr./Ms.----- [Designation]	

Note: This Supplement shall be published within 3 working days of the close of Bidding Period in at least all those newspapers in which the Prospectus of ----- Limited is published.

SUPPLEMENT TO THE PROSPECTUS

This Supplement is being published pursuant to The Public Offering Regulations, 2017 and in continuation of the Prospectus of ----- Limited earlier published on -----

----- Limited (name of the company)

- FLOOR PRICE: PKR ---/- PER SHARE
- STRIKE PRICE: PKR ---/- PER SHARE
- ISSUE PRICE: PKR ---/- PER SHARE
- PRICE BAND (40% above the FLOOR PRICE): PKR ---/- PER SHARE

Note:

Since this Issue is being made through 100% book building with 25% allocation to retail investors, therefore, underwriting of the retail portion is not required. In case the Issue remains unsubscribed, the unsubscribed shares shall be allotted to the successful bidders on pro rata basis. The successful bidders have already given undertakings to subscribe such unsubscribed shares on pro rata basis.

Category wise Breakup of Successful Bidders S. No	Category	No. of Bidders	No. of shares provisionally allocated
1	Commercial Banks	•	•
2	Development financial institutions	•	•
3	Mutual Funds	•	•
4	Insurance Companies	•	•
5	Investment Banks	•	•
6	Employees' Provident / Pension Funds	•	•
7	Leasing Companies	•	•
8	Modarabas	•	•
9	Securities Brokers	•	•
10	Foreign Institutional Investors	•	•
11	Any other Institutional Investors	•	•
Total Institutional Investors		•	•
Individual Investors:		•	•
12	Foreign Investors	•	•
13	Local	•	•
Total Individual Investors		•	•
GRAND TOTAL			

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

Issuer	----- Limited
Board / BOD	Board of Directors of ----- Limited
BR	Book Runner
BVPS	Rs.---/- per share
CAGR	Compounded Annual Growth Rate
CDC	The Central Depository Company of Pakistan Limited
CDS	Central Depository System
Consultant to the Issue/ Lead Manager	----- Limited
Custodian	----- Limited
Conditions	The terms and conditions governing and regulating the Sukuk
CY	Calendar Year
DFI	Development Financial Institutions
EPS	Earnings per Share
FY	Financial Year
GOP	Government of Pakistan
PSX	Pakistan Stock Exchange Limited
PKR or Rs.	Pakistani Rupee
SECP or the Commission	Securities & Exchange Commission of Pakistan
SPAC	Special Purpose Acquisition Company
Transfer Agent & Balloter	----- Limited
Transaction Legal Counsel	-----

Definitions:

Application Money	In case of bidding for shares out of the Book Building portion, the total amount of money payable by a successful Bidder which is equivalent to the product of the Strike Price and the number of shares to be allotted.
Banker to the Book Building	Any bank(s) with whom an account is opened and maintained by the Issuer for keeping the bid amount.----- Bank Limited and ----- Limited have been appointed, in this IPO, as the Bankers to the Book Building.
Bid	An indication to make an offer during the Bidding Period by a Bidder to subscribe for Shares of ----- Limited at a price at or above the floor price, including upward revisions thereto. An Eligible Investor shall not make a bid with price variation of more than 10% of the prevailing indicative strike price subject to a maximum price band of 40% of the Floor Price. Please refer to Section ---- for details.
Bid Amount	The amount equal to the product of the number of shares Bid for and the Bid price.
Bid Collection Center	Designated offices of the Book Runner, specified branches of any of the Scheduled Bank and offices of any other institutions specified by the Commission where bids are received and processed. For this Issue, addresses of the Bid Collection Centers are provided in Section ---- of this Prospectus.
Bid Price	The price at which bid is made for a specified number of shares.
Bid Revision	<p>The Eligible Investors can revise their bids upward subject to the provision of regulation 10(2)(iii) of the PO Regulations. The bids can be revised with a price variation of not more than 10% from the prevailing indicative Strike Price in compliance with Regulation 10(2)(iii) of the PO Regulations.</p> <p>As per regulation 10(2)(vi) of the PO Regulations, the bidder shall not make downward revision both in terms of Bid Price and Bid Volume; Provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same.</p> <p>As per regulation 10(2)(vii) of the PO Regulations, the bidder shall not withdraw their bids.</p>
Bidder	An Eligible Investor who bids for shares in the Book Building process.
Bidding Form	The form prepared by the Issuer for the purpose of making bids.
Bidding Period	<p>The period during which bids for subscription of shares are received.</p> <p>The Bidding Period shall be of ---- days, from ----- to ----- both days inclusive (daily from 9:00 a.m. to 5:00 p.m.).</p>
Book Building	A process undertaken to elicit demand for shares offered through which bids are collected from the Bidders and a book

	is built which depicts demand for the shares at different price levels.
Book Building Account	An account opened by the Issuer with the Collection Bank. The Bidder will pay the Margin Money / Bid Amount through demand draft, pay order or online transfer in favor of this account as per the instructions given in Section ---- of this Prospectus and the balance of the Application Money, if any, shall be paid through this account after successful allocation of shares under Book Building.
Book Building Portion	The part of the total Issue allocated for subscription through the Book Building.
Book Runner	A securities broker or a scheduled bank who holds a valid license from the Commission to act as an Underwriter and has been appointed as Book Runner by the Issuer. ----- Limited has been appointed as Book Runner for this Issue.
Book Building System	An online electronic system operated by the Designated Institution for conducting Book Building.
Collection Banks	----- Bank Limited and ----- Limited are the collection banks for the Book Building portion. For this purpose, ----- Bank Limited and ---- Limited have opened an account titled "-----", Number: [---] at its [---] Branch, [--]. The Collection Banks shall keep and maintain the bid money in the said account. Once the Strike Price is determined and lists of successful bidders and successful applicants/allotees are finalized and shares are credited to the successful bidders and applicants, the Lead Manager, after obtaining NOC from PSX, may request in writing to the Collection Banks for transfer of the money of successful and accepted applications to the Issuer's account(s).
Company /SPAC /Issuer	----- Limited (the "Company" or "SPAC" or "----")
Company's Legal Advisor	-----
Commission	Securities & Exchange Commission of Pakistan ("SECP").
Consolidated Bids	A bid which is fully or partially beneficially owned by persons other than the one named therein.
Custodian	Means an investment agent/debt securities trustee, Bank, Investment Finance Service license holder and Depository Company engaged in regulated activities, not being an associate of the Special Purpose Acquisition Company, appointed for securing the monies of investors in the escrow account. [As per Regulation #.....of Public Offering Regulations, 2017] -----Limited has been appointed as custodian for securing the monies of investors in the escrow account.
Designated Institution	Pakistan Stock Exchange Limited ("PSX") is acting as the Designated Institution for this Issue and its book building system will be used for price discovery

Dutch Method	Auction	The method through which Strike Price is determined by arranging all the Bid Prices in descending order along with the number of shares and the cumulative number of shares bid for at each Bid Price. The Strike Price is determined by lowering the price to the extent that the total number of shares Issued under the Book Building Portion are subscribed.
e-IPO facility		<p>E-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of e-IPO. The following three systems are available for e-IPOs:</p> <p>(I) PSX's e-IPO System (PES):</p> <p>In order to facilitate investors, the Pakistan Stock Exchange Limited ("PSX") has developed an e-IPO System ("PES") through which applications for subscription of securities offered to the general public can be made electronically. PES has been made available in this Issue and can be accessed through the web link (https://eipo.psx.com.pk). Payment of subscription money can be made through 1LINK's and NIFT's member banks available for PES.</p> <p>For making application though PES, investors must be registered with PES. The PES registration form is available 24/7, all throughout the year. Registration is free of cost and can be done by:</p> <ul style="list-style-type: none"> • the investor himself, or • the TREC Holder with whom the investor has a sub-account, or • the Bank with whom the investor has a bank account. <p>Similarly, an e-IPO application can be filed by:</p> <ul style="list-style-type: none"> • the investor himself, or • the TREC Holder with whom the investor has a sub-account, or • the Bank with whom the investor has a bank account. <p>For further guidance and queries regarding PES, investors may contact PSX at phone number: 111-001-122, or contact at phone (021)-35274401-10 and email: itss@psx.com.pk.</p> <p>Investors who are registered with PES can submit their applications through the web link, https://eipo.psx.com.pk, 24 hours a day during the subscription period which will close at midnight on----[date]</p> <p>(II) Centralized e-IPO System (CES):</p> <p>In order to facilitate investors, the Central Depository Company of Pakistan ("CDC") has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Issue and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be</p>

	<p>made through 1LINK's member banks available for CES, list of which is available on above website.</p> <p>For making application though CES, investors must be registered with CES. Registration with CES is free of cost and can be done under a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number may registered themselves with CES.</p> <p>CDS account (Investor account or sub account) is not mandatory for subscription of securities through CES. Investors who do not have CDS account can opt for IPO facilitation account.</p> <p>Investors who opts for IPO facilitation account are required to open CDS account after public subscription process.</p> <p>For information relating to CDS account, investors may visit www.cdcpkakistan.com.</p> <p>Investors who are registered with CES can submit their applications through the web link www.cdceipo.com 24 hours a day during the subscription period which will close at midnight on [.]</p> <p>In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) can request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities by authorizing (adding the details of) their respective Participant(s) in CES.</p> <p>For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or Mr. ---- at Phone ---- and email: _____.</p> <p>(III) e-IPO facilities by Bankers to the Issue:</p> <p>Currently, ---- is providing e-IPO facilities to its accountholders.</p> <p>Account holders of ---- can submit their applications through the above-mentioned link 24 hours a day during the subscription period which will close at midnight on [.]</p>
Escrow Account	Means an account maintained with a scheduled bank (having an investment grade rating) by a custodian. [As per Regulation #.....of Public Offering Regulations, 2017]
Eligible Investor	An Individual and Institutional Investor whose Bid Amount is not less than the minimum bid size of PKR 1,000,000 (One Million Rupees only).
Floor Price	The minimum price per share set by the Issuer in consultation with Lead Manager. For this Issue, Floor Price is PKR ----/- per share.

General Public	All Individual and Institutional Investors including both Pakistani (residents & non-residents) and foreign investors.
Initial Public Offer (IPO)	Initial Public Offering or IPO means first time offer of securities to the general public.
Institutional Investors	<p>Any of the following entities:</p> <p>A financial institution;</p> <p>A company as defined in the Companies Act, 2017;</p> <p>An insurance company established under the Insurance Ordinance, 2000;</p> <p>A securities broker;</p> <p>A fund established as Collective Investment Scheme under the Non-Banking Finance Companies and Notified Entities Regulations, 2008;</p> <p>A fund established as Voluntary Pension Scheme under the Voluntary Pension System Rules, 2005;</p> <p>Any employee's fund established for beneficial of employees;</p> <p>Any other fund established under any special enactment;</p> <p>A foreign company or any other foreign legal person; and</p> <p>Any other entity as specified by the Commission.</p>
Issue	Total issue size ----- Ordinary Shares of ----Ltd.
Issue Price	The price at which Ordinary Shares of the Company are issued to the General Public. The Issue Price will be the Strike Price.
Issuer / SPAC	----- Limited (the "Company" or "----")
Key Employees	Chief Executive Officer, Directors, Chief Financial Officer and Company Secretary of the Company.
Lead Manager	<p>Any person licensed by the Commission to act as a Consultant to the Issue.</p> <p>----- Limited has been appointed as Lead Manager by the Issuer for this Issue.</p>
Limit Bid	The bid at a Limit Price.
Limit Price	The maximum price a prospective Bidder is willing to pay for a share under Book Building.
Margin Money	The partial or total amount, as the case may be, paid by a bidder at the time of registration as an Eligible Investor. The Book Runner shall collect full amount of the bid money as Margin Money in respect of bids placed by an individual investor and not less than twenty five percent (25%) of the bid money as Margin Money in respect of bids placed by an institutional investor.
Minimum Bid Size	The Bid amount equal to One Million Rupees (PKR 1,000,000/-).
Ordinary Shares	Ordinary Shares of -----Ltd. having face value of PKR 10.00/- each.
Permitted Investment	Means investments in Government securities, money market instruments and securities with investment grade ratings. [As per Regulation #.....of Public Offering Regulations, 2017]
Price Band	Floor Price with an upper limit of 40% above the Floor Price, allowing Bidder to make Bid at Floor Price or within the Price Band
Prospectus	Prospectus means any document described or issued as a prospectus and includes any document, notice, circular,

	material, advertisement, and offer for sale document, publication or other invitation offering to the public (or any section of the public) or inviting offers from the public for the subscription or purchase of any securities of a company.
Registration Form	The form which is to be submitted by the Eligible Investors for registration to participate in the Book Building process.
Registration Period	The period during which registration of bidders is carried out. The registration period shall commence three days before the start of the Bidding Period from DD/MM/YYYY to DD/MM/YYYY from 9:00 am to 5:00 pm and shall remain open till 3:00 pm on the last day of the Bidding Period.
PO Regulations	The Public Offering Regulations, 2017 [These regulations can be accessed through website http://-----]
Related Employees	Related Employees mean such employees of the Issuer, the Book Runner, the Underwriters, and the Consultants to the Issue, who are involved in the Issue. Please refer to Section 3.21.5 for further details.
Listing Regulations	Chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited, titled 'Listing of Companies and Securities Regulation'. [These regulations can be accessed through website http://-----]
Special Purpose Acquisition Company / SPAC	Means a Company formed and registered under the Companies Act, 2017, having sole principal line of business to raise money through public offering for entering into merger or acquisition transactions.
Sponsor	<ul style="list-style-type: none"> - A person who has contributed initial capital in the issuing company or has the right to appoint majority of the directors on the board of the issuing company directly or indirectly; - A person who replaces the person referred to above; and - A person or group of persons who has control of the issuing company whether directly or indirectly. <p>[As per clause (liv) of sub-regulation (1) of Regulation 2 of the Public Offering Regulations, 2017]</p>
Step Bid	Step Bid means a series of limit bids at increasing prices. In case of a step bid the amount of each step will not be less than Rupees One Million (PKR 1,000,000/-). [As per regulation No.2(1) (lia) of the Public Offering Regulations, 2017]
Strike Price	The price per ordinary share of the Issue determined / discovered on the basis of Book Building process in the manner provided in the Regulations, at which the shares are issued to the successful bidders. The Strike Price will be disseminated after conclusion of Book Building through publication in at least all those newspapers in which the Prospectus was published and also posted on the websites of the Securities Exchange, Lead Manager, Book Runner and the Company.
Supplement to the Prospectus	The Supplement to the Prospectus shall be published within three (3) working days of the closing of the Bidding Period at least in all those newspapers in which the Prospectus was earlier published and disseminated through the Securities Exchange where shares are to be listed.
System	An online electronic system operated by the Designated Institution i.e. PSX for conducting Book Building.

TABLE OF CONTENTS	PAGE NO.
PART 1: APPROVAL, CONSENTS AND LISTING ON THE STOCK EXCHANGE	
PART 2: SUMMARY OF THE PROSPECTUS	
PART 3: THE SPAC AND RELATED INOFRMATION	
PART 4: SHARE CAPITAL AND RELATED MATTERS	
PART 5: RISK FACTORS	
PART 6: FINANCIAL INFORMATION	
PART 7: BOARD AND MANAGEMENT OF THE COMPANY	
PART 8: LEGAL PROCEEDINGS AND OVERDUE LOANS	
PART 9: UNDERWRITING ARRANGEMENT, COMMISSIONS, BROKERAGE AND OTHER EXPENSES TO THE ISSUE	
PART 10: MISCELLANEOUS INFORMATION	
PART 11: MATERIAL CONTRACTS / DOCUMENTS RELATED TO THE ISSUE	
PART 12: BOOK BUILDING PROCEDURE/INSTRUCTIONS FOR REGISTRATION AND BIDDING	
PART 13: APPLICATION AND ALLOTMENT INSTRUCTIONS	
PART 14: SIGNATORIES TO THE PROSPECTUS	
PART 15: MEMORANDUM OF ASSOCIATION	
PART 16: APPLICATION FORM AND BIDDING FORM	

PART 1:**APPROVAL, CONSENTS AND LISTING ON THE STOCK EXCHANGE****1.1. APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Approval of the Securities and Exchange Commission of Pakistan (the "Commission" or the "SECP") as required under Section 87(2), read with Section 88(1) of the Securities Act, 2015 (the "Act") has been obtained for the Issue, circulation and publication of this Prospectus.

DISCLAIMER:

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARDS TO THEM BY THE ISSUER IN THIS PROSPECTUS.

SECP HAS NOT EVALUATED QUALITY OF THE ISSUE AND ITS APPROVAL FOR ISSUE, CIRCULATION AND PUBLICATION OF PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.

1.2. APPROVAL OF THE PROSPECTUS BY THE PAKISTAN STOCK EXCHANGE LIMITED

The Prospectus for the issue of -----ordinary shares has been approved by the Pakistan Stock Exchange Limited ("PSX") vide letter No. ---- dated ----, in accordance with the requirements of its Listing Regulations.

DISCLAIMER:

A. PSX HAS NOT EVALUATED THE QUALITY OF THE ISSUE AND ITS APPROVAL SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT INVESTIGATION AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.

B. THE PUBLICATION OF THIS DOCUMENT DOES NOT REPRESENT SOLICITATION BY PSX.

C. THE CONTENTS OF THIS DOCUMENT DOES NOT CONSTITUTE AN INVITATION TO INVEST IN SHARES OR SUBSCRIBE FOR ANY SECURITIES OR OTHER FINANCIAL INSTRUMENT BY PSX, NOR SHOULD IT OR ANY PART OF IT FORM THE BASIS OF, OR BE RELIED UPON IN ANY CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER OF PSX.

D. IT IS CLARIFIED THAT INFORMATION IN THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ADVICE ON ANY PARTICULAR MATTER BY PSX AND MUST NOT BE TREATED AS A SUBSTITUTE FOR SPECIFIC ADVICE.

E. PSX DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THIS DOCUMENT TO ANYONE, ARISING FROM ANY REASON, INCLUDING, BUT NOT LIMITED TO, INACCURACIES, INCOMPLETENESS AND / OR MISTAKES, FOR DECISIONS AND /OR ACTIONS TAKEN, BASED ON THIS DOCUMENT.

F. PSX NEITHER TAKES RESPONSIBILITY FOR THE CORRECTNESS OF CONTENTS OF THIS DOCUMENT NOR THE ABILITY OF THE COMPANY TO FULFILL ITS OBLIGATIONS THEREUNDER.

G. ADVICE FROM A SUITABLY QUALIFIED PROFESSIONAL SHOULD ALWAYS BE SOUGHT BY INVESTORS IN RELATION TO ANY PARTICULAR INVESTMENT.

1.3. DETAILS OF ANY OTHER APPROVALS (if applicable, along with terms & conditions be disclosed here)

1.4. FILING OF PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

----- [name of the issuer] has delivered to the Registrar of Companies as required under Sections 57 (1) of the Act, a copy of this Prospectus signed by all the Directors of ----- [name of the issuer].

1.5. LISTING AT PSX

Application has been made to PSX for permission to deal in and for quotation of the shares of the Company.

If for any reason the application for formal listing is not accepted by PSX or approval for formal listing is not granted by PSX before the expiration of twenty-one days from the date of closing of the subscription period / list or such longer period not exceeding forty-two days as may, within the said twenty-one days, be notified to the applicants for permission by the PSX, the Issuer undertakes that a notice to that effect will immediately be published in the press and will refund Application Money to the applicants without surcharge as required under the provisions of Section 69 of the Companies Act.

If any such money is not repaid within eight (08) days after the Company becomes liable to repay it, the Directors of the Company shall be jointly and severally liable to repay that money from the expiration of the eight day together with surcharge at the rate of two percent (2.0%) for every month or part thereof from the expiration of the eight day and, in addition, shall be liable to a penalty of level 3 on the standard scale in accordance with the provisions of sub-section (2) of Section 69 of the Companies Act.

As required under sub-section (3) of Section 69 of the Companies Act, the Application Money including the Bid Money, in case of Book Building, shall be deposited and kept in a separate bank account in a scheduled bank so long as the Company may become liable to repay it under sub-section (2) of Section 69 of the Companies Act; and, if default is made in complying with the said sub-section (3), the Company and every officer of the Company who authorizes or permits the default shall be liable to a penalty of level 2 on the standard scale.

PART 2:

SUMMARY OF THE PROSPECTUS

2.1. PRIMARY BUSINESS OF THE ISSUER

----- Limited is incorporated on as a special purpose acquisition company (SPAC) with the sole object of merger or acquisition. The issuer is required to complete the merger/acquisition transaction within a period of three years from the date of its listing. The issuer intends to acquire/merge with companies operating the following sectors.

[Please mention the sector(s) wherein the issuer intends to perform acquisition or merger]

[Please also disclose whether or not the SPAC currently have any specific business combination under consideration.]

2.2. MANAGEMENT/SPONSORS OF SPAC

The sponsors/promoter of SPAC comprised of the followings: [Please mention complete details of SPACs sponsors/promoter alongwith their expertise. In case of individuals their professional experience alongwith education. In case of companies, their area of operations and track record]:

S.NO.	Name of Sponsors/Promoters	Area of Expertise alongwith years of experience	Professional Qualification	Major Achievements
-------	----------------------------	---	----------------------------	--------------------

INTEREST OF DIRECTORS AND PROMOTERS/SPONSORS

[Complete details of interest of directors and sponsors/promoters]

2.3. SALIENT FEATURES OF THE ISSUE

The Issue consists of ----- Ordinary Shares (i.e. ---% of the total post-IPO paid up capital) of face value of PKR 10/- each. [If the issue also consists of issuance of warrants Plz also disclose the size of warrants and features]

The entire Issue of ---- Ordinary Shares will be offered through the Book Building process at a Floor Price of PKR ---/- per share with a price band of 40% above the floor price i.e. Rs. ---/-. The bidders shall be allowed to place bids for hundred percent (100%) (In case of 100%book building) of the Issue size and the Strike Price shall be the price at which the hundred percent (100%) of the Issue is subscribed. However, the successful bidders shall be provisionally allotted only seventy-five percent (75%) of the Issue size i.e. ----- shares and the remaining twenty five percent (25%) i.e. ----- shares shall be offered to the retail investors. Unsubscribed shares, if any, of the General Subscription portion will be allocated to Successful Bidders of the Book Building portion on a pro-rata basis.

2.4. PRE AND POST ISSUE SHAREHOLDING OF THE SPONSORS

Post IPO, the share capital will increase from ---- ordinary shares to ---- ordinary shares. Given below is the Pre and Post Issue shareholding of the sponsors of the Company:

S.No.	Name of Sponsor	Shareholding (Nos. of shares-Pre-Issue)	%	Shareholding (Nos. of shares-Post-Issue)	%

2.5. PRINCIPLE PURPOSE OF THE ISSUE AND UTILIZATION OF PROCEEDS

The amount of funds raised from the issuance of shares shall be used by the Company for the purpose of merger /acquisition.

[Please disclose the intended area/sector of acquisition/merger]

2.6. FINANCIAL HIGHLIGHTS OF THE ISSUER

The total Paid up capital of the Company as onstood at Rs.....million.

2.7. OUTSTANDING LEGAL PROCEEDINGS

All the outstanding legal proceedings of the Issuer have been disclosed in Part ----. Further, there are /no outstanding legal proceeding other than the normal course of business involving sponsors, substantial shareholders and directors of Issuer and associated companies, over which the Issuer has control, that could have material impact on the Issuer.

2.8. RISK FACTORS

For key risk factors that may have an impact on the Company, its business and the Issue, please refer to Section ---of the Prospectus.

2.9. SUMMARY OF RELATED PARTY TRANSACTIONS

PART 3:

THE SPAC AND RELATED INFORMATION

3.1. THE COMPANY/SPAC

----- Limited is incorporated on and registered with SECP as a special purpose acquisition company (SPAC) with the sole object of merger or acquisition. The sponsors/promoters of SPAC include the followings:

The issuer is required to complete the merger/acquisition transaction within a period of three years from the date of its listing. The issuer intends to acquire/merge with companies operating the following sectors.

[Please also disclose whether or not SPAC currently have any specific business combination under consideration. If the SPAC is affiliated with a private equity group, then also disclose the members of the SPAC management team employed by the private equity group, which is continuously made aware of potential business opportunities, one or more of which the SPAC may desire to pursue for a business combination.]

[Please mention the sector(s) wherein the issuer intends to perform acquisition or merger]

3.2. PRINCIPLE PURPOSE OF THE ISSUE

The funds raised from the issuance of -----shares of SPAC shall be used by the Company for the purpose of acquisition/merger.

The intended area/sector of acquisition/merger and the estimated cost of merger/acquisition are as follows:....

3.3. MINIMUM FUND RAISED

A Special Purpose Acquisition Company shall raise at least Rs.----million (not less than Rs. 200 million prescribed under the Regulations) to undertake a merger or acquisition transaction.

[Please provide justification that the funds raised are sufficient enough to enable the SPAC to have a core business with sufficient size and scale relative to the industry in which the business operates]

3.4. OBLIGATIONS OF SPAC

A Special Purpose Acquisition Company shall be responsible, -

- (i) to raise and utilize funds for the sole purpose of merger or acquisition transaction and complete the transaction within permitted time frame as per the public offering regulations;
- (ii) to open an escrow account and maintain custodial arrangements for escrow account at all times as required under these regulations.
- (iii) to act in the best interests of the investors and to ensure that merger transactions shall be structured in such a manner to avoid any conflict of interest;
- (iv) to be obliged to manage its assets, in the interest of the investors in good faith and to the best of its ability and without undue advantage for itself or any of its related parties, associates or its officers;
- (v) to ensure that at least 15% shareholding of merged entity (post-merger) are held by the sponsors for a period of at least one year from the date of merger; However, SPAC sponsors may increase shareholding percentage in the merged entity, if merged entity (subsequent to merger) starts generating operating profit within specified time (as disclosed in prospectus).
- (vi) to ensure that sponsor's shareholding in the target company pre-merger/acquisition should be less than 30% of the total shareholding of the target company.

3.5. SHAREHOLDERS APPROVAL

Each merger or acquisition transaction shall be approved by the shareholders by way of special resolution. The shareholder disapproving the merger or acquisition transaction are entitled for refund of their money out of Escrow account as per entitlement.

The shareholders who will not be present at the time of considering special resolution either in person or through proxy, they shall wish in days and as per following mechanism communicate the dissent.

..... (Please specify the mechanism)

Provided further that at the expiry of the timeline referred above and in case of approval through special resolution the merger or acquisition transaction shall stand approved.

3.6. REFUND TO INVESTORS

A SPAC can make refund to the entitled shareholders from the Escrow account as follows:

- (i) where the company is unable to complete the merger or acquisition transaction within the stipulated time period of thirty six (36) months;
- (ii) to those entitled shareholders, who do not approve the merger or acquisition transaction.

3.7. RIGHTS OF HOLDERS OF VOTING SECURITIES WHO VOTE AGAINST A QUALIFYING ACQUISITION/REFUND TO INVESTORS OR INCASE WHERE SPAC FAILS TO COMPLETE THE MERGER OR ACQUISITION TRANSACTION

A SPAC shall be entitled to make refund to the entitled shareholders from the Escrow account in the following scenarios, -

- (i) where the company is unable to complete the merger or acquisition transaction within the permitted time period as specified in the regulations or as approved by the Commission; or

- (ii) to those entitled shareholders, who do not approve the merger or acquisition transaction.

If the SPAC is unable to complete the merger or acquisition transaction within the permitted time period, the securities holders, will receive pro rata amount out of the Escrow account including any profit accrued/credited in the Escrow account, net of any taxes payable.

The SPAC shareholder(s), other than directors, sponsors and chief executive offer, disapproving the merger or acquisition transaction shall be –

- (i) entitled to receive, in exchange for their securities, a sum equivalent to 90% of their initial investment, net of any taxes payable and expenses related to the facilitation of the exchange, provided that such merger or acquisition transaction is approved and completed within the permitted time frame; and
- (ii) paid as soon as practicable upon completion of the merger or acquisition transaction should they elect to exchange their securities. The securities tendered in exchange for cash must be cancelled. In complying with this requirement, the SPAC must specify, in the circular to shareholders in relation to the qualifying acquisition, the timeframe for payment to holders of securities electing to exchange their securities. The SPAC must also demonstrate that this timeframe is reasonable, including providing details of all milestones or steps to be taken. a. [The basis of computation for refund must be disclosed in the prospectus and notice of the general meeting.]
- (iii) SPAC shall notify through its share registrar the list of dissenting shareholders to CDC. Shares of the dissenting shareholder shall immediately be blocked by CDC.

For the purpose of processing the list of dissenting shareholder(s) and freezing, SPAC shares shall not be tradeable on the securities exchange for one day i.e. immediately after the date of book closure.

SPAC immediately after processing payments from the Escrow account as per the procedure specified in the regulations shall stand delisted and process of its voluntary winding up shall be initiated by the SPAC as specified in Companies Act, 2017.

3.8. MANAGEMENT OF ESCROW ACCOUNT

SPAC must place at least ninety percent (90%) of the funds raised in an escrow account immediately upon receipt of all proceeds. 10% of the total proceeds may be utilized to defray expenses related to the initial public offering/private placements, operating costs, fund the search for a target business and complete the qualifying acquisition;

The monies in the escrow account shall only be utilized for the purpose of merger or acquisition transaction.

The monies in the escrow account can be released by the custodian for such purposes as permitted under the regulations and upon termination of the escrow account.

The escrow account can be terminated-

- (i) following the completion of all merger or acquisition within the permitted time frame; or
- (ii) upon failure to complete merger or acquisition transaction by SPAC.

The proceeds in the escrow account can be invested in permitted investments and any income generated by the funds held in the escrow account, including profit or dividend income derived from the permitted investments, must accrue to the escrow account and SPAC must ensure that in such investments initial capital is preserved.

Members of the management team shall not be eligible for any other payments from escrow account other than in relation to securities purchased by them during and after the public offering.

3.9. ADDITIONAL FINANCING

SPAC can raise additional funds by way of rights issue or other than right issue or through secondary public offering to complete its merger or acquisition transaction within the permitted time period specified in the regulations or as approved by the Commission subject to the condition. At least ninety percent (90%) of the proceeds received, as a result, shall also immediately be deposited into escrow account. Where a SPAC proposes to obtain debt financing, the SPAC must ensure that—

- (i) any credit facility obtained prior to the completion of the merger or acquisition transaction, may only be drawn after the approval of the merger or acquisition through special resolution;
- (ii) the funds from the credit facility obtained must be applied towards the financing of the merger or acquisition, defraying related costs or enhancing the business(es) acquired under the merger or acquisition; and
- (iii) the monies in the escrow account must not be used as collateral for the debt financing.

3.10. TIME FRAME FOR COMPLETION OF ACQUISITION/MERGER

SPAC must complete the merger or acquisition transaction within the permitted time frame of thirty six (36) months from the date of listing of SPAC on the exchange.

Provided that the Commission may if deem appropriate, upon request by the SPAC extend the permitted time by six months subject to terms and conditions as deem appropriate by Commission.

SPAC must complete the merger or acquisition transaction within the permitted time frame of thirty six (36) months from the date of listing on the exchange.

3.11. CUSTODIAN ROLES AND RESPONSIBILITIES

The funds raised by SPAC from issuance of securities shall be kept by the custodian in escrow account, in accordance with the custodian agreement, the public offering regulations and applicable laws. Contents of the custodian agreement must be in accordance and in compliance with the public offering regulations and at minimum should include such information as specified therein.

A custodian must take appropriate measures to ensure the safekeeping of the monies held in the escrow account and must ensure that proper accounting records and other records of escrow account are maintained. Custodian may be provided a mandate by the SPACs to invest the amounts held in the escrow account in permitted investments. Custodian may only distribute the funds held in the escrow account in accordance with the provisions of the custodian agreement.

The custodian shall disclose any information to the Commission and PSX upon request. The custodian agreement will terminate—

- (i) on the appointment of a new custodian following the resignation or termination of services of the existing custodian; or
- (ii) following the termination of the escrow account.

3.12. FAILURE TO COMPLETE MERGER OR ACQUISITION TRANSACTION

In case SPAC fails to complete merger or acquisition transaction within the permitted time frame or within such extended time as approved by the Commission, shall notify the Commission and the concerned securities exchange of the same fact within seven days.

In case where SPAC fails to complete the merger or acquisition transaction prior to expiry of the permitted time frame due to any unforeseen circumstances/reasons, it shall immediately notify the same to the Commission and the concerned securities exchange of the fact.

3.13. FAIR VALUE OF ACQUISITION

The acquisition, which may comprise more than one acquisition, must equal to at least eighty percent (80%) of the aggregate amount in the escrow account, net of any taxes payable and the losses incurred on the investments made out of the escrow account.

The fair market value should be supported by a valuer's report recognized under the Companies Act, 2017.

PART 4

SHARE CAPITAL AND RELATED MATTERS

4.1. SHARE CAPITAL

- (i) Authorized Share Capital:

Description	No. of Shares	Amount

- (ii) Issued, Subscribed, & Paid Up Share Capital:

Description	No. of Shares	Premium (if any)	Amount
Issued for Cash:			
Issued for Other than cash:			
Total			

- (iii) Shares held by Directors/Sponsors of the Company:

Description	No. of Shares	%	Premium (if any)	Amount
Issued for cash:				
Issued for Other than cash:				
Total				

- (iv) Present Issue Size:

Description	No. of Shares	%	Premium (if any)	Amount
Book building Portion				
Retail Portion				
Total				

- (v) Sponsors shares to be kept in blocked form

Sponsor shareholding to be kept in blocked form for a period of years are as follows:

Sponsors	Shareholding	% Post IPO Paid-up Capital

4.2. PRESENT ISSUE

The Issue comprises of ---- Ordinary shares of face value worth PKR 10/- each.

The entire Issue of ---- Ordinary Shares will be offered through the Book Building process at a Floor Price of PKR ----/- per share with price band of Rs. --- per share

The bidders shall be allowed to place bids for hundred percent (100%)(in case of 100% book building) of the Issue size and the Strike Price shall be the price at which the hundred percent (100%) of the Issue is subscribed. However, the successful bidders shall be provisionally allotted only seventy-five percent (75%) of the Issue size i.e. -----

shares and the remaining twenty five percent (25%) i.e. ---- shares shall be offered to the retail investors.

Unsubscribed shares, if any, of the General Subscription portion will be allocated to Successful Bidders of the Book Building portion on a pro-rata basis.

4.3. FLOOR PRICE

The ordinary shares of -----SPAC Ltd are being offered at Floor Price (in case of book building) of PKR ---/- per share.

4.4. FEATURES OF WARRANTS (IF ANY)

The number of warrants to be issued and complete mechanism for conversion of warrants and tradability of warrants.

PART 5:

RISK FACTORS

5.1. RISK OF FAILURE TO FIND THE TARGET COMPANY

The objective of SPAC is to find a suitable company for merger or acquisition. SPAC may be unable to find a suitable target within the stipulated time period. Complete consequences be referred in here

5.2. SHORTFALL IN COST OF ACQUISITION

SPAC may face short fall of funds due to rising prices or competition.

5.3. FOREIGN EXCHANGE RISK

Currency risk is the risk of loss arising from the fluctuations of exchange rates.

5.4. RISK OF NON-COMPLIANCE WITH REGULATION OF SECP AND PSX

In the event of non-compliance with any regulatory requirements of SECP or PSX, the Company may be placed on the Defaulter Segment of PSX which may potentially hamper trading in the Company's shares leading up to potential suspension in trading as well.

5.5. COVID-19 RISK

In March 2020, the Government of Pakistan implemented a country wide lockdown in order to contain the spread of Covid-19 in the country. Consequently, significant reduction in traffic was witnessed particularly in large cities, although the transport of essential items continued.

Any unprecedeted increase in Covid-19 cases could lead to market closure/lockdown, which may potentially impact the SPAC search for the target and may also potentially impact the timelines for implementation of merger/acquisition plan.

5.6. UNDER-SUBSCRIPTION RISK

The Issue of ----- Limited may be under-subscribed due to lack of interest on the part of the investors. The book building process shall be considered as cancelled if: The Company does not receive bids for the number of shares allocated under the Book Building portion; The Company does not receive at least 40 bids. The bid money submitted by investors shall be refunded subsequently.

5.7. CAPITAL MARKET RISK

After being listed on the securities exchange, the price of Company's shares will be determined by market forces driven by socio-economic events (locally & internationally), capital & money market behavior, and Company's performance. The value of the Company's share will be subject to fluctuation based on combined impact of market forces identified above.

5.8. ANY OTHER RISK THAT INVESTORS MUST BE AWARE OF WHILE MAKING INVESTMENT DECISION

NOTE: IT IS STATED THAT ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.

PART 6

FINANCIAL INFORMATION

CERTIFICATE BY THE AUDITOR ON ISSUED, SUBSCRIBED, AND PAID-UP-CAPITAL OF THE COMPANY TESTIFYING INJECTION OF SPONSORS EQUITY.

PART 7:

BOARD AND MANAGEMENT OF THE COMPANY

7.1. BOARD OF DIRECTORS OF THE COMPANY

S. No	Name	Designation	Address	CNIC	Current Directorships	Past Directorships
-------	------	-------------	---------	------	-----------------------	--------------------

7.3. PROFILES OF DIRECTORS

[The profile should include, qualification, experience and major achievement of directors]

7.4. NUMBER OF DIRECTORS

Pursuant to Section 154 of the Companies Act, 2017 a listed Company shall not have less than seven (7) directors. At present, the Board consists of 7 directors, including the Chief Executive Officer.

7.5. PROFILE OF SENIOR MANAGEMENT

7.6. QUALIFICATION OF DIRECTORS

No person shall be appointed as a Director of the Company who is ineligible to be appointed as Director on any one or more of the grounds enumerated in Section 153 of the Companies Act or any other law for the time being in force.

7.7. APPOINTMENT AND ELECTION OF DIRECTORS AND CHIEF EXECUTIVE

The directors of the Company are elected for a term of three years in accordance with the procedure laid down in section 159 of the Companies Act and Article 87.

As per Article --, the directors shall comply with the provisions of Sections 154 to 159 and Sections 161 and 167 relating to the election of Directors and matters ancillary thereto.

As per article ---, any casual vacancy occurring on the Board of Directors may be filled up by the directors, but the person so appointed shall be subject to retirement at the same time as if he / she had become a Director on the day on which the Director in whose place he / she is chosen was last elected as Director.

As per Article ---, the Company may by resolution in general meeting, remove a director in accordance with the provisions of the Companies Act.

The current Board of Directors were appointed on -----.

7.8 INTEREST OF DIRECTORS AND PROMOTERS

The directors may be deemed to be interested to the extent of fees payable to them for attending the Board meetings. The Directors performing whole time services in the Company may also be deemed interested in the remuneration payable to them by the Company. The nominee directors have interest in the Company to the extent of representing the sponsors in the capital of the Company.

Following directors are holding ordinary shares of the Company:

7.9 INTEREST OF DIRECTORS AND PROMOTERS IN PROPERTIES/ASSETS AND PROFIT OF THE COMPANY

7.10 REMUNERATION OF THE DIRECTORS

7.11 BENEFITS TO PROMOTERS AND OFFICERS**7.12 VOTING RIGHTS****7.15 BORROWING POWERS OF DIRECTORS****7.16 POWERS OF DIRECTORS****7.17 INDEMNITY AVAILABLE TO DIRECTORS AND OTHER EMPLOYEES OF THE COMPANY****7.18 CORPORATE GOVERNANCE****PART 8****LEGAL PROCEEDINGS AND OVERDUE LOANS****8.1. LEGAL PROCEEDINGS**

Legal proceedings against sponsors, company and management

[Please give details of legal proceedings, if any]

8.2. OVERDUE LOANS

The[Issuer], its Chief Executive and directors, its sponsors, and its associated companies have/have no overdue loans (local and/or foreign currency).

PART 9**9 UNDERWRITING ARRANGEMENT, COMMISSION, BROKERAGE AND OTHER EXPENSES****9.1. UNDERWRITING****Book Building Portion**

---- Limited has been appointed as the Book Runner to the Issue. The Book Runner will credit underwrite ---- shares being offered for subscription through the book building representing 100% of the Issue as required under regulation 7(6) of the PO Regulations, with the limitations in effect that the Book Runner shall only underwrite the default portion of the Book Building, if any, at the Strike Price determined through the Book Building process.

General Public Portion

The General Public Portion of the Issue has not been underwritten in terms of Regulation 7(4) of the Regulations.

9.2 BUY BACK / REPURCHASE AGREEMENT

The Book Runner in the capacity as underwriter of the book building portion has not entered into any buy back/Re-purchase agreement with the company or any other person in respect of this issue of shares.

Also, neither the company nor any of its associates have entered into any buy back/Re-purchase agreement with the book runners in the capacity as underwriter or its associates. The company and its associates shall not buy back/Re-purchase shares from the book runners and its associates taken up, if any, by it in capacity as the book runner.

9.3 COMMISSION OF THE BANKERS TO THE ISSUE

Commission at the rate of 0.25% (inclusive of all taxes) of the amount collected on allotment in respect of successful applicants will be paid by the Company to the Bankers to the Issue for services to be rendered by them in connection with the Retail Portion of the Issue.

9.4 FEES AND EXPENSES FOR E-IPO Facility**9.5 BROKERAGE**

For this Issue, brokerage shall be paid to the TRE Certificate Holders of PSX at the rate of 1.00% of the value of shares (including premium, if any) on successful applications for

Book Building and General Public Portion. No brokerage shall be payable in respect of shares taken up by the Successful Bidders pursuant to under subscription of retail portion of the Issue.

9.6. ESTIMATED EXPENSES OF THE ISSUE

Expenses to the Issue are estimated not to exceed PKR -----/. The break-up of these preliminary expenses is given below:

Particulars	Rate	Expense (PKR)
Lead Manager and Book Runner Fees1		
Commission to banker for General Public		
PES and CDC e-IPO facility charges		
E-IPO Banks Charges		
Bankers to the issue out of pocket expenses		
Broker's Commission		
PSX Initial Listing fee		
PSX Service fee		
PSX Book Building software charges		
Share Registrar, Transfer Agent and Balloting Agent		
Marketing & Printing Expenses		
CDC Fresh Issue fee		
CDC Annual Listing fee		
SECP IPO Application Processing fee		
Miscellaneous Expenses		
Total		

PART 10

MISCELLANEOUS INFORMATION

10.1. REGISTERED OFFICE / CENTRAL OFFICE Registered Office Address: ----- Phone: ----- Fax: -----Email: ----- Website: -----	10.2. AUDITOR OF THE ISSUER M/s. -----, Chartered Accountants Address: ----- Contact No.: ----- Email: -----
10.3. LEGAL ADVISORS OF THE ISSUER [Name and Contact details] 1.----- 2.-----	10.4. LEGAL ADVISOR TO THE ISSUE [Name and Contact details] 1.----- 2.-----
10.5. REGISTRAR AND TRANSFER AGENT -----Limited Office: ----- UAN: ----- FAX: ----- Email & Website: -----	10.6. CONSULTANT TO THE ISSUE -----Limited Address: -----Phone: ----- Fax: ----- Email & Website: -----

10.7 Custodian to the Issue -----Limited Office: ----- UAN: ----- FAX: ----- Email & Website:: -----	10.8 Book Runner to the Issue -----Limited Office: ----- UAN: ----- FAX: ----- Email & Website:: -----
10.9. BANKERS TO THE BOOK BUILDING 1.----- 2.-----	10.10 BANKERS TO THE RETAIL PORTION 1.----- 2.-----

PATR 11**MATERIAL CONTRACTS / DOCUMENTS RELATED TO THE ISSUE****11.1. UNDERWRITING AGREEMENTS**

S. No.	Underwriters Name	Amount (PKR)	Date of Agreement
11.2. OTHER MATERIAL DOCUMENTS			

S. No.	Description	Date
1	Agreement with the Book Runner	
2	Agreement with the Custodian	
3	Approval of Pakistan Stock Exchange Limited vide letter reference no. ----	
4	Agreement with Lead manager	
5	Approval of the Securities and Exchange Commission of Pakistan vide letter reference no. ----	

11.3. INSPECTION OF DOCUMENTS AND CONTRACTS

The Financial statements, Copies of the Memorandum and the Articles of Association, the Auditor's Certificates, Clearance letter from PSX and the approval letters from SECP, and the copies of agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Bank from the date of publication of this Prospectus until the closing of the Subscription Period.

PART 12**BOOK BUILDING PROCEDURE/INSTRUCTIONS FOR REGISTRATION AND BIDDING****12.1 BOOK BUILDING PROCEDURE****12.1.1 Brief Structure****The Present Issue**

The Issue comprises of ---- Ordinary shares of face value worth PKR --/- each.

The entire Issue of --- Ordinary Shares will be offered through the Book Building process at a Floor Price of PKR --/- per share. Initially, 75% of the issue size i.e. --- Ordinary Shares will be allotted to Successful Bidders and 25% of the issue i.e. ----- Ordinary Shares will be offered to Retail Investors. Unsubscribed shares, if any, of the General Subscription portion will be allocated to Successful Bidders of the Book Building portion on a pro-rata basis

The Floor Price of PKR ---/- has a maximum Price Band of 40% above which no bid shall be accepted. At maximum Price Band, the highest strike price that can be bid for shall be PKR ---/- per share.

The bidders shall give an undertaking along with the application that they would subscribe to the unsubscribed shares, if any, by the retail investors and their remaining bid money would remain deposited/ blocked till allotment of unsubscribed shares, if any, of the retail portion to them on pro-rata basis. In case the retail portion is fully subscribed, the bid money shall be unblocked within one (1) working day or refunded within three (3) working days of the closing of the public subscription.

Within 3 working days of the closing of the Bidding Period, a Supplement to the Prospectus will be published in at least all those newspapers in which the Prospectus is published. The Supplement will contain information related to the Strike Price, the Offer Price, dates of the Public Subscription, and category wise break-up of the Successful Bidders. Format of the Supplement is given on page 3 of this Prospectus.

12.1.2 Types of Bids and Procedure for making a Bid

Book Building is a process whereby investors bid for a specific number of shares at various prices. The Issuer set a Floor Price, which is the minimum / lowest price a Bidder can bid at. An order book of bids is maintained by the Book Runner, which is then used to determine the Strike Price through the “**Dutch Auction Method**”.

Under the Dutch Auction Method, the Strike Price is determined by lowering the Bid Price to the extent that the total number of shares issued through the Book Building process are subscribed. A bid by a Bidder can be a “**Limit Bid**”, or a “**Step Bid**”, each of which are explained below:

Limit Bid: Limit bid is at the Limit Price, which is the maximum price a Bidder is willing to pay for a specified number of shares.

In such a case, a Bidder explicitly states a price at which he / she / it is willing to subscribe to a specific number of shares. For instance, a Bidder may bid for 1 million shares at PKR 20 per share, based on which the total Application Money would amount to PKR 20 million. In this case the Bid Amount will be also PKR 20 million. Since the Bidder has placed a Limit Bid of PKR 20 per share, this indicates that he / she / it is willing to subscribe the shares at a price up to PKR 20 per share.

Step Bid: A series of Limit Bids at increasing prices. The amount of any individual step shall not be less than PKR. 1,000,000.

Under this bidding strategy, Bidders place a number of Limit Bids at different increasing price levels. A Bidder may, for instance, make a bid for 0.7 million shares at PKR 20.00 per share, 0.6 million shares at PKR 21.00 per share and 0.5 million shares at PKR 22.00 per share. Therefore, in essence the Bidder has placed one Step Bid comprising of three Limit Bids at increasing prices. The Bid amount will be PKR ---- million. In case of individual Bidder, the Margin Money will be 100% i.e. PKR --- million whereas in case of Institutional Bidders the Margin Money shall be 25% of the Bid amount i.e. PKR -- million.

RESTRICTIONS

(i) AN ELIGIBLE INVESTOR SHALL NOT:

- (a) MAKE BID BELOW THE FLOOR PRICE AND ABOVE THE UPPER LIMIT OF THE PRICE BAND;
- (b) MAKE BID FOR MORE THAN 10% OF THE SHARES ALLOCATED UNDER THE BOOK BUILDING PORTION

- (c) MAKE A BID WITH A PRICE VARIATION OF MORE THAN 10% OF THE PREVAILING INDICATIVE STRIKE PRICE AS PER REGULATION 10(2)(iii) OF THE PO REGULATIONS
 - (d) PLACE CONSOLIDATED BID
 - (e) MAKE MORE THAN ONE BID SEVERALLY OR JOINTLY
 - (f) MAKE DOWNWARD REVISION BOTH IN TERMS OF BID PRICE AND BID VOLUME; PROVIDED THAT INCASE OF UPWARD REVISION OF THE BID PRICE, THE NUMBER OF SHARES BID FOR I.E. BID VOLUME MAY BE ADJUSTED ENSURING THAT THE BID AMOUNT OR BID MONEY REMAINS THE SAME; AND
 - (g) WITHDRAW BID
- (ii) RELATED EMPLOYEES OF THE ISSUER, LEAD MANAGER AND THE BOOK RUNNER SHALL NOT PARTICIPATE IN THE BIDDING PROCESS.
- (iii) NO PERSON SHALL TAKE PART IN THE BOOK BUILDING PROCESS, DIRECTLY OR INDIRECTLY SEVERALLY OR JOINTLY IN ANY MANNER OR ENGAGE IN ANY ACT OR PRACTICE WHICH CREATE A FALSE AND MISLEADING APPEARANCE OF ACTIVE BIDDING FOR RAISING OR DEPRESSING STRIKE PRICE IN THE BOOK BUILDING PROCESS.
- (iv) AS PER REGULATION 7(8) OF THE PO REGULATION, THE ASSOCIATES OF THE ISSUER AS DISCLOSED IN THE PROSPECTUS SHALL NOT IN AGGREGATE MAKE BIDS IN EXCESS OF TEN (10) PER CENT OF THE SHARES OFFERED THROUGH BOOK BUILDING.
- (v) AS PER REGULATION 7(9) OF THE PO REGULATIONS, THE ASSOCIATES OF THE LEAD MANAGER TO THE ISSUE AND BOOK RUNNER SHALL NOT IN AGGREGATE MAKE BIDS IN EXCESS OF TEN (10) PERCENT OF THE SHARES OFFERED THROUGH BOOK BUILDING.

LIST OF ASSOCIATED COMPANIES AND UNDERTAKINGS OF THE ISSUER, NAMES OF RELATED EMPLOYEES OF THE ISSUER, LEAD MANAGER AND BOOK RUNNERS ARE PROVIDED IN SECTION 3A (v).

Once the Bidding Period has lapsed and the book has been built, the, Strike Price shall be determined on the basis of Dutch Auction Method.

Successful Bidders shall be intimated, within one (1) working day of the closing of the Bidding Period, about the Strike Price and the number of shares provisionally allotted to each of them. The bid money of bidders who have undertaken to subscribe the unsubscribed retail portion shall remain deposited or blocked till allotment of unsubscribed retail portion, if any, to them on pro-rata basis. Upon intimation by the Book Runner of the final allocation, successful institutional bidders shall deposit their balance margin money within (3) days of such intimation. **Where a successful Bidder defaults in payment of shares allotted to him / her / it, the Margin Money deposited by such Bidder shall be forfeited to the Book Runner. As per regulation 9(16) of the PO Regulations, the successful bidders shall be issued shares at the time of issuance of shares to the retail investors. Shares to successful bidders shall be issued only in the form of book-entry through credit in their respective CDS accounts (Investors Account or Sub-Account). All the bidders shall, therefore, provide number of their CDS accounts in the bid application.**

The Bidders must fill-in the part of the Bidding Form under the heading, "Dividend Mandate" to enable the Company to directly credit their cash dividend, if any, in their respective International Bank Account Number (IBAN).

12.1.3 Mechanism for Determination of Strike Price

1. At the close of the bidding period, the Strike Price shall be determined on the basis of Dutch Auction Method by the Designated Institution. Under this methodology, the Strike Price is determined by lowering the price to the extent that the total shares offered under the Book Building Portion are subscribed.
2. The Order Book shall display the bid prices in a tabular form in descending order along with the number of shares bid for and the cumulative number of shares at each price level.
3. As per the regulation 9(12) of the PO Regulation, in case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares will be allotted on proportionate basis against the bids made at the Strike Price.

The mechanism for determination of the Strike Price can be understood by the following illustration:

PART 13**APPLICATION AND ALLOTMENT INSTRUCTIONS****13.1. APPLICATION AND ALLOTMENT INSTRUCTION****13.1.1 Eligible Investors Include**

1. Pakistani citizens resident in or outside Pakistan or Persons holding dual nationalities including a Pakistani nationality;
2. Foreign Nationals whether living in or outside Pakistan
3. Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
4. Mutual Funds, Provident / Pension / Gratuity Funds / Trusts, (subject to the terms of the Trust Deed and existing regulations); and
5. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

APPLICATION MUST BE MADE ON SECP's APPROVED APPLICATION FORM OR A LEGIBLE PHOTOCOPY**13.1.2 Copies of Prospectus**

Copies of this Prospectus and Applications Forms can be obtained from members of PSX, the Bankers to the Issue and their branches, the Lead Manager, the Book Runner to the Issue and registered office of the Company. The Prospectus and the Application Form can also be downloaded from the following websites:

<http://www.-----.com>, <http://-----/> & www.cdceipo.com;

Shares against the successful and accepted applications shall be issued in the Book Entry Form only and will be credited into the Applicants CDS Account mentioned in the Application. The applicants, therefore, must provide detail of their CDS Account (investors Account or Sub-Account) in the Shares Subscription Form. Investors who do not have CDS account may visit www.cdcpk.com for information and details. For further guidance and queries regarding opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.

NAMES(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH AND SHOULD NOT BE ABBREVIATED

ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THE ONE RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR THE NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANI (NICOP) OR PASSPORT, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.

13.1.3 Opening and Closing Of The Subscription List

The subscription list will open at the commencement of banking hours on ----- and will close on ----- at the close of banking hours. Please note that online applications can be submitted 24 hours during the subscription period which will close at 12:00 midnight on -----.

13.1.4 E-IPO SYSTEM

e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs / SPOs / OFS, SECP has introduced the concept of e-IPO. The following three systems are available for e-IPOS:

- I. PSX's e-IPO System (PES):
- II. Centralized e-IPO System (CES):

13.1.5 APPLICATIONS MADE BY INDIVIDUAL INVESTORS

1. In case of individual investors, an attested photocopy of CNIC (in case of Resident Pakistanis) / NICOP or Passport (in case of Non-Resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / NICOP / Passport should be written against the name of the applicant. Copy of these documents can be attested by any Federal / Provincial Government Gazette Officer, Councilor, Oath Commissioner or Head Master of High School or bank manager in the country of applicant's residence.
2. Original CNIC / NICOP / Passport, along with one attested photocopy, must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

13.1.6 APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

1. Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument / document. Where applications are made by virtue of Power of Attorney, the same should also be submitted along with the application. Any Federal / Provincial Government Gazette Officer, Councilor, Bank Manager, Oath Commissioner and Head Master of High School or bank manager in the country of applicant's residence can attest copies of such documents.
2. Attested photocopies of the documents mentioned in 13.1.5 must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.

13.1.7 ADDITIONAL INSTRUCTIONS FOR INVESTORS

1. Only one application will be accepted against each account, however, in case of joint account, one application may be submitted in the name of each joint account holder.
2. Joint application in the name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNICs / NICOP / Passport. The share certificates will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by

post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of shares.

3. Subscription money must be paid by check drawn on applicant's own bank account or pay order / bank draft payable to one of the Bankers to the Issue "-----" and crossed "A/C PAYEE ONLY".

4. For the applications made through pay order / bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.

5. The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of shares.

6. Applications are not to be made by minors and / or persons of unsound mind.

7. Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the Application Form.

8. Applicants should retain the bottom portion of their Application Forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of shares for which the application has been made.

9. Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.

10. Bankers to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.

11. It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.

12. Submission of false and fictitious applications is prohibited and such applications' money may be forfeited under section 87(8) of the Securities Act, 2015.

13.1.8 ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS

1. In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.

2. Foreign / Non- resident investors should follow payment instructions given in Section 12.1.16 of this Prospectus.

13.1.9 CODE OF OCCUPATION OF INVESTORS/APPLICANTS

Code	Occupation
01	Business
02	Business Executive
03	Service
04	Housewife
05	Household

06	Professional
07	Student
08	Agriculturist
09	Industrialist
10	Other

13.1.10 NATIONALITY CODE

Code	Name of Country
001	U.S.A
002	U.K
003	U.A.E
004	K.S.A
005	Oman
006	Bangladesh
007	China
008	Bahrain
009	Other

13.1.11 MINIMUM AMOUNT OF APPLICATION AND BASIS OF ALLOTMENT OF SHARES OF THE ISSUE

The basis and conditions of transfer of shares to the General Public shall be as follows:

1. Application for shares must be made for 500 shares or in multiples of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
2. The minimum amount of application for subscription of 500 shares is the Issue Price x 500 shares.
3. Application for shares below the minimum amount shall not be entertained.

4. SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.

5. If the shares offered to the general public are sufficient to accommodate all applications, all applications shall be accommodated.
6. If the shares applied for by the general public are in excess of the shares allocated to them, the distribution shall be made by computer balloting, in the presence of the representative(s) of PSX in the following manner:
 - If all applications for 500 shares can be accommodated, then all such applications shall be accommodated first. If all applications for 500 shares cannot be accommodated, then balloting will be conducted among applications for 500 shares only.
 - If all applications for 500 shares have been accommodated and shares are still available for allotment, then all applications for 1,000 shares shall be accommodated. If all applications for 1,000 shares cannot be accommodated, then balloting will be conducted among applications for 1,000 shares only.
 - If all applications for 500 shares and 1,000 shares have been accommodated and shares are still available for allotment, then all applications for 1,500 shares shall be accommodated. If all applications for 1,500 shares cannot be accommodated, then balloting will be conducted among applications for 1,500 shares only.

- If all applications for 500 shares, 1,000 shares and 1,500 shares have been accommodated and shares are still available for allotment, then all applications for 2,000 shares shall be accommodated. If all applications for 2,000 shares cannot be accommodated, then balloting will be conducted among applications for 2,000 shares only.
- After the allotment in the above mentioned manner, the balance shares, if any, shall be allotted in the following manner:
 - o If the remaining shares are sufficient to accommodate each application for over 2,000 shares, then 2,000 shares shall be allotted to each applicant and remaining shares shall be allotted on pro-rata basis.
 - O If the remaining shares are not sufficient to accommodate all the remaining applications for over 2,000 shares, then balloting shall be conducted for allocation of 2,000 shares to each successful applicant.

7. If the Issue is over-subscribed in terms of amount only, then allotment of shares shall be made in the following manner:

- First preference will be given to the applicants who applied for 500 shares;
- Next preference will be given to the applicants who applied for 1,000 shares;
- Next preference will be given to the applicants who applied for 1,500 shares;
- Next preference will be given to the applicants who applied for 2,000 shares; and then
- After allotment of the above, the balance shares, if any, shall be allotted on pro rata basis to the applicants who applied for more than 2,000 shares.

8. Allotment of shares will be subject to scrutiny of applications for subscription of shares.

9. Applications, which do not meet the above requirements, or application which are incomplete, will be rejected.

13.1.12 BASIS OF ALLOTMENT

The basis and conditions of transfer of shares to the General Public shall be as follows:

1. The minimum value of application will be calculated as Issue Price 500 shares. Application for amount below the minimum value shall not be entertained.
2. Application for shares must be made for 500 shares or in multiple of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
3. Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.
4. The Company will credit shares in the CDS Accounts of the successful applicants.

13.2.REFUND/UNBLOCKING OF SUBSCRIPTION MONEY TO UNSUCCESSFUL APPLICANTS

As per the regulation 11(4) of the PO Regulations, within ten (10) working days of the close of public subscription period the Shares shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/ refunded.

As per sub-section (2) of Section 68 of the Companies Act, if refund as required under sub-section (1) of Section 68 of the Companies Act is not made within the time specified hereinabove, the directors of the company shall be jointly and severally liable to repay that money with surcharge at the rate of two percent (2%) for every month or part thereof from the expiration of the fifteenth day and, in addition, shall be liable to a penalty of level

3 on the standard scale as defined in Section 479 of the Companies Act. Provided that the directors of the Company shall not be liable if it proves that the default in making the refund was not on their own account and was not due to any misconduct or negligence on their part.

In case retail portion of the Issue remains unsubscribed, the unsubscribed shares shall be allotted to the successful bidders at the strike price on pro-rata basis.

13.3. ISSUE AND CREDIT OF SHARE CERTIFICATES

Within ten (10) working days of the closing of public subscription period, the shares shall be allotted, issued and credited against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/refunded, as required under regulation 11(4) of the PO Regulations. Shares will be issued only in the book-entry form and will be credited into the respective CDS Accounts of the successful applicants. Therefore, the applicants must provide their CDS Account Number in the Shares Subscription Applicant.

If the Company defaults in complying with the above requirements, it shall pay PSX a penalty of PKR 5,000 per day for every day during which the default continues. PSX may also notify the fact of such default and name of the Company by notice and also by publication in its ready-board quotation of the Stock Exchange.

Name of the Company will also be notified to the TRE Certificate Holders of the PSX and placed on the web site of the PSX.

13.4. TRANSFER OF SHARES

The shares shall be transferred in accordance with the provisions of Section 74 of the Companies Act read with Section 75 thereof and the Central Depositories Act, 1997 and the CDCPL Regulations.

13.5. LIST OF BANKERS TO THE ISSUE

Code	Name of Bank
01	
02	
03	
04	
...	...

13.6. MINIMUM AMOUNT OF APPLICATION

As per PO Regulations, the minimum amount of bid shall not be less than PKR 1.0 Million.

13.7. LIST OF E-IPO FACILITIES

e-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs / SPOs / OFS, SECP has introduced the concept of e-IPO. The following three systems are available for e-IPOs:

I) PSX's e-IPO System (PES):

In order to facilitate investors, the Pakistan Stock Exchange Limited ("PSX") has developed an e-IPO System ("PES") through which applications for subscription of securities offered to the general public can be made electronically. PES has been made available in this Issue and can be accessed through the web link (<https://eipo.psx.com.pk>). Payment of subscription money can be made through 1LINK's and NIFT's member banks available for PES.

For making application though PES, investors must be registered with PES. The PES registration form is available 24/7, all throughout the year. Registration is free of cost and can be done by:

- the investor himself, or
- the TREC Holder with whom the investor has a sub-account, or
- the Bank with whom the investor has a bank account.

Similarly, an e-IPO application can be filed by:

- the investor himself, or
- the TREC Holder with whom the investor has a sub-account, or
- the Bank with whom the investor has a bank account.

For further guidance and queries regarding PES, investors may contact PSX at phone number: 111-001-122, or contact at phone (021)-35274401-10 and email: itss@psx.com.pk.

Investors who are registered with PES can submit their applications through the web link, <https://eipo.psx.com.pk>, 24 hours a day during the subscription period which will close at midnight on---[date]

II) Centralized e-IPO Systems

In order to facilitate investors, the Central Depository Company of Pakistan ("CDC") has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Issue and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.

For making application though CES, investors must be registered with CES. Registration with CES is free of cost and can be done under a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number may registered themselves with CES.

CDS account (Investor account or sub account) is not mandatory for subscription of securities through CES. Investors who do not have CDS account can opt for IPO facilitation account.

Investors who opts for IPO facilitation account are required to open CDS account after public subscription process.

For information relating to CDS account, investors may visit www.cdcpakistan.com.

Investors who are registered with CES can submit their applications through the web link www.cdceipo.com 24 hours a day during the subscription period which will close at midnight on February 04, 2021

In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) can request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities by authorizing (adding the details of) their respective Participant(s) in CES.

For further guidance and queries regarding CES and opening of CDS account, **investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or Mr. ---- at Phone ---- and email: -----.**

(ii) e-IPO facilities by Bankers to the Issue:

Currently, UBL is providing e-IPO facilities to its accountholders.

UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank>

Account holders of UBL can submit their applications through the above mentioned link 24 hours a day during the subscription period which will close at midnight on -----.

13.8. INTEREST OF SHAREHOLDERS

None of the holders of the Issued shares of the Company have any special or other interest in the property or profits of the Company other than their capacity as holder of Ordinary shares except from the shareholders who are also the Director of the company. Directors of the Company have interest in receiving remuneration for their role as Directors.

13.9. ELIGIBILITY FOR DIVIDEND

The ordinary shares issued shall rank pari-passu with the existing shares in all matters of the Company, including the right to such bonus or right issues, and dividend as may be declared by the Company subsequent to the date of issue of such shares.

13.10. DEDUCTION OF ZAKAT (please update, with latest requirements)

Income distribution will be subject to deduction of Zakat at source, pursuant to the provisions of Zakat and Ushr Ordinance, 1980 (XVIII of 1980) as may be applicable from time to time except where the Ordinance does not apply to any shareholder or where such shareholder is otherwise exempt or has claimed exemption from payment / deduction of Zakat in terms of and as provided in that Ordinance.

13.11. CAPITAL GAINS TAX (please update, with latest requirements)

Capital gains derived from the sale of listed securities are taxable in the following manner under section 37A of Income Tax Ordinance, 2001:

Serial #	Capital Gain Tax for FY 19	Filer	Non-Filer
1	Applicable Capital Gain Tax Rate	15%	30%

13.12. WITHHOLDING TAX ON DIVIDENDS (please update, with latest requirements)

Dividend distribution to shareholders will be subject to withholding tax under section 150 of the Income Tax Ordinance, 2001 as specified in Part III Division I of the First Schedule of the said ordinance or any time to time amendments therein. In terms of the provision of Section 8 of the said ordinance, said deduction at source, shall be deemed to be full and final liability in respect of such profits in case of persons only. Applicable withholding tax rate on dividend is 15%

13.13. TAX ON BONUS SHARES (please update, with latest requirements)

As per section 236M of the Income Tax Ordinance 2001, amended vide Finance Act 2018-19, tax on issue of bonus shares has been omitted and will not be applicable from 1st July 2018 and onwards.

13.14. INCOME TAX (please update, with latest requirements)

The income of the Company is subject to Income Tax under the Income Tax Ordinance, 2001.

13.15. DEFERRED TAXATION (please update, with latest requirements)

Deferred tax is accounted for using the balance sheet liability method in respect of on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date. In this regard, the effect on deferred taxation of the portion of income subjected to Final Tax Regime is adjusted in accordance with the requirements of

Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry-forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against which these can be utilized.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As of -----, Company has reported a deferred tax liability of PKR ---- million.

13.16. SALES TAX (please update, with latest requirements)

General Sales Tax is applicable as per Sales Tax Act, 1990 on supplies and services. Sales tax is applicable on services as per Punjab Sales Tax on Services Act, 2012 by Punjab Revenue Authority. Sales tax is applicable on services as per Sindh Sales Tax on Services Act, 2011 by Sindh Revenue Board.

13.17. SALES TAX ON SALE / PURCHASE OF SHARES (please update, with latest requirements)

Under the Constitution of Pakistan and Articles 49 of the 7th NFC Award, the Government of Sindh, Government of Punjab, Government of Khyber Pakhtunkhwa and Government of Baluchistan have promulgated the Sindh Sales Tax on Services Act, 2011, Punjab Sales Tax on Services Act, 2012, Khyber Pakhtunkhwa Sales Tax on services through Khyber Pakhtunkhwa Finance Act, 2013 and the Baluchistan Sales Tax on services Act, 2015 respectively. The Sindh Revenue Board, the Punjab Revenue Authority, and the Khyber Pakhtunkhwa Revenue Authority and the Baluchistan Revenue Authority administer and regulate the levy and collection of the Sindh Sales Tax ("SST"), Punjab Sales Tax ("PST"), Khyber Pakhtunkhwa Sales Tax ("KST") and Baluchistan Sales Tax ("BST") respectively on the taxable services provided or rendered in Sindh, Punjab or Khyber Pakhtunkhwa provinces respectively.

The value of taxable services for the purpose of levy of sales tax is the gross commission charged from clients in respect of purchase or sale of shares in a Stock Exchange. The above mentioned Acts levy a sales tax on Brokerage at the rate of 13% in Sindh, 16% in Punjab and in Baluchistan and Khyber Pakhtunkhwa the rate is 15%. Sales tax charged under the aforementioned Acts is withheld at source under statutory requirements.

13.18. TAX CREDIT FOR INVESTMENT IN IPO (please update, with latest requirements)

Under Section 62 of the Income tax Ordinance, 2001, a resident person other than a Company, shall be entitled to a tax credit, as mentioned in the said section, for a tax year in respect of the cost of acquiring in the year, new shares offered to the public by a public company listed on a securities exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

As per section 62(3)(b) of the Income Tax Ordinance, 2001, the time limit for holding shares has been designated as 24 months to avail tax credit.

13.19. ANY OTHER APPLICABLE DETAILS

PART 14

SIGNATORIES TO THE PROSPECTUS

Name	Designation	Signature
------	-------------	-----------

Signed by the above in the presence of following witnesses:

Witness 1 -sd-	Witness 1 -sd-
Name: -----	Name: -----
Designation: -----	Designation: -----
CNIC: -----	CNIC: -----

PART 15**MEMORANDUM OF ASSOCIATION -**

[Please place legible scanned copy of the Memorandum of Association of the Company hereunder]

PART 16**APPLICATION FORM AND BIDDING FORM]**

COMPENDIUM
OF
CORPORATE LAWS

¹[Twelve Schedule]

[Format of Information Circular to SPAC holders seeking vote for approval of merger/acquisition transaction]

[see Regulation 12(g)]

To solicit a shareholder vote on the merger/acquisition, the SPAC will prepare an information circular which may include the following information:

1) Information about the target company;

- (i) Primary business of the target company and the industry in which it operates; Background and history of the target company including its name, registration number, date of incorporation, date of commencement of business, date of conversion into public limited company, description of the business including core and others, if any.
- (ii) Group Structure of the target company showing shareholding in relative and absolute term.
- (iii) Pattern of shareholding of the target company.
- (iv) Names of the Sponsors;
- (v) Organizational structure of the target company; group information, if any;
- (vi) Major events in the history of the target company such as:
 - a) Significant financial or strategic partnerships.
 - b) Time/cost overrun in setting up projects.
 - c) Capacity enhancement, location of plants.
 - d) launch of key products or services.
 - e) entry in new geographies or exit from existing markets.
 - f) Key awards, accreditations or recognition .
 - g) Defaults or rescheduling/ waiver / restructuring of borrowings with financial institutions/ banks.
- (vii) Nature and location of the target company's projects, if any; current implementation and operational status of the projects; nature and type of plant and machinery; total capacity and capacity utilization; financial plan with detailed breakup, in case the proceeds of the issue are to be used for financing a project.
- (viii) Infrastructure facilities like roads, buildings, housing colonies; utilities like water, electricity; raw materials.
- (ix) Product or services of the target company: Revenue and cost driver of the target company in detail;
- (x) Intellectual property rights;
- (xi) Details of material property
- (xii) Future prospects, demand outlook.

1 Twelve Schedule inserted vide SRO 1214(I)/2021, dated September 15, 2021

- (xiii) Vendors to the target company.
 - (xiv) Approvals: All government and other approvals which are material and necessary for carrying on the business of the target company.
 - (xv) Details regarding Associated companies of the target company.
 - (xvi) Related parties' transactions, if any and their significance on the financial performance of the target company.
- 2) The draft scheme for the proposed merger/acquisition transaction
- 3) Financial Information:**
- (i) Financial statements of the SPAC and the Target Company;
 - (ii) Pro forma financial information to reflect the merger transaction;
 - (iii) Qualified opinion, if any given by the auditor of the target company during the last three financial years;
 - (iv) Following details as per the financial statements of the target company for the last 3 years or for a shorter period if 3 years of commencement of business are not completed in tabular format:
 - a) Share capital;
 - b) Net Worth;
 - c) Revenue;
 - d) Gross margin
 - e) Operating margin
 - f) Profit after tax;
 - g) Profit after tax margin;
 - h) Earnings per share;
 - i) Breakup value per share;
 - j) Total borrowings as per the balance sheet;
 - k) Total debt to equity ratio;
 - l) Cash flow from operations
- 4) Description of post-transaction company and its management, directors, governance structure, and material contracts;
- 5) Management's discussion and analysis (MD&A) of the SPAC and the target company
- 6) All material Risk factors related to the target company;
- 7) The timeframe for payment to holders of securities electing to exchange their securities. The SPAC must also demonstrate that this timeframe is reasonable, including providing details of all milestones or steps to be taken.
- 8) LEGAL PROCEEDINGS AND OVERDUE LOANS OF THE TARGET COMPANY;**

Summary table of outstanding legal proceedings other than the normal course of business against the target company its sponsors, substantial shareholders,

directors or its associated group companies, over which the target company has control, that could have material impact on the target company.

OVERDUE LOANS OF THE TARGET COMPANY

9) MATERIAL CONTRACTS / DOCUMENTS RELATED TO THE ISSUE (list of all agreements related to the proposed merger or acquisition)

10) MEMORANDUM OF ASSOCIATION OF THE TARGET COMPANY

11) BOARD AND MANAGEMENT OF THE TARGET COMPANY

S.NO.	Name of Sponsors/Promoters	Area of Expertise alongwith years of experience	Professional Qualification	Major Achievements
-------	----------------------------	---	----------------------------	--------------------

12) PRE AND POST ISSUE SHAREHOLDING OF THE SPONSORS OF SPAC

S.No.	Name of Sponsor	Shareholding (Nos. of shares-Pre-Issue)	%	Shareholding (Nos. of shares-Post-Issue)	%
-------	-----------------	---	---	--	---

13) OUTSTANDING LEGAL PROCEEDING

14) REFUND TO INVESTORS: A SPAC can make refund to the entitled shareholders from the Escrow account as follows:

- (i) where the company is unable to complete the merger or acquisition transaction within the stipulated time period of thirty six (36) months;
- (ii) to those entitled shareholders, who do not approve the merger or acquisition transaction.

15) RIGHTS OF HOLDERS OF VOTING SECURITIES WHO VOTE AGAINST A QUALIFYING ACQUISITION

16) TIME FRAME FOR COMPLETION OF ACQUISITION/MERGER

17) Any other information that an investor must know before approving the transaction

18) MISCELLANEOUS INFORMATION

REGISTERED OFFICE / CENTRAL OFFICE OF THE TARGET Registered Office Address: ----- Phone: ----- Fax: ----- Email: ----- Website: -----	AUDITOR OF THE TARGET M/s. -----, Chartered Accountants Address: ----- Contact No.: ----- Email: -----
REGISTRAR AND TRANSFER AGENT -----Limited Office: ----- UAN: ----- FAX: ----- Email & Website: -----	BANKERS

all the necessary information with regard to the issue and constitutes full, true and plain disclosures of all material facts relating to the shares being offered through this prospectus and that nothing has been concealed

Annexure-A**Information and documents to be submitted along with the prospectus]**

1. Undertakings by the directors/ investment agent / custodian on non-judicial stamp papers attested by Oath Commissioner regarding compliance with the requirements of Regulations;
2. Affidavits/undertakings from the promoters, directors of the SPAC that they meet the fit & proper criteria as required under regulation 12(b) of the Regulations, duly attested by Oath Commissioner;
3. Profiles of the directors and sponsors/ of the SPAC containing the details regarding their professional experience;
4. Forms 28 and 29 duly certified from the concerned Company Registration Office (CRO);
5. Copies of all other approvals required under any law and/or contract;
6. Undertaking, on Non-Judicial Stamp Paper, from the Chief Executive or any Director/Sponsor of the SPAC authorized by the Board of Directors to the effect that the SPAC shall comply with the requirements of the Regulations;
7. Undertaking, on Non-Judicial Stamp Paper, from the Sponsor/Promoters of SPAC to the effect that they shall not utilize the amount of fund raised from the public for any other purpose except for merger or acquisition transaction and related expenses as permitted under these regulations.
8. Power of attorney by the SPAC in favor of consultants/advisors, if any;
9. Certificate of Incorporation, Memorandum and Articles of Association/constitutive document of SPAC;
10. Copy of the Information Memorandum, if any;]

STOCK EXCHANGE RULE BOOK

CHAPTER 5 LISTING OF COMPANIES AND SECURITIES REGULATIONS

5.1. DEFINITIONS:

5.1.1. In this chapter, unless there is anything repugnant in the subject or context:

- (a) "Companies Act", means the Companies Act, 2017 (XIX of 2017);
- (b) "Defaulters' Segment", shall mean a separate segment of companies, which have committed irregularities mentioned in clause 5.11.1;
- (c) "General Public", shall mean all individual and Institutional Investors including both Pakistani (residents & non-residents) and foreign investors;
- (d) "Listed Shell Company", shall mean any Listed Company, classified by the Exchange with reasons to be recorded in writing, as a Listed Shell Company for the purposes of Reverse Merger on the basis of erosion of its equity, no or nominal business operations in its principal line of business as per Memorandum of Association or no or nominal assets;
- (e) "Operating Unlisted Company", shall mean an unlisted company currently in operation which is intending to merge with a Listed Shell Company;
- (f) "Public Offering Regulations", shall mean the Public Offering Regulations, 2017 notified by the Commission and amended from time to time;
- (g) "Prescribed", means prescribed by these Regulations or under authority hereof;
- (h) "Regulations", shall mean this chapter of the PSX Regulations for the time being in force;
- (i) "Reverse Merger", shall mean any transaction pursuant to which an Operating Unlisted Company becomes a Listed Company by merging with and into a Listed Shell Company;
- (j) "Securities Act", means the Securities Act, 2015 (Act No. III of 2015);
- (k) "Special Purpose Acquisition Company (SPAC)" shall have the same meanings as defined under clause (liia) of the Public Offering Regulations, 2017;
- (l) "Surviving Company", shall mean the Listed Company survived pursuant to scheme of arrangement of an Operating Unlisted Company with a Listed Shell Company approved by the relevant competent authority.

5.1.2. Words and expressions used but not defined in these Regulations shall have the same meaning as are assigned to them in the Public Offering Regulations and in case of any inconsistency between the Public Offering Regulations and PSX Regulations, Public Offering Regulations shall prevail.

5.2. LISTING OF COMPANIES AND SECURITIES:

5.2.1. DEALING IN THE SECURITIES OF A COMPANY AT THE EXCHANGE:

- (a) No dealings in securities of a company shall be allowed on the Exchange, either on the Ready Delivery Contract Market or Futures Market, unless the company or the securities have been listed and approval for such dealing has been granted by the Exchange.
- (b) The Issuer shall file an application for listing on Form-I along with the documents as mentioned in Annexure-I to this chapter to the Exchange for approval. A copy of the complete application shall be submitted to the Commission for its record.
- (c) The Exchange may require such additional evidence, declarations, affirmations, information or other forms to be filled up as it may consider necessary.
- (d) The Exchange shall accept a listing application of an Issuer when the Issuer has completed all necessary requirements of the Exchange.
- (e) The Exchange shall place the draft prospectus on its website for a period of seven working days and shall notify the same, for seeking public comments. The Exchange shall ensure that all comments received on the draft prospectus are incorporated and suitably addressed by the Consultant to the Issue and the Issuer to its satisfaction.
- (f) The Exchange shall complete the approval process for listing of an equity security within 15 working days from the date of complete submission of all required documentation including any other additional documentation as required by the Exchange. In case the approval is refused, after providing an opportunity of being heard to the applicant, the reasons thereof will be communicated to the applicant and the Commission within two weeks of the decision.
- (g) An applicant company or security applying for listing shall furnish full and authentic information in respect thereof and such other particulars as the Exchange may require from time to time.
- (h) The issuer whose ordinary shares are already listed at Exchange may apply for listing of other class of shares without making public offer of respective class of shares.

5.2.2. THE EXCHANGE SHALL NOT ENTERTAIN LISTING APPLICATION OF A COMPANY:

- (a) Where the Issuer, its sponsors, promoters, substantial shareholders and directors have over-dues or defaults, irrespective of the amount, appearing in the report obtained from the credit information bureau.

- (b) The Issuer, or its directors, sponsors, or substantial shareholders have been holding the office of directors, or have been sponsors or substantial shareholders in any company:
- Which has been declared defaulter by the securities exchange; or
 - Whose TRE Certificate has been cancelled or forfeited by the securities exchange; or
 - Which has been delisted by a securities exchange due to non-compliance of its regulations.

Provided that Commission may grant relaxation upon reasons to be recorded, and rectification of cause leading to such delisting.

5.2.3. The loan amounting to Rs. 500,000 or more written-off by a financial institution during last five years be disclosed in the prospectus.

5.3. UNDERTAKING:

5.3.1. No listing of a company or security shall be allowed unless the applicant company provides an undertaking on Form-II.

5.4. PUBLIC OFFER BY COMPANIES/ MODARABAS/ SPAC:

5.4.1. In case of issue of equity securities by the applicant company, except for the SPAC, by way of IPO or offer for sale, the allocation to General Public shall be as under:

- (a) FOR COMPANIES SEEKING LISTING:

POST ISSUE PAID UP CAPITAL (PIPC)	ALLOCATION OF CAPITAL TO THE GENERAL PUBLIC, EXCLUDING PREMIUM AMOUNT AND PRE-IPO PLACEMENT
Up to PKR 2.5 billion	At-least 10% of PIPC <i>Provided that the Company shall be required to subsequently enhance the quantum of public shareholding to 25% within next 3 years of its listing.</i>
Above PKR 2.5 billion and upto PKR 5 billion	At-least 10% of PIPC <i>Provided that the Company shall be required to subsequently enhance the quantum of public shareholding to 15% within next 3 years of its listing.</i>
Above PKR 5 billion and upto PKR 10 billion	At-least 10% of PIPC
Above PKR 10 billion	At-least 5% of PIPC

- (b) FOR COMPANIES ALREADY LISTED:

In case of an already listed company at the Exchange, the size of offer of capital shall not be less than Rs.100 million.

Explanation: For the purpose of this clause, the term “size of the offer” means the product of the offer price and the number of shares being offered.

5.4.2. The Issuer or the Offeror, as the case may be, may allocate share capital up to twenty percent (20%) of the public offer to overseas Pakistanis. The amount should be subscribed through proper banking channel.

Provided that in case of under subscription in either of the categories i.e., the quota allocated to resident or non-resident Pakistanis, the unsubscribed portion will be allocated to the applicants of other category.

5.4.3. The Issuer or Offeror, as the case may be, may allocate share capital up to five percent (5%) of the public offer to its employees of the company whose shares are offered.

5.4.4. In the case of a Modaraba applying for listing on the Exchange, thirty percent (30%) of the total paid-up capital shall be subscribed by the sponsors or their associates or friends, relatives and associated undertakings and the balance of seventy percent (70%) shall be offered to the general public.

Provided that the Exchange, if it is satisfied that it is not practicable to comply with the requirements of clause 5.4, in a particular case or class of cases may, for reasons to be recorded, relax the requirements contained therein subject to approval of the Commission.

5.4.5. THE ALLOCATION OF SHARE CAPITAL:

The shares/warrants shall be allotted or allocated to any persons including sponsors or employees in the manner and with such terms and conditions as prescribed under the Public Offering Regulations.

5.4.6. OFFER/ISSUE THROUGH BOOK BUILDING:

In case where the shares of the company are issued/offered through Book Building, it shall comply with the requirements as prescribed in the Public Offering Regulations.

5.5. PROSPECTUS, ALLOTMENT, ISSUE AND TRANSFER OF SHARES:

5.5.1. No Company will be listed unless it is registered under the Companies Act as a public limited company and its minimum post issue paid-up capital is Rs.200 million.

5.5.2. The companies registered in Gilgit Baltistan and Azad Jammu and Kashmir will be eligible for listing and will be treated at par with companies registered in Pakistan.

5.5.3. Despite receiving the application for approval of listing and any preliminary actions thereon, no company shall be listed unless it has made a public issue which is subscribed by not less than 500 applications.

5.5.4. The requirements of Regulation 5.5.1. or 5.5.3. shall not apply to listing of Securities other than shares of Companies, unless any law so requires or the Federal Government in the exercise of its powers under the Securities Act, 2015 so directs.

5.5.5. The Companies shall ensure that the securities offered to the general public are declared as eligible securities in the CDS.

5.5.6. The audited accounts to be incorporated in the Prospectus / Offer for sale document shall not be older than 8 months from the date of publication of the Prospectus / Offer for sale document. The Prospectus shall contain all disclosures mentioned in the Public Offering Regulations. Moreover, it shall also disclose any loan amounting to Rs. 500,000 or more written-off by a financial institution during last five years.

Provided that in case of secondary public offering and initial public offering of other class of shares, Listed Companies are allowed to publish the Prospectus/Offer for sale document based on audited accounts older than eight months, subject to the condition that they are compliant with the requirements related to annual and quarterly accounts as specified under the Companies Act.

Provided further that the conditions referred to in Regulation 5.5.6. shall not apply to SPAC. Furthermore, SPAC shall ensure that prospectus submitted contains all the disclosures as specified for SPAC in Public Offering Regulations.

5.5.7. APPROVAL OF PROSPECTUS:

- (a) The prospectus shall be submitted to and approved by the Exchange before an application for its approval is made to the Commission. The Exchange may require additional information, data, certification or requirement to be included in the prospectus. If any applicant fails to comply with such requirements, the Exchange may refuse to issue approval of the prospectus under these Regulations.
- (b) The prospectus shall conform to and be in accordance with the requirements and provisions of the Public Offering Regulations, Securities Act, 2015, any other law or legal requirement for the time being applicable, instructions of the Commission, Exchange's Criteria for Listing and the Exchange's Listing Guidelines laid down from time to time not being inconsistent with law or instructions of the Commission. The application made to the Commission shall, amongst other things, be accompanied by the approval given by the Exchange under Regulation 5.5.7.(a) above.
- (c) The issuer shall make available to the Exchange and to bankers to the issue for distribution printed copies of prospectus or offer for sale and application forms for shares in the quantity to be determined by the Exchange and the bankers. The company shall also accept applications on identical forms.
- (d) The applications for shares/warrants shall be accepted only through bankers to the issue, whose names shall be included in the prospectus or the offer for sale.
- (e) The directors or the offerors, as the case may be, shall not participate in subscription of shares/warrants offered to the general public.

5.5.8. SUBSCRIPTION PROCESS:

- (a) The company shall inform the Exchange of the subscription received and such information shall be communicated in writing under the hand of an authorized person with certificate(s) from bankers to the issue, within three (3) Working Days of the closing of subscription.
- (b) Within ten (10) working days of the close of public subscription period, the company shall allot and issue shares/warrants against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be refunded.
- (c) In case the application for listing is refused by the Exchange, for any or whatsoever reasons, the company shall forthwith repay without surcharge all moneys received from applicants in pursuance of the prospectus or the offer for sale, and if any such money is not repaid within eight days after the Company becomes liable to repay it, the directors of the company shall be, jointly and severally, liable to repay that money from the expiration of eight day together with surcharge at the rate of two percent (2%) for every month or part thereof from the expiration of the eight day.
- (d) In case of over-subscription, the company, or the Offerors, as the case may be, shall immediately submit to the Exchange copies of the ballot register of successful applications.
- (e) The company shall credit all shares/warrants in the respective CDS Account of the successful applicants within ten (10) working days of the closing of subscription list under intimation to the Exchange.

5.5.9. BROKERAGE TO TRE CERTIFICATE HOLDERS:

The Listed Company or the Offeror, as the case may be, shall, within ten (10) working days of closing of subscription list, pay brokerage to the Securities Broker at a rate not more than one percent (1%) of the value of the shares actually sold through them.

5.5.10. SPLIT/CONSOLIDATION OF PHYSICAL INSTRUMENTS:

- (a) The Company shall split letters of right into marketable lots within seven (7) days of receipt of such application.
- (b) The Company shall consolidate or split, as may be required by a Security holder in writing certificates into marketable lots within thirty (30) days of receipt of such application. In case the split/consolidation results in lots other than marketable lots, the company may charge an amount, which shall not exceed Rs.100/- for each certificate.

5.5.11. CLOSURE OF SHARE TRANSFER BOOKS:

- (a) A company, excluding open-end mutual funds, may close its share transfer books for any purpose and shall give a minimum of seven (7) days' notice to the Exchange prior to closure of Share Transfer Books,

provided that the maximum period of closure of books during a year shall not exceed the period specified in section 125 of the Companies Act.

Provided that the Companies/ETFs quoted on the Futures Market shall intimate to the Exchange the dates of their book closure and corporate actions, if any, at least seven (07) trading days before the commencement of book closure. However, the Exchange may change above intimation time period in exceptional circumstances.

- (b) The company shall treat the date of posting as the date of lodgment of shares for the purpose for which shares transfer register is closed, provided that the posted documents are received by the Company before relevant action has been taken by the Company.
- (c) The company shall issue transfer receipts immediately on receiving the shares for transfer.
- (d) The company shall not charge any transfer fee for transfer of shares.

5.5.12. No listed Company shall exercise any lien whatsoever on fully paid shares and nor shall there be any restriction on transfer of fully paid shares. The same shall apply to all listed Securities.

5.6. DISCLOSURE OF INFORMATION, TRADING HALTS AND CREDIT OF DIVIDENDS:

5.6.1. DISCLOSURE OF PRICE-SENSITIVE INFORMATION:

- (a) Every Listed Company shall immediately disseminate to the Commission and the Exchange all price-sensitive information relating to the business and other affairs of the listed company that may affect the market price of its shares in the manner prescribed by the Exchange from time to time. The said information shall be communicated to the Exchange prior to its release to any other person or print / electronic media.

The price-sensitive information may include but shall not be limited to:

- (i) any material change in the nature of business of the company due to technical, strategic, manufacturing, or marketing related changes, opening of new line of business or closure of any existing line of business, either partly or fully;
- (ii) information regarding any joint ventures, merger, demerger, restructuring, acquisition or any material contract entered into or lost;
- (iii) all decisions of the Board of Directors of the company relating to cash dividend, bonus issue, right issue or any other entitlement or corporate action, buy back of securities or voluntary delisting;
- (iv) purchase or sale of significant assets, franchise, brand name, goodwill, royalty, financial plan, etc.;
- (v) any undisclosed revaluation of assets including impairment of assets due to any reason;

- (vi) delay or loss of production due to strike, fire, natural calamities, major breakdown, etc.;
- (vii) a major change in borrowings including projected gains to accrue to the company;
- (viii) issue or redemption of securities or any change in the terms of issued securities;
- (ix) material change in ownership of the company;
- (x) any default in repayment, rescheduling or restructuring of loans or breach of loan agreement by the company;
- (xi) default, delay, rescheduling or restructuring in payment of markup, profit, interest or rent etc., as the case may be and in redemption of principal amount in respect of Debt Securities issued by a Listed Company along with reasons thereof;
- (xii) change in directors, Chairman, CEO or auditors of the company;
- (xiii) fraud/default by the company or fraud/default/arrest of its directors, CEO or executives;
- (xiv) initiation of winding up proceedings against the company or any of its associated/subsidiary company;
- (xv) non-renewal of license by the Commission or any other relevant licensing authority along with reason(s) of the non-renewal; and
- (xvi) any other information that is deemed price sensitive information.

Explanation: Such information shall be disseminated to the Commission and the Exchange as soon as any decision about above referred matters or any other significant issue is taken by the board or a significant matter requiring disclosure has come into the knowledge of the company's management.

5.6.2. DISCLOSURE IN RESPONSE TO A RUMOR OR A REPORT CONTAINING SENSITIVE INFORMATION:

Whenever a Listed Company becomes aware or is made aware of any rumor or report containing sensitive information, likely to affect market price of its listed Securities or trading volume in any form whatsoever and howsoever including but not limited to the following:

- (i) broadcasted/presented through the electronic media; and not limited to an
- (ii) article/news or otherwise; and
- (iii) published in a newspaper, newswire, magazine, or any other publication.

The Company should confirm or deny information and set forth the facts sufficient to clarify the same in writing to the Exchange, within one (1) day of such publication / broadcast.

5.6.3. DISCLOSURE IN CASE OF UNUSUAL MOVEMENTS IN PRICE AND/OR VOLUME OF A SECURITY:

- (a) In case the Exchange observes unusual, significant or sudden movement in price and/or volume of a security of a Listed Company, the Exchange may seek explanation from the Company and the

Company shall respond promptly to the Exchange by giving sufficient information as is available to it in order to clarify its position for onward dissemination to the public including but not limited to the following:

- (i) details of any matter or development of which it is aware that is or may be relevant to the unusual movements, or
 - (ii) a statement of the fact if it is not aware of any such matter or development.
- (b) It shall be the responsibility of the Listed Company to respond promptly, in the same manner, to any news in the print and electronic media regarding that company which may have caused such unusual movement(s).

5.6.4. DISCLOSURE OF INTEREST BY RELEVANT PERSONS HOLDING COMPANY'S SHARES:

Where any director, CEO, substantial shareholder or executive of a Listed Company or their spouses sell, buy or take any beneficial position, whether directly or indirectly, in shares of the Listed Company of which he/she is a director, CEO, substantial shareholder or executive, as the case may be, he/she shall immediately notify in writing to the Company Secretary. Such director, CEO, substantial shareholder or executive, as the case may be, shall also deliver a written record of the price, number of shares, form of share certificates, (i.e., whether physical or electronic into Central Depository System), and nature of transaction to the Company Secretary within seven days of effecting the transaction. The Company Secretary shall immediately forward the same to the Exchange for its dissemination to all concerned. The notice of the director, CEO, substantial shareholder or executive, as the case may be, shall also be presented by the Company Secretary at the meeting of the board of directors immediately subsequent to such transaction. In the event of default by a director, CEO or executive to give a written notice or deliver a written record, the Company Secretary shall place the matter before the board of directors in its immediate next meeting.

Provided that each listed company, excluding open-end mutual funds, shall determine a closed period prior to the announcement of interim/final results and any business decision, which may materially affect the market price of its shares. No director, CEO or executive shall, directly or indirectly, deal in the shares of the listed company in any manner during closed period. The closed period shall start from the day when any document/statement, which forms the basis of price sensitive information, is sent to the board of directors and terminate after the information is made public. Every listed company shall advise its directors about the closed period at the time of circulating agenda and working papers for the board meetings, along with sending intimation of the same to the Exchange.

Explanation: For the purpose of clause 5.6.1 and 5.6.4, the expression "executive" means the CEO, Chief Operating Officer, Chief Financial Officer, Head of Internal Audit and Company Secretary by whatever name called, and

other employees of the company for whom the board of directors will set the threshold to be reviewed on an annual basis and disclosed in the annual report.

5.6.5. DISCLOSURE OF INFORMATION RELATING TO ACQUISITION OF MORE THAN TEN PER CENT VOTING SHARES OF A COMPANY:

Where Exchange receives any information from an acquirer under section 110 of the Securities Act 2015, the Exchange, upon receipt of such information, shall immediately disseminate the same to all concerned.

5.6.6. DISCLOSURE OF SIGNIFICANT RELATED PARTY TRANSACTIONS:

- (a) Every Listed Company shall disseminate to the Exchange information about Related Party Transaction(s) which, individually or taken together with previous transactions with a Related Party during a financial year, is of a value equal to or more than 10% of total assets or annual total turnover as per last year's audited financial statements of the Listed Company, immediately upon entering into such transaction.

Provided that nothing in this clause shall apply to any transactions entered into by the Listed Company in its ordinary course of business on an arm's length basis as specified in terms of section 208 of the Companies Act, 2017 and regulation made thereunder.

- (b) The information to be disseminated under sub-clause (a) shall include but not be limited to the following:
- (i) Name of Related Party;
 - (ii) Nature of transaction;
 - (iii) Amount of transaction;
 - (iv) Names of the interested person(s) and their nature of interest in the transaction/ related party;
 - (v) The interested persons' direct and indirect shareholding in the Listed Company;
 - (vi) Details, description, terms and conditions of transaction; and
 - (vii) The rationale for and benefit to the Listed Company of such transaction.

5.6.6.A. DISCLOSURE OF INFORMATION RELATING TO STAY OBTAINED FROM THE COURT AGAINST THE INSPECTION OR INVESTIGATION PROCEEDINGS OF THE COMMISSION:

The Listed Company shall immediately disclose to the Exchange the information relating to an order of the Court staying any inspection or investigation proceedings initiated by the Commission against such Listed Company.

5.6.7. NON COMPLIANCE WITH DISCLOSURE OF PRICE SENSITIVE INFORMATION TO THE EXCHANGE:

- (a) In case a Listed Company or Issuer of a Listed Security fails to communicate the complete financial results timely, or any other price sensitive information immediately, such company or issuer will be liable to pay penalty at a minimum of PKR 100,000/- (Rupees one hundred thousand only) and maximum up to PKR 1,000,000/- (Rupees One million only) to be determined by the Exchange.

- (b) In case a Listed Company or Issuer of a Listed Security fails to communicate accurate and complete financial results, or any other price sensitive information in a timely manner, the Chief Executive Officer (CEO) as well as Chief Financial Officer (CFO) of such Listed Company or Issuer will be liable to pay a penalty of a minimum PKR 100,000/- (Rupees one hundred thousand only) and a maximum penalty of up to PKR 1,000,000/- (Rupees one million only) to be determined by the Exchange.

Provided that in case of continuing contravention with respect to communication of complete and/ or accurate financial results or non-compliance with the directions issued by the Exchange, an additional amount of penalty amounting to PKR 10,000/- for every day after the first day during which such contravention or default continues, may be imposed by the Exchange.

5.6.8. Every Listed Company and Issuer of Listed Security shall send to the Exchange its quarterly and annual financial results, in the manner prescribed by the Exchange from time to time.

5.6.9. PROVISION OF STATUTORY REPORTS, AUDITED ACCOUNTS, NOTICE, RESOLUTION AND QUARTERLY REPORTS TO THE EXCHANGE:

- (a) The Company shall send/transmit to the Exchange its statutory report, annual report containing therein the audited financial statements, auditors' report, directors' report and the chairman's review report, in the manner prescribed by the Exchange not later than twenty one (21) days before a meeting of the shareholders is held to consider the same.
- (b) The Company shall transmit to the Exchange all notices as well as resolutions prior to their publication and dispatch to the shareholders and also file with the Exchange certified copies of all such resolutions as soon as these have been adopted and become effective.
- (c) The Company shall send/transmit to the Exchange its quarterly accounts in the manner prescribed by the Exchange from time to time and within the time stipulated under the Companies Act, 2017.

5.6.10. PAYMENT OF DIVIDEND:

Every Listed Company shall:

- (i) credit interim and final dividend into the designated bank accounts of the shareholders concerned within the time lines specified by the Commission pursuant to section 242 of the Companies Act;
- (ii) intimate the Exchange immediately as soon as all the dividends have been credited in the respective bank accounts of the shareholders.

5.6.11. SUSPENSION OF TRADING IN THE SHARES/WARRANTS OF A LISTED COMPANY PURUANT TO SCHEME OF MERGER/ AMALGAMATION/ RECONSTRUCTION:

Where a Listed Company enters into a scheme of reconstruction of the company/ companies or amalgamation of any two or more Listed Companies or division/ splitting of a Listed Company into one or more companies, pursuant to the order of the Court, Commission or State Bank of Pakistan as per the Scheme of

Merger/ Amalgamation/ Reconstruction already notified by the Exchange, the Exchange on announcement of final dates of closure of share transfer registers by the Listed Company for determining the entitlement, shall suspend trading in the shares of the Listed Company being merged as per the Exchange's trading schedule already notified. The Exchange, as the case may be, shall also issue a separate notice for delisting of the merged Listed Company upon fulfilment of the applicable requirements.

5.7. ANNUAL GENERAL MEETINGS/ANNUAL REVIEW MEETINGS, ETC.:

5.7.1. HOLDING OF MEETING:

- (a) Listed Companies shall intimate to the Exchange the date and time of holding of their annual general meetings. Listed Companies are encouraged to avoid overlap with other Listed Companies in holding their annual general meetings and provide video-link facility to shareholders to enable them to participate in the annual general meetings.
- (b) Every Listed Company including Modaraba shall hold its annual general meetings or annual review meetings, as the case may be, and lay before the said meetings its financial statements within one hundred and twenty (120) days following the close of financial year.

Provided that it shall be mandatory for a Company to notify the Exchange of any extension in time of holding the Annual General Meeting by furnishing to the Exchange a copy of the letter of approval from the Commission allowing such extension, within 48 hours of receipt of the same.

5.7.2. FURNISHING OF MINUTES OF MEETING AND FREE FLOAT RELATED INFORMATION:

- (a) The Listed Company shall furnish certified true copies of minutes of its Annual General Meeting and of every extraordinary general meeting to the Exchange within sixty (60) days of such meeting.
- (b) Every Listed Company or issuer of a Listed Security shall:
 - (i) ensure that requisite input into the CDC free-float functionality is entered in a timely manner to enable the Exchange to access the number and break-up of Free-Float shares of the company on quarterly basis i.e. as on March 31, June 30, September 30 and December 31 each year, within fifteen (15) days of close of each quarter.
 - (ii) submit directly to the Exchange along with the annual audited accounts as prescribed in clause 5.6.9. (a) of these Regulations, an annual Free-Float certificate duly verified by the auditor, in the format specified by the Exchange.

The CDC shall notify to the Exchange late/non-submission of quarterly Free-Float information by any listed company within the timeframe specified in clause (i) above, for initiating necessary action as provided in the PSX Regulations.

- (c) A Listed Company or an issuer of a Listed Security which fails to communicate the correct details of Free-Float of shares shall be liable

to pay a penalty of Rs. 5,000/- per day from the date of first communication of such details till the correct details are communicated.

5.7.3. HOLDING OF CORPORATE BRIEFING SESSION:

Every listed company shall hold atleast one Corporate Briefing Session during the financial year, in the manner as specified by the Exchange from time to time and intimate to the Exchange in advance the date, time and venue of holding of the Corporate Briefing Session.

5.8. INCREASE OF CAPITAL AND ALLIED ISSUES:

Every listed Company shall immediately advise the Exchange of all decisions taken by its board of directors regarding any change in authorized, issued or paid-up capital, by issue of bonus shares, right shares or reduction of capital, etc.

5.8.1. THROUGH ISSUING OF ENTITLEMENT LETTERS OR RIGHT OFFERS:

- (a) A listed Company shall issue entitlement letters or right offers in marketable lots to all the Security holders within a period of thirty (30) days from the date of re-opening of security transfer register of the company closed for this purpose.

Provided that this regulation shall not apply on the Security which is eligible to be deposited into CDS. In such cases, the procedure as prescribed by the CDC shall be complied with.

- (b) The Exchange may, at the request of the Listed Company, extend time for issuance of the entitlement letter for a period not exceeding thirty (30) days. The company shall pay the following fees to the Exchange for extension granted by the Exchange with regard to issuance of entitlement letters, etc.

- (i) for the first fifteen (15) days Rs. 250/- per day
(ii) for the next fifteen (15) days Rs. 500/- per day

Failure to seek extension from the Exchange shall make the company liable to a penalty at double the rate of extension fee provided above.

Provided that extension shall not be granted beyond 30 days.

5.8.2. THROUGH ISSUING OF BONUS SHARES:

- (a) A listed Company shall issue bonus shares certificates within a period of thirty (30) days from the date of re-opening of the share transfer register closed for this purpose:

- (i) Bonus shares shall be credited into the respective CDS Accounts of shareholders maintained with the CDC or dispatched to the shareholders concerned by registered post or through courier services unless those entitled to receive the bonus share certificates require otherwise in writing;
(ii) The Exchange shall be immediately intimated as soon as the bonus shares are credited / dispatched to the shareholders;

Provided that in case of Book-Entry Securities deposited into the CDS, in addition to the above, procedure as prescribed by the CDC shall also be complied with.

5.9. OTHER MATTERS:

5.9.1. A Listed Company shall submit to the Exchange certified true copy of its updated memorandum and articles of association immediately after obtaining approval of the Commission for any amendment made therein.

5.9.2. Every Listed Company and issuer of listed security shall notify to the Exchange at least one week in advance the date, time and place of its board meeting specially called for consideration of its quarterly and annual accounts or for declaration of any entitlement for the security holders in the manner prescribed by the Exchange from time to time.

5.9.3. Where no trading has taken place on the Exchange in the securities of a Listed Company for a continuous period of 180 days, the Exchange, if it is satisfied that the prices quoted are not in accordance with the market realities, may except in cases where the earlier quotation is below par value and, with the prior approval of the Commission, quote such companies at par from the one hundred and eighty first day irrespective of the price earlier prevalent.

5.10. QUALITY OF AUDIT:

5.10.1. All Listed Companies shall facilitate the Quality Control Review (QCR) of the audit working papers of practicing chartered accountants, carried out by the Institute of Chartered Accountants of Pakistan (ICAP). For such purpose, all Listed Companies shall authorize their auditors to make available all the relevant information including the audit working papers to the QCR Committee of ICAP.

5.10.2.(a) No Listed Company shall appoint or continue to retain any person as an auditor, who has been found guilty of professional misconduct, by the Commission or by a court of Law, for a period of five years unless a lesser period is determined by the Commission. In case a firm has been appointed as an auditor, and if any of its partners have been held guilty of professional misconduct, the firm shall only be eligible for appointment as an auditor provided a written confirmation is given by the firm to Exchange and the Commission with a copy to ICAP to the effect that such partner shall not be engaged in the audit of any Listed Company for the period specified above.

(b) A person appointed as an auditor shall be guilty of "professional misconduct" if he:

- (i) fails to report a material misstatement or fact known to him and non-disclosure of which may render the financial statements misleading or disclosure of which is necessary in his professional capacity;
- (ii) fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;
- (iii) makes a statement which is misleading, or deceptive;

- (iv) incites any one to commit a criminal offence, or helps or encourages anyone in planning or execution of a criminal offence which is committed;
- (v) agrees with anyone to prevent or obstruct the course of justice by concealing, destroying or fabricating evidence by a misleading statement which he knows to be untrue;
- (vi) deceives any person, either by making a statement, which he knows to be false, or by suppressing matters relevant to a proper appreciation of its significance;
- (vii) expresses his opinion on financial statements of any business or enterprise in which he, his firm or a partner in his firm has substantial interest;
- (viii) is penalized under any of the provisions of the Companies Act, 2017 in relation to his function as an auditor of a listed company; and
- (ix) is guilty of any other act which is determined as professional misconduct by the Commission in relation to his function as an auditor of a listed company.

5.10.3. The auditor of a listed company shall not provide the following services to such Listed Companies:

- (i) preparing financial statements, accounting records and accounting services;
- (ii) financial information technology system design and implementation, significant to overall financial statements;
- (iii) appraisal or valuation services for material items of financial statements;
- (iv) acting as an Appointed Actuary within the meaning of the term defined by the Insurance Ordinance, 2000;
- (v) actuarial advice and reviews in respect of provisioning and loss assessments for an insurance entity;
- (vi) internal audit services related to internal accounting controls, financial systems or financial statements;
- (vii) human resource services relating to:
 - (i) executive recruitment;
 - (ii) work performed (including secondments) where management decision will be made on behalf of a listed audit client;
- (viii) legal services;
- (ix) management functions or decisions;
- (x) corporate finance services, advice or assistance which may involve independence threats such as promoting, dealing in or underwriting of shares of audit clients;

- (xi) any exercise or assignment for estimation of financial effect of a transaction or event where an auditor provides litigation support services as identified in paragraph 9.187 of Code of Ethics for Chartered Accountants;
- (xii) share registration services (transfer agents); and
- (xiii) any other service(s) which the Council of Institute of Chartered Accountants of Pakistan ("ICAP") with the prior approval of the Commission, may determine to be a "prohibited service".

The Commission may on the recommendation of ICAP or in its sole discretion and to the extent deemed fit and proper exempt one or more services from the restriction under this Regulation.

5.10.4. A listed company shall not appoint or continue to retain any person as an auditor, who is engaged by such company to provide services listed in Regulation 5.10.3 or if a person associated with the auditor is, or has been, at any time during the preceding one year engaged as a consultant or advisor or to provide any services listed in Regulation 5.10.3.

Explanation:

For the purposes of this regulation, the expression "associated with" shall mean any person associated with the auditor, if the person:

- (a) is a partner in a firm, or is a director in a company, or holds or controls shares carrying more than twenty percent of the voting power in a company, and the auditor is also partner of that firm, or is a director in that company or so holds or controls shares in such company; or
- (b) is a company or body corporate in which the auditor is a director or holds or controls shares carrying more than twenty percent of the voting power in that company or has other interest to that extent.

5.11. NON-COMPLIANT SEGMENT, WINDING-UP SEGMENT, RISK WARNING ALERT, SUSPENSION AND DE-LISTING:

5.11.1. A Listed Company may be placed in the Non-Compliant Segment if:

- (a) It has suspended commercial production/business operations in its principle line of business for a continuous period of one year;
Upon placement of such company on the Non-Compliant Segment, the Exchange shall only initiate actions under regulation 5.11.3(a) and 5.11.3(b).
Provided that this regulation shall not apply on SPAC.
- (b) It has failed to hold its one Annual General Meeting (AGM) / Annual Review Meeting (ARM) as per law;
Upon placement of such company on the Non-Compliant Segment, the Exchange shall only initiate actions under regulation 5.11.3 (a) and 5.11.3 (b).

However, if such a company fails to hold its AGM/ ARM even after 6 months of placement on the Non-Compliant Segment, a Risk Warning Alert will be issued.

Further, if such a company fails to hold its AGM/ ARM for two consecutive years, the Exchange shall suspend trading in shares of the company and provide it further period not exceeding 90 days to rectify the non-compliance(s). In case a Company still fails to rectify, the Exchange shall initiate further actions against the company commencing from regulation 5.11.3 (e).

- (c) It has failed to submit its annual audited financial statements for the immediately preceding financial year as per law;

Upon placement of such company on the Non-Compliant Segment, the Exchange shall only initiate actions under regulation 5.11.3 (a) and 5.11.3 (b).

However, if such a company fails to submit its annual audited financial statements even after 6 months of placement on the Non-Compliant Segment, a Risk Warning Alert will be issued.

Further, if such company fails to submit its annual audited financial statements for two consecutive years, the Exchange shall suspend trading in shares of the company and provide it further period not exceeding 90 days to rectify the non-compliance(s). In case a Company still fails to rectify, the Exchange shall initiate further actions against the company commencing from regulation 5.11.3 (e).

- (d) It has failed to pay within the time specified by the Exchange:

- (i) the annual listing fees for two (2) years; or
- (ii) any penalty imposed by the Exchange under these Regulations through final order; or
- (iii) any other dues payable to the Exchange under these Regulations;

- (e) It for any reason whatsoever has failed to join CDS after its security has been declared eligible security;

Trading in shares of such company shall remain suspended until joining of CDS by the Company and/ or further actions taken by the Exchange under these Regulations.

- (f) Its CDS eligibility has been revoked by the CDC;

Trading in shares of such company shall be suspended immediately by the Exchange following which the Exchange shall initiate further actions against the company under regulation 5.11.3. However, due to immediate suspension, no Risk Warning Alert shall be issued under regulation 5.11.3 (d).

- (g) Its statutory auditor has issued a disclaimer or an adverse opinion in the audit report;

Upon placement of such company on the Non-Compliant Segment, the Exchange shall only initiate actions under regulation 5.11.3(a) and 5.11.3(b).

- (h) License of the listed regulated person or listed company, as the case may be, has been canceled or revoked by the Commission or licensing authority;

Trading in shares of such company shall be suspended immediately by the Exchange following which the Exchange shall initiate further actions against the company under regulation 5.11.3. However, due to immediate suspension, no Risk Warning Alert shall be issued under regulation 5.11.3 (d).

- (i) It has failed to comply with any provision of this Chapter or where, in the opinion of the Exchange, it is necessary to do so in the interest of protecting investors and maintaining a fair, orderly and transparent market.

5.11.2 A Listed Company may be placed in the Winding-up Segment:

- (a) Upon receipt of information that the Commission has passed order for winding-up of the company;
- (b) Upon receipt of information that winding-up petition is filed against the company in Court by the Commission;
- (c)) Upon receipt of information that winding-up petition is filed by creditor(s) or shareholder(s) in the Court subject to the following conditions:
- (i) such creditor or creditors, either severally or jointly, have a claim against the company which is equivalent to at least ten percent of the equity of the company as per the latest accounts available with the Exchange; or
 - (ii) such shareholder or shareholders, either severally or jointly, own at least ten percent of the company's paid-up capital;
- (d) Voluntary winding-up proceedings have commenced through passing of special resolution.

Upon placement of the company on the Winding-up Segment under sub-clause (a) above, the Exchange shall take action under regulation 5.11.3.

Provided that upon placement of such company on the Winding-up Segment under sub-clauses (b), (c) and (d) above, the Exchange shall initiate actions under regulation 5.11.3(a) and 5.11.3(b) and trading in shares of such companies shall be suspended.

Provided that upon appointment of Liquidator or Official Liquidator, the Exchange shall proceed further under regulation 5.11.6.

5.11.3. Upon placement of a Company or its Security on the Non-Compliant Segment or the Winding-up Segment, as the case may be, pursuant to sub-clause 5.11.1 and 5.11.2, the Exchange shall initiate the following actions, unless specific actions are provided under clause 5.11.1 and 5.11.2:

- (a) Issue notice(s) for the general public disclosing the information available with the Exchange regarding placement of the company or its securities on the Non-Compliant Segment or Winding-up Segment as per the format of notice agreed with the Commission;
- (b) Advise the CDC and/ or Registrar in case of physical shares to freeze the shares of the company in the CDS accounts or in the name of the sponsors, directors and senior management of the Company, as per relevant information to be provided to the CDC/ Registrar by the Exchange;

Provided that in case of change of management, revival of the company or to ensure compliance with the relevant provisions of applicable law, the Exchange may request CDC/ Registrar to allow transfer of such blocked shares to any other person(s) in the same form upon submission of a scheme of revival duly approved by the Board of Directors, preferably of the Listed Company, including supporting documents and agreements to the Exchange.

Provided further that upon placement of a company on the Non-Compliant Segment under sub-clause 5.11.1(a), the Exchange may in addition to taking action as above instruct such Company to take necessary measures to commence/ resume commercial production or business operations, as the case may be, and submit quarterly progress report to the Exchange for dissemination to market participants.

- (c) Instruct the Company to rectify the non-compliance(s) within the specified time not exceeding 90 days from the date of placement of the Company on the Non-Compliant Segment;
- (d) In case a Company fails to rectify the non-compliance(s) within the timeframe specified in sub-clause 5.11.3 (c) or sub-clauses to Regulation 5.11.1 above, the Exchange shall issue a Risk Warning Alert against such Company and provide it further period not exceeding 90 days to rectify the non-compliance(s);
- (e) In case a Company still fails to rectify the non-compliance(s) within the timeframe specified in sub-clause 5.11.3 (d), the Exchange shall issue compulsory buy-back directions to the majority shareholders/ sponsors having control of the Company in the manner as provided under clause 5.14 and for SPAC as provided in Public Offering Regulations, 2017 within the time specified by the Exchange, not exceeding 90 days from the date of such direction or rectify the noncompliance(s) within such period;
- (f) Upon completion of the buy-back process of shares by majority shareholders/ sponsors of the Company within the timeframe specified under sub-clause 5.11.3 (e), the Exchange shall delist such Company through a notice in writing under intimation to the Commission;

(g) In case of failure of majority shareholders/ sponsors of the Company to comply with the compulsory buy-back directions within the timeframe specified under sub-clause 5.11.3 (e) above, the Exchange shall forward the case of the Company to the Commission for initiating winding-up proceeding against such company under the relevant provisions of the Companies Act, 2017.

5.11.4. Any information/ notices issued in relation to actions taken against any company under regulation 5.11.1 and 5.11.2 or restoration of such company to the normal Ready Delivery Contracts Market shall be disseminated by the Exchange to the market participants prior to opening of market on the next trading day.

5.11.5. Mechanism to be followed for Suspension of Trading in the Shares:

The Exchange shall suspend trading in the shares of a Company under these Regulations by providing the company with notice of 14 trading days for submitting reasons as to why trading in its shares may not be suspended by the Exchange. Upon failure of the company to rectify its non-compliance(s) within 7 trading days from the date of such notice, trading in shares of the company shall be allowed only on T+0 (SPOT) for the next 7 days, and upon continued failure of the company to rectify its non-compliance(s), the Exchange shall suspend trading in the shares of the company from the 15th trading day.

Provided further that the trading in the shares of a company shall be suspended immediately under clause 5.11.1 (f) without following the above mechanism of suspension.

5.11.6. The Company shall be delisted from the Exchange upon appointment of an Official Liquidator by the Court.

Provided that in the case of appointment of Liquidator through passing of special resolution by the shareholders under clause 5.11.2 (d) above, the Exchange shall delist such Company upon submission of relevant documents including Auditor's Certificate confirming disbursement of sale proceeds by the Liquidator to the concerned shareholders.

5.11.7. No company shall be de-listed under these Regulations, unless such company has been provided an opportunity of being heard. In case of failure of the company to avail the hearing opportunity, the Exchange shall proceed to delist the company on ex parte basis.

5.11.8. In case of a company having more than one ground for placement in the Non-Compliant Segment and Winding-up Segment, the Exchange shall follow the steps prescribed for the ground that lead to earlier suspension or delisting of the company, as the case may be.

5.11.9. The Exchange may relax the action under sub-clause 5.11.3 (e) and 5.11.3 (g) subsequent to placement of a company in the Non-Compliant Segment, if it is established that such action may not be in the best interests of its shareholders/investing public and where the company has demonstrated improvement from the last reported progress towards the rectification of cause(s) of its non-compliance(s).

The Exchange shall disseminate its decision to grant any such relaxation for the information of market participants.

Provided that the relaxation so granted shall not be more than 60 days at once, however, the same may be extended considering the ground(s) as aforementioned.

5.11.10 Without prejudice to various specific or other enforcement actions provided or available under these Regulations, the Exchange shall have powers to place the company in the Non-Compliant Segment, suspend trading in its security or delist it, if in the opinion of the Exchange, such company has defaulted or contravened any of these Regulations.

5.11.11 Trading in the securities of a company placed in Non-Compliant Segment and Winding-Up Segment, if allowed, shall be affected separately and the prices shall also be quoted separately in the Daily Quotations until such company is removed from the such segments and restored to the normal counter of the Exchange.

5.11.12 The placement of a company in the Non-Compliant Segment, Winding-Up Segment, its suspension or de-listing under regulation 5.11 or the preceding sub-regulation shall be communicated to the Commission, such company and simultaneously notified to the market participants, inter-alia by posting it on website of the Exchange and publishing it, if deemed necessary, in the Daily Quotations of the Exchange.

5.12. EFFECTS OF SUSPENSION OF TRADING IN THE SECURITIES OF A SUSPENDED COMPANY:

5.12.1. Transfer in the physical shares of such company shall be restricted. However, such restriction shall not be applicable in cases where:

- (a) the Share Registrar/ Transfer Agent/ the company has received transfer request from a shareholder prior to the date of suspension; or
- (b) the shares have been purchased prior to the date of suspension of trading and the shareholder provides proper instrument of transfer, evidencing purchase of such shares prior to the date of suspension, to the Share Registrar/ Transfer Agent/ the company.

5.12.2. It shall be mandatory upon the company to ensure that no transfers in physical shares, other than as specified in Regulation 5.12.1.(a) and 5.12.1.(b) above, take place during the period of suspension. Within ten (10) days of suspension, the company shall provide the Exchange with a copy of its Share Transfer Register, as of the day prior to the day of suspension, and details of any transfers registered under Regulation 5.12.1 (a) and 5.12.1 (b) subsequent to suspension in trading of its shares shall also be submitted to the Exchange within 48 hours of registration of such transfer.

5.13. RESTORATION OF TRADING IN THE SHARES OF SUSPENDED COMPANY:

The Exchange may restore trading in the shares of such company, where the cause of suspension of trading has been removed to the satisfaction of the

Exchange. Where trading in the shares of such company is suspended continuously for 180 days or more, the Exchange may require such company to comply with any one or more of the following conditions and in such manner/time as may be specified by the Exchange:

- (a) Submit a satisfactory resumption proposal with a view to resuming trading in its securities including short-term milestones to implement such proposal;
- (b) Publish an appropriate announcement to the public detailing the measures adopted for removal of cause of suspension;
- (c) Conduct a corporate briefing session for the shareholders and analysts;
- (d) Release latest annual or quarterly financial report or any other relevant report/ documents deemed acceptable by the Exchange for the purpose; and/ or
- (e) Comply with any specific requirements or conditions as may be prescribed by the Exchange.

5.14. VOLUNTARY DE-LISTING:

5.14.1. Intimation of VD:

A company shall intimate the Exchange immediately subsequent to its Board's decision to buy back shares from the minority shareholders and voluntarily delist from the Exchange. The intimation may also include the proposed purchase price, in line with the Buyback Price Criteria given in clause 5.14.2 below and the reasons for delisting.

5.14.2 Buyback Price Criteria:

The proposed purchase price shall not be less than the highest of the following:

- (a) Weighted Average Closing Market Price of the last 5 days preceding the date of the board meeting in which the company resolves to delist from the Exchange;
- (b) 3-year Weighted Average Market Price one day preceding the date of the board meeting in which the company resolves to delist from the Exchange (using Closing Market Prices);
- (c) Intrinsic Value Per Share on the basis of the revaluation of assets of the company. (The revaluation shall be conducted by an Independent Valuator shortlisted by the Exchange, and shall not be older than 3 months from the date of complete submission of all documentation which shall accompany the formal application for voluntary delisting. Intrinsic Value per share shall be certified by an Audit Firm falling in Category 'A' or 'B' of SBP's Panel of Auditors. The intrinsic value may also include any other factor in addition to tangible and intangible assets of company which may be considered appropriate while fixing the price of shares.);

- (d) P/E Multiple approach (for profitable companies reporting a Profit after Tax at least in the year preceding the intimation of delisting);
- (e) The maximum price at which the Sponsors had purchased these shares from the open market in the preceding one year.

5.14.3 Formal Application for VD:

The company shall submit a formal application for voluntary delisting within 45 days of the date of intimation, stating the proposed purchase price and the reasons for delisting. The following shall be submitted along with the formal application of delisting:

- (a) Non-refundable Voluntary Delisting Application Fee of Rs. 500,000/-;
- (b) Any outstanding dues of the Exchange;
- (c) Valuation Report by the Independent Valuator, and Auditor's Certificate certifying the Intrinsic Value per share;
- (d) Sponsors' Undertaking that they would purchase the shares of minority shareholders at a price to be approved in their general meeting of shareholders for an initial buy-back period of 60 days and for a further period of one year;
- (e) Sponsors' Undertaking that they shall abide by PSX Regulations/ Procedures/ Guidelines/ Terms & Conditions pertaining to Voluntary Delisting;
- (f) Sponsors' Undertaking that all material disclosures relating to the affairs of the company have been made to the shareholders and the Exchange, and that they do not have any information which will constitute an offence under Part X of the Securities Act;
- (g) Consent of Purchase Agent, who acts as an agent for purchase of the securities to be de-listed on behalf of the majority security holders as contemplated by these Regulations and who shall be a Securities Broker of the Exchange;
- (h) Undertaking of Purchase Agent which will constitute an irrevocable open offer to purchase securities from minority shareholders at a price approved in the general meeting, valid for an initial buy-back period of 60 days and for a further period of 12 months;
- (i) Complete list of majority shareholders, along with shareholding details;
- (j) Complete list of minority shareholders, along with shareholding details;
- (k) Statement from the Sponsors (giving details such as price and number of shares) of the shares they purchased from the open market in the one year preceding the date of intimation.

The Exchange shall be empowered to ask for any additional information/ details, which shall be provided by the company within 7 days of the date of such request by the Exchange.

5.14.4 Minimum Purchase Price:

The Exchange shall determine the minimum purchase price which shall

not be less than the Buyback Price Criteria given in PSX Regulation 5.14.2. The determination shall take into account any other factor which may be considered appropriate while fixing the price of shares.

5.14.5 Quantum to qualify for delisting:

- (a) Where the Sponsors' shareholding is less than 90%, the Sponsors shall be required to increase their shareholding to at least 90% of the total shares of the company to qualify for delisting.
- (b) Where the Sponsors' shareholding is 90% or above, it shall not be mandatory for them to purchase any minimum quantum of the shares outstanding to qualify for delisting. However, the sponsors shall be obligated to purchase shares from the minority shareholders during the initial buyback period and for a further period of one year as per the requirements of these Regulations.

5.14.6 Condition for Voluntary Delisting:

The company shall be bound to comply with the Procedures, Guidelines, and any Terms & Conditions laid down by the Exchange for voluntary delisting. The Exchange may, for any reason whatsoever, refuse to accept the voluntary delisting application of the company.

5.14.7 Sponsors' Acceptance / Appeal:

The Sponsors shall be required to convey their acceptance to the purchase price and quantum fixed by the Exchange within 10 days of being informed of the Exchange's decision. The purchase price accepted by the Sponsors shall be the Opening Price as well as the Floor Price from the next trading day.

The company may file an appeal against the Exchange's decision with the Commission within 10 days of being informed of the Exchange's decision. The decision taken by the Commission shall be final and binding.

If the Sponsors do not convey their acceptance to the purchase price and quantum fixed by the Exchange and also do not file an appeal with the Commission within the stipulated time under PSX Regulations, the voluntary delisting application shall stand withdrawn.

5.14.8 General meeting of shareholders:

The company shall call a general meeting of its shareholders, within 30 days of the Sponsor's Acceptance, and pass a special resolution resolving that the securities be delisted on the price and terms stipulated by the Exchange. A copy of the special resolution shall be submitted to the Exchange.

The Sponsors shall not withdraw their voluntary delisting application after the voluntary delisting proposal has been approved by the company's shareholders in a general meeting.

5.14.9 Post-General Meeting:

Within 7 days of the approval of the shareholders in a general meeting,

the company shall submit the following to the Exchange:

- (a) Sponsors' Bank Guarantee to secure their obligation valid for a period of 15 days from the expiry date of the Initial Buyback Period. (Bank Guarantee Amount = Number of Shares held with Minority Shareholders * Purchase Price); and
- (b) Draft notice containing the Terms & Conditions of buyback to be published in two widely circulated newspapers.

Moreover, within 7 days of the approval of the shareholders in a general meeting, the company shall:

- (a) Convey to all the minority shareholders the decision taken in the general meeting along with a copy of the special resolution; and
- (b) Publish notice containing the Terms & Conditions of buyback in two widely circulated newspapers.

5.14.10 Initial Buyback Period:

For a period of 60 days, the Sponsors shall be obliged to purchase shares from minority shareholders through the Purchase Agent at the price approved in the company's general meeting. All trades shall be conducted only through the Exchange's Trading System irrespective of marketable lot. The Purchase Agent shall be required to maintain a live bid in the Trading System at the minimum purchase price approved in the company's general meeting and any executed trade shall be based on market forces.

5.14.11 Post-Initial Buyback Period:

Within 7 days of completion of the Initial Buyback Period or such extended number of days as may be specified by the Exchange, the company shall submit the following information to the Exchange in tabular form:

Pre-Initial Buyback Period			During Initial Buyback Period			Post-Initial Buyback Period		
Particulars	No. of Shares	% of Shares	Particulars	No. of Shares	% of Shares	Particulars	No. of Shares	% of Shares
Sponsors			Shares purchased by the sponsor			Sponsors		
Minority Shareholders						Minority Shareholders		

5.14.12 Successful Buyback:

If the Sponsor successfully acquires the quantum determined under PSX Regulation 5.14.5. and approved by the shareholders in a general meeting, the Sponsors' offer for buyback shall be deemed successful. The company shall be subsequently delisted from the Exchange.

5.14.13 Public Notice Post-Successful Buyback:

The company shall publish a notice in two widely circulated newspapers informing the remaining minority shareholders that the Initial Buyback Period has lapsed and any minority shareholder who still wishes to sell his shares may do so within a further period of one year from the conclusion of the 60-day Initial Buyback Period by contacting the

Purchase Agent. The same information shall also be intimated to minority shareholders via email and/or registered post, as may be appropriate.

5.14.14 Sponsors' Ongoing Obligation:

The Sponsors shall remain obliged to purchase shares from minority shareholders through their Purchase Agent at the price approved in the company's general meeting for a further period of one year from the 60-day Initial Buyback Period.

5.14.3 . Regulation 5.14. shall not be applicable on SPACs.

5.15. DELETED:

5.16. DELETED:

5.17. DELETED:

5.18. RELAXATION:

Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to voluntary delisting under these Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such conditions as it may deem fit.

5.19. LISTING AND ANNUAL FEES:

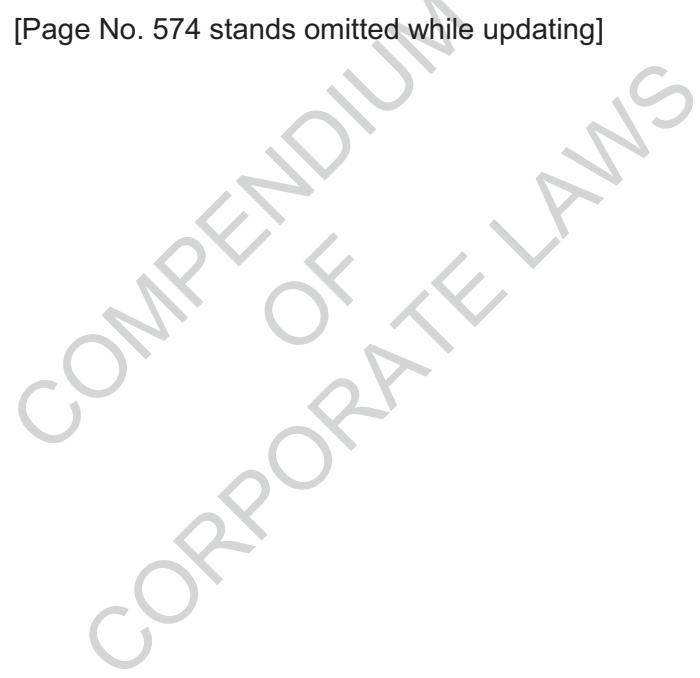
5.19.1. LISTING FEE SCHEDULE:

- (a) A company applying for listing on the Exchange, shall pay an initial listing fee equivalent to one tenth of one percent of the PAID-UP-CAPITAL subject to a maximum of rupees one million and five hundred thousand.

Provided that in case of Open-Ended Mutual Funds, the initial listing fee shall be charged at the rate of one twentieth of one percent of the amount of total fund size of Mutual Fund subject to a maximum of Rupees 0.5 million.

- (b) Whenever, a listed company increases the paid-up capital of any class or classes of its shares, or securities listed on the Exchange, it shall pay to the Exchange a fee equivalent to 0.2% of increase in Paid-Up Capital.

[Page No. 574 stands omitted while updating]



- (b) Whenever, a listed company increases the paid-up capital of any class or classes of its shares, or securities listed on the Exchange, it shall pay to the Exchange a fee equivalent to 0.2% of increase in Paid-Up Capital.
- (c) Every listed company shall pay, in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, an annual listing fee calculated on the basis of the company's *market capitalization, in accordance with following schedule, subject to a maximum of Rupees five million:

***Explanation:** For the purpose of this sub-clause, the market capitalization shall be calculated by multiplying the last one year's volume weighted average price with the company's outstanding ordinary shares as on June 30, of the preceding year.

Rate of Fee applicable with effect from July 01, 2020:

COMPANIES HAVING MARKET CAPITALIZATION AS ON JUNE 30	RATE OF FEE PER ANNUM
Up to Rs.100 million	Rs. 100,000
Above Rs.100 million & up to Rs. 250 million	Rs. 100,000+0.075% on excess over Rs.100 million
Above Rs. 250 million & up to Rs.500 million	Rs. 212,500+0.06% on excess over Rs. 250 million
Above Rs. 500 million & up to Rs.1,000 million	Rs. 362,500+0.025% on excess over Rs. 500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 487,500+0.015% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs.10,000 million	Rs. 637,500+0.013% on excess over Rs.2,000 million
Above Rs.10,000 million & up to Rs.20,000 million	Rs. 1,677,500+0.005% on excess over Rs.10,000 million
Above Rs. 20,000 million & up to Rs.50,000 million	Rs. 2,177,500+0.0015% on excess over Rs.20,000 million
Above Rs.50,000 million	Rs. 2,627,500+0.001% on excess over Rs.50,000 million

Provided that in case of Open-Ended Mutual Funds, the annual listing fee of PKR 25, 000 shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year.

Provided further that the Board may revise the above fees or any of the slabs or add new slabs with the approval of the Commission.

Provided further that every company applying for listing shall not be charged annual listing fee for twelve (12) months from the date of its listing.

- (d) The above Listing fee or any other sum fixed by the Board shall be payable by 30th September in advance for every financial year.

- (e) Failure to pay the annual fee by 30th September shall make the company liable to pay a surcharge at the rate of 1.5 per cent (one and a half per cent) per month or part thereof, until payment. However, if reasonable grounds are adduced for nonpayment or delayed payment of annual fee, the Exchange may, reduce or waive the surcharge liability.
- (f) A company applying for enlistment on the Exchange shall, in addition to other fees, pay a sum of Rs. 50,000/- (Rupees fifty thousand only) as non-refundable service charges. An open-end mutual fund applying for listing on the Exchange shall pay a sum of Rs. 25,000/- (Rupees twenty five thousand only) as non-refundable service charges.

Provided that where a company withdraws or where the Exchange refuses the listing application, for any or whatsoever reasons, the Exchange may charge additional service fee, equivalent to initial listing fee or PKR 450,000, whichever is lower, which may be adjusted from the initial listing fee paid by such company under Clause 5.19.1 (a) of these Regulations.

- (g) A company applying for revalidation of approval earlier granted by the Exchange for issue, circulation and publication of prospectus upon lapse of its validity shall pay to the Exchange a revalidation fee at the rate of one twentieth of one percent of paid up capital subject to a maximum of Rs.1 million.

Provided that such fee shall be charged only in cases where validity of approval of the Commission for issue, circulation and publication has also lapsed.

5.19.2. LISTING FEE PAYMENT PROCESS:

- (a) All Exchange dues shall be paid by cheques, pay orders, bank drafts or via electronic transfer to the Exchange at any Bank Branch located in Karachi.
- (b) Without prejudice to the action which the Exchange may take under these Regulations in the event of non-payment of its dues, nothing shall prevent the Exchange from recovering such dues through posting names of non-compliant companies on the website of the Exchange or by invoking the process of law and obtaining order of a competent court.

5.19.3. DISCIPLINARY ACTIONS AGAINST NON-PAYMENT OF PENALTIES:

- (a) No listed company shall appoint a person as an external auditor or a person involved in the audit of a listed company who is a close relative, i.e., spouse, parents, dependents and non-dependent children, of the CEO, the CFO, an internal auditor or a director of the listed company.
- (b) Every listed company shall require external auditors to furnish a Management Letter to its board of directors within 45 days of the date of audit report.

Provided that any matter deemed significant by the external auditor shall be communicated in writing to the Board of Directors prior to the approval of the audited accounts by the Board.

5.20. COMPLIANCE WITH ACCESS TO INSIDE INFORMATION

REGULATIONS, 2016:

- (a) All Listed Companies shall maintain and regularly update a register to enlist persons employed under contract or otherwise, who have access to inside information, in the manner as provided in Access to Inside Information Regulations, 2016 as may be amended from time to time.
- (b) For the purpose of sub-clause (a), a Listed Company shall designate a senior management officer who shall be responsible for entering or removing names of persons in the said register in a timely manner. The said designated officer shall be obliged to keep proper record including basis for inclusion or exclusion of names of persons in the said list and make the same available as and when required by the Commission.

5.21. DISCIPLINARY ACTIONS:

5.21.1. Any Listed Company which fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to disciplinary action(s) by the Exchange as specified below:

- (a) Issue an Advice;
- (b) Issue a warning in writing to act more carefully and vigilantly.
- (c) Reprimand in writing that the conduct warrants censure;
- (d) Impose any one or more conditions or restrictions;
- (e) Direct to take remedial actions to rectify its non-compliance(s);
- (f) Impose a fine as specified below:

REGULATION NO.	AMOUNT OF PENALTY	AMOUNT OF PENALTY FOR EVERY DAY DURING WHICH THE DEFAULT CONTINUE
5.7.2 (b), 5.5.10, 5.6.9 (c)	-	PKR 5,000
5.6.9 (a), 5.7.1 (b), 5.8.1 (a), 5.8.2 (a)(i)	-	PKR 10,000
5.6.10 (i)	-	KIBOR+1% of defaulted amount
5.7.1. (a)	PKR 10,000	-
5.14.	PKR. 200,000	Rs. 10,000

Provided where reasonable grounds are adduced by a company and after taking into account the factors including but not limited to the severity and frequency of non-compliance of such company, the Exchange may waive or reduce the applicable fine under this Chapter and/or initiate any one or more disciplinary actions laid down under sub-clause (a) to (e) of this clause.

5.21.2. In cases where specific Penalty provisions have not been provided in these Regulations then whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or fails to comply with directions, decisions, notices, guidelines, clarifications and circulars of the Exchange or fails to provide

any required information or provides incomplete, false, forged or misleading information to the Exchange as may be required from time to time, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to fine not exceeding five hundred thousand rupees for each non-compliance(s), and in case of continuing failure, refusal or contravention, to a further fine not exceeding Rs.10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues. No such penalty shall be imposed unless an opportunity of being heard has been granted.

5.21.3. The amount of penalty shall be paid to the Exchange.

5.21.4. The Managing Director of the Exchange may suspend or if it so decides, delist any company which makes a default in complying with the requirements of Regulation 5.6.10, 5.7.1, 5.8.2 and 5.9.1.

5.21.5. Any action under this Regulation shall be without prejudice to the action or steps taken by the Commission, any other authority or person.

No company which has been suspended shall be restored until it has paid the full amount of penalty for the days of the non-compliance(s).

5.21.6. The CRO or any officer of RAD not below the level of Senior Manager and authorized in this regard by the CRO, may conduct a hearing in respect of any violation/ non-compliance by a Listed Company of provisions of these Regulations. The Chief Executive Officer or any other Senior Management Officer of the Listed Company concerned or any of its representatives, who is well conversant with the case and is authorized in this regard, shall appear for the hearing with proof of such authorization. Upon completion of the hearing, the officer of RAD who conducted the hearing shall send the recommendations to the CRO for approval and final decision.

Provided that all cases of violation/ non-compliance by Listed Companies shall be disposed-off within thirty (30) days of the date of first hearing by the RAD.

Provided that in case hearing could not be disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension up to a maximum of 15 days shall be communicated in writing to the CRO, in case of delay by the authorized officer of RAD.

5.21A. APPEAL PROCEDURES:

5.21A.1. A Listed Company, if dissatisfied with the enforcement order passed by the CRO against it, may file an appeal in the manner prescribed under Clause 5.21A.3.

5.21A.2. The appeal shall be heard and decided by the Appellant Committee, constituted by the Board on a case to case basis, which shall include industry expert(s), senior management staff and independent director(s) of the Exchange. The decision of the Appellant Committee shall be final and binding on the concerned Listed Company.

Provided that no member of the Appellant Committee shall have any association with either party of the appeal.

5.21A.3. The Listed Company filing an appeal under Clause 5.21A.1 shall comply with the following:

- (a) The appeal shall be filed by the concerned Listed Company with the Secretary of the Appellant Committee within 30 of receipt of the enforcement order passed by the CRO.
- (b) The appeal processing fee of PKR 5,000 shall be paid together with the appeal application.

Provided that the appeal processing fee shall be refunded to the Listed Company if the Appellant Committee overturns the original decision or varies it in the manner sought by the Appellant. The Appellant Committee may also order to refund, in full or part, the appeal processing fee for any other reason.
- (c) The Listed Company shall submit pay order/ bank draft in favor of the Exchange equivalent to the appeal processing fee together with the appeal application.
- (d) The appeal application must contain the grounds along with supporting documentary evidences where applicable, clearly indicating the relief to be sought. The supporting documentary evidence may include any new evidence that was not produced at the time of initial hearing or there is any fact or evidence which was ignored or overlooked in the initial enforcement order.
- (e) The presence of Chief Executive Officer of Listed Company is encouraged in the hearing proceeding. In case of his/her unavailability due to unavoidable circumstances, he may authorize any Senior Management Officer, well conversant with the case to appear for the hearing with proof of such authorization. The official(s) of the Listed Company may appear at the hearing together with the consultant.

5.21A.4. An appeal filed pursuant to above decisions, shall be heard and decided within forty-five (45) days of its filing. However, if such appeal is not decided within this prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall be communicated in writing to the Board.

5.21A.5. No appeal shall be entertained against the decisions of the Appellant Committee.

5.22. REVERSE MERGER REGULATIONS:

5.22.1. The following clauses shall be applicable on the Listed Company in relation to Reverse Merger transactions, for ensuring timely disclosure of information and compliance with all applicable requirements of this Chapter.

5.22.2 Every Listed Company, in order to enable the Exchange to determine its status as Listed Shell Company and assess applicability of the provisions prescribed in relation to Reverse Merger, shall intimate the Exchange immediately upon approval by its board of directors to consider the proposal received from Operating Unlisted Company for merger. The Listed Company shall also obtain from the Operating Unlisted Company and submit to the

Exchange, confirmation that the Operating Unlisted Company has received the approval by the board of directors of the Listed Company to initiate merger negotiations with the Operating Unlisted Company.

5.22.3 The Exchange may require the Listed Company to provide any additional information as deemed appropriate, for determining the proposed transaction as a Reverse Merger. The Exchange shall communicate in writing, within a maximum period of 15 days from the date of receipt of such intimation, if the proposed transaction is a Reverse Merger or otherwise. In case the Exchange confirms that the proposed transaction is a Reverse Merger, the Listed Shell Company shall ensure compliance with all applicable requirements as provided for herein below.

5.22.4 The Listed Shell Company shall submit to the Exchange the information / documents as mentioned in Annexure-II to this Chapter and give an undertaking on non-judicial stamp paper confirming that the proposed Surviving Company shall fulfill the following conditions:

- (a) The minimum paid-up capital shall not be less than Rs. 200 million;
- (b) The minimum Free Float shall be as under:

SHARE CAPITAL OF SURVIVING ENTITY	% OF FREE FLOAT (TO BE ENSURED FROM THE DATE OF APPROVAL OF THE SCHEME OF ARRANGEMENT BY THE COMPETENT AUTHORITY)
Up to PKR 2.5 billion	At-least 10% of the issued share capital. Provided that the company shall be required to subsequently enhance the Free Float to 25% within next 3 years.
Above PKR 2.5 billion and up to PKR 5 billion	At-least 10% of the issued share capital. Provided that the company shall be required to subsequently enhance the Free Float to 15% within next 3 years
Above PKR 5 billion and up to PKR 10 billion	At-least 10% of the issued share capital.
Above PKR 10 billion	At-least 5% of the issued share capital.

- (c) The Promoters/ Sponsors/ Controlling Directors / Majority Shareholders are / were not also the Promoters/ Sponsors/ Controlling Directors / Majority Shareholders in a:
 - i. Listed Company, which is in the Defaulters' Segment; or
 - ii. Listed Company, which was delisted due to noncompliance of any applicable provision of these Regulations within the past five years; or
 - iii. Corporate Brokerage House whose TRE Certificate has been cancelled/forfeited by the Exchange or any other stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission; or declared defaulter by the Exchange or any other stock exchange of Pakistan that existed prior to January 11, 2016, NCCPL, or CDC due to noncompliance of any applicable rules, regulations, notices, procedures, guidelines etc. but shall not include any TRE Certificate surrendered voluntarily to the Exchange, if such TRE Certificate Holder does not have any pending investor claims.

- (d) It is not an associated company or a wholly owned company of any other Listed Company, which is in the NonCompliant Segment or Winding-up Segment or trading in its shares is suspended due to violation/non-compliance of laws.
- (e) There are no overdue loan/ payments to any financial institution against the CEO/ Promoters/ Sponsors/ Directors/ Major Shareholders of the Surviving Company either in their individual capacity or as CEO, Director, Partner or Owner in any Company, Firm or Sole Proprietorship;
- (f) There are no overdue loans or payments to any financial institution, the Exchange, NCCPL or CDC against the Operating Unlisted Company, its associated or group companies and undertakings;
- (g) None of its Sponsors, Major Shareholders, Directors and Management, Associated Company or undertaking has been declared to have been involved in any fraudulent activity by the Commission, SBP or any other investigation agency or court;
- (h) None of the Sponsors, Major Shareholders, Directors and Management, Associated Company or undertaking of the Listed Shell Company has been declared involved in any fraudulent activity by the Commission, SBP or any other investigation agency or court;
- (i) The shares of sponsors shall be inducted into CDS in freeze status for a period of not less than one year and the sponsors shall not be allowed to sell their shares during this period;
- (j) The sponsors shall retain at all times not less than twenty-five percent of the issued paid up capital for a period not less than three years;
- (k) The shares shall be credited into the respective CDS accounts and documentary evidence in relation thereto shall be furnished to the Exchange.
- (l) It shall ensure compliance with all requirements of these Regulations.

Provided that the condition (d) shall not apply to directors nominated by the Government or by Financial Institutions as creditors.

Provided further that the condition (f) may be relaxed if the Operating Unlisted Company obtains NOC from the concerned institution in respect of any overdue loan or payment.

5.22.5 The Listed Shell Company shall obtain confirmation from the Exchange that it has complied with the requirements of this Clause and any other condition specified by the Exchange before seeking the shareholders' approval for a scheme of Reverse Merger.

5.22.6 If a Listed Shell Company enters into a scheme of Reverse Merger without complying with any requirement(s) of this Clause and any other specified condition, the Exchange shall place such Company or the Surviving Company, as the case may be, in the Non-Compliant Segment and/or initiate any other

actions including suspension of trading in its shares or delisting as determined by the Exchange.

5.22.7 Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to Reverse Merger as provided in these Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such condition(s) as it may deem fit.

5.23. DISSEMINATION OF INFORMATION RELATING TO STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019:

The Exchange shall disseminate on its website information relating to statement of compliance of Listed Companies with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and auditor's review report thereon, as reported by their auditor in annual report, for the information of public.

5.24. POWER TO OBTAIN DOCUMENTS:

The Exchange may, by issuing a notice in writing, require a Listed Company/management company, trustee, or its directors, officers, employees or advisers to produce any documents/information (whether in documentary or electronic form) for investigating into a matter of possible breach of any relevant provision of these Regulations.

LISTED COMPANIES (SUBSTANTIAL ACQUISITION OF VOTING SHARES & TAKEOVERS) REGULATIONS, 2017

Notification No. S.R.O. 749(I)/2017 dated August 01, 2017.- In exercise of the powers conferred by section 124 read with clause (j) of sub-section 169 of the Securities Act, 2015 (III of 2015), and having been previously published in the official Gazette vide notification S.R.O. 1140(1)/2016, dated December 2, 2016 as required by sub-section (4) of section 169 thereof, the Securities and Exchange Commission of Pakistan hereby makes the following Regulations, namely:-

Chapter 1 Preliminary

1. Short title and commencement.- (1) These Regulations shall be called the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017.

(2) They shall come into force at once.

2. Definitions.- (1) In these regulations, unless there is anything repugnant in the subject or context,-

(a) “**acceptance period**” means the period commencing on the forty eighth day of the public announcement of ¹[public] offer and closing with the close of the public offer which shall not be later than the fifty fourth day from the date of the public announcement of ¹[public] offer;

(b) “**Act**” means the Securities Act, 2015 (III of 2015);

²[(ba) “**average daily traded volume**” means total traded volume of shares of a listed company divided by total trading days during the period under consideration;]

(c) “**date of public announcement**” means the date on which the public announcement is published in newspapers;

³[(ca) “**frequently traded shares**” means shares of a listed company meeting following criteria during 180 days prior to the date of public announcement of public offer:

(i) the shares have been traded for at least 80 percent of the trading days; and
(ii) the average daily traded volume of the shares in the ready market is not less than 0.5 percent of its free float or 100,000 shares whichever is higher;]

(d) “**offer letter**” means the letter to be issued by the acquirer to the shareholders whose names appear on the register of members of the target company as on the date of bank closure, the custodians of Global Depository Receipt(s), the custodians of American Depository Receipt(s) and holders of convertible securities (where the period of conversion falls within the offer period) in pursuance of section 117 of the Act and in accordance with the specifications provided in Schedule I; ⁴[]

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

²Clause (ba) inserted by SRO 68(I)/2024 dated January 24, 2024.

³Clause (ca) inserted by SRO 68(I)/2024 dated January 24, 2024.

⁴Word “and” omitted by SRO 68(I)/2024 dated January 24, 2024.

- (e) “**schedule**” means the schedules attached to these regulations;
 - ¹[(f) “weighted average share price” means the price calculated as total traded value divided by total traded volume of the underlying share in the ready market during the period under consideration;]
 - (2) Words and expressions used but not defined in these regulations shall have the same meaning as assigned to them in the Act, the Companies Act, 2017, the Central Depositories Act, 1997 (XXIX of 1997) and the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of I1997).
- 3. Eligibility.**- (1) A person who is a shareholder of the target company as on the date of book closure shall be eligible to participate in the public offer.
- (2) All Global Depository Receipt and American Depository Receipt holder(s) entitled to participate in the public offer as on the date of book closure and convertible security holders (where the period of conversion falls within the offer period) shall be eligible to participate in the public offer.

Chapter II

Mandatory disclosure for transactions

- 4. Mandatory disclosure for transactions under section 109 and 110 of the Act.**- (1) An acquirer who acquires voting shares pursuant to section 109 of the Act within two working days of the acquisition of shares shall make a disclosure of the acquisition to the target company, the securities exchange and the Commission containing the information as prescribed in Schedule II.
- (2) An acquirer who acquires voting shares beyond the thresholds prescribed under sub-section (1) of section 110 of the Act, shall within two working days of the acquisition of shares make a disclosure of the acquisition to the target company, the securities exchange and the Commission containing the information prescribed in Schedule III.
- (3) An acquirer who acquires additional voting shares after a period of twelve months under sub-section (3) of section 110 of Act shall within two working days of the acquisition of shares make a disclosure of the acquisition to the target company, the securities exchange and the Commission containing the information prescribed in Schedule IV.

Chapter III

Disclosures and Public Announcements

- 5. Disclosure by the target company.**- (1) A target company shall immediately, in writing, inform the securities exchange and the Commission,-
- (a) of a firm intention to acquire control or voting shares of the target company, beyond the limits prescribed in section 111 of the Act, ²[where such intention is notified by the acquirer to the target company];
 - (b) when the target company is subject of rumor and speculation or there is an unusual movement in its share price or traded volume and there are reasonable grounds for concluding that it is the potential acquirer's actions which has led to the situation;

¹Clause (f) inserted by SRO 68(I)/2024 dated January 24, 2024.

²Substituted for the words “is notified to the target company” by SRO 68(I)/2024 dated January 24, 2024.

- (c) when negotiations or discussions are about to commence with a person(s) for acquiring control or voting shares of the target company beyond the limits prescribed in section 111 of the Act; or
 - (d) when a director, chief executive and/ or majority shareholder of a target company informs the target company that they individually or in concert with each other or their family members or associates are entering into negotiations for sale of their shareholding beyond the limits prescribed in section 111 of the Act.
- (2) The disclosure required to be made under sub-regulation (1) shall contain the information as prescribed in Schedule V.
- (3) The securities exchange on being informed by the target company under sub-regulation (1) shall make the information available on the same day to the shareholders of the target company and prospective investors by placing the information on its website, posting it on its notice board through notification on the automated information system and by making an announcement on the house of the securities exchange.
- (4) If any information given by the target company under these regulations is found to be false and the target company gains any benefit from the false information, the target company shall be liable to a penalty under the Act.

6. Public announcement of intention.- (1) Before making any public announcement of intention, the acquirer shall appoint a "Consultant to the Issue" duly licensed by the Commission, as manager to the offer to assist it in the acquisition of shareholding beyond the limits prescribed in section 111 of the Act or control of the target company;

- (2) Before an acquirer,-
 - (a) enters into negotiations for a share purchase agreement;
¹[]
 - (c) starts raising funds; or
 - (d) commences a due diligence process to evaluate the share price of the target company;

For the purpose of the acquisition of voting shares beyond the limits prescribed in section 111 of the Act or control of the target company, the acquirer through the manager to the offer shall, after careful and responsible consideration, make a public announcement of intention in the newspapers ²[:]

³[Provided that in case acquirer is a company, it shall make public announcement of intention immediately after it passes a board resolution.]

(3) Notice of the public announcement of intention shall be submitted to the target company (at its registered office for placement before the board of directors of such company), the securities exchange and the Commission.

(4) The securities exchange shall make the information about the public announcement of intention available, on the same day, by placing the information on its website, posting it on its notice board, through notification on the automated information system and by making an announcement on the house of the securities exchange.

¹Clause (b) omitted by SRO 68(I)/2024 dated January 24, 2024.

²Substituted for the full-stop by SRO 68(I)/2024 dated January 24, 2024.

³Proviso inserted by SRO 68(I)/2024 dated January 24, 2024.

(5) Within two working days of submission of notice of the public announcement of intention to the target company, the securities exchange and the Commission, the public announcement of intention shall be published in English and Urdu language, in at least two daily newspapers having circulation in all provinces. Published copy of public announcement of intention shall be submitted to the Commission, the target company (at its registered office) and the securities exchange on the same day of its publication.

(6) The public announcement of intention shall contain such information as prescribed in Schedule VI.

(7) Where an acquirer makes a public announcement of intention in order to deceive any other person, or to induce or influence any other person to act in a particular manner or withdraws the public announcement of intention without any reasonable cause or reason, such person shall be liable to a penalty under the Act.

(8) All persons concerned with public announcement of intention shall make full and prompt disclosure of all relevant information and take every precaution to avoid the creation or continuance of an informed market and the parties involved in such announcement shall take care that statements which may mislead the shareholders or the market are not made.

7. Public announcement of ¹[public] offer.- (1) A public announcement of ¹[public] offer shall be made by the acquirer through the manager to the offer within one hundred and eighty days of making the public announcement of ¹[public] intention in the newspapers:

²[Provided that the acquirer may extend the aforementioned time period for a maximum of ninety day under intimation to the Commission and the Securities Exchange ³[and such intimation shall be made on or before the expiry of 180 days for making the public offer.]

(2) Notice of the public announcement of ¹[public] offer shall be submitted through manager to the offer to the target company (at its registered office for being placed before the board of directors of such company), the securities exchange and the Commission.

(3) The securities shall make the information about the public announcement of ¹[public] offer available, on the same day by placing the information on its website, posting it on its notice board through notification on the automated information system and by making an announcement on the house of the securities exchange.

(4) The public announcement of ¹[public] offer shall contain the information as prescribed in schedule VII.

(5) Notice of public announcement of ¹[public] offer shall be submitted to the Commission along with the document prescribed in Schedule VIII along with a non-refundable fee of Rs.500/000/- to be deposited in the designated account of the Commission.

(6) Within two working days of the submission of notice of the public announcement of ¹[public] offer to the target company, the securities exchange and Commission, the public announcement of ¹[public] offer shall be published in English and Urdu language, in at least two daily newspapers having circulation in all provinces. Published copy of public announcement of ¹[public] offer shall be submitted to the Commission, the target company (at its registered office) and the securities exchange, on the same day of its publication.

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

²Proviso substituted by SRO 638(I)/2021 dated May 28, 2021.

³Substituted for the full-stop by SRO 1828(I)/2022 dated September 30, 2022.

Chapter IV Public Offer

8. Offer Timetable.- The acquirer, manager to the offer, target company or any person making a competitive bid shall comply with the offer timetable as prescribed under Schedule IX. In the said schedule, Time (T) stands for date of ²[public announcement] of public offer.

9. Book Closure.- (1) On the twenty second day of the public announcement of ¹[public] offer, the target company shall announce its book closure from the thirty sixth day of the public announcement of ¹[public] offer to determine the eligibility of persons to receive the offer letter.

(2) The books of the target company shall remain closed for a period of seven days from the date of book closure i.e. from thirty sixth day till the forty second day of the public announcement of ¹[public] offer.

10. Determination of entitlement.- After announcement of book closure determination of entitlement will take place in accordance with respective regulations of Pakistan Stock Exchange.

11. Provision of list of shareholders and issuance of offer letters.- (1) On the forty third day of the public offer, the target company shall provide an updated and certified list of shareholders to the acquirer to enable the acquirer to send the offer letters as required under section 117 of the Act.

(2) On the forty fourth and forty fifth day of the public announcement of ¹[public] offer, the acquirer shall issue offer letters to the shareholders of the target company, the custodians of Global Depository Receipts or American Depository Receipts and the convertible security holders (where the period of conversion falls within the offer period).

12. Date of closure of public offer.- The date of closure of public offer for the acquisition of voting shares of the target company by the acquirer shall not be later than ³[fifty four days] from the date of public announcement of ¹[public] offer:

Provided that where an addendum or corrigendum to the public announcement of ¹[public] offer is published by the acquirer, whether on the acquirer's own motion or on the direction of the Commission, the offer period shall re-commence from the date of the publication of the addendum or the corrigendum as the case may be.

Chapter V

Offer pricing and number of shares to be acquired

13. Minimum offer price.- (1) If the shares of the target company are frequently traded ⁴[shares], the ⁵[] offer shall be at the price which is highest amongst the following,-

- (a) the negotiated weighted average price under share purchase agreement(s) for the acquisition of voting shares of the target company;

Provided that the expression "negotiated weighted average price" shall include total consideration paid in whatsoever manner, including the liabilities settled whether taken over or not, personal liabilities of sellers and consideration paid either in cash or otherwise against the shares purchased;

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

²Substituted for the word "announcement" by SRO 68(I)/2024 dated January 24, 2024.

³Substituted for the words "fifty four day" by SRO 68(I)/2024 dated January 24, 2024.

⁴Word inserted by SRO 68(I)/2024 dated January 24, 2024.

⁵Word "public announcement of" omitted by SRO 68(I)/2024 dated January 24, 2024.

- ¹[(b) the highest price paid by the acquirer for acquiring the voting shares of target company during the 180 days preceding the date of public announcement of public offer;
- (c) the weighted average share price of target company on the securities exchange during the 180 days preceding the date of public announcement of public offer;
- (d) the weighted average share price of target company on the securities exchange during 28 trading days preceding the date of public announcement of intention and only those days shall be taken into account on which the shares of the target company have been traded;]
- ²[]
- (2) ³[If the shares are not frequently traded shares, the public announcement of public offer] to acquire shares under section 111 of the Act shall be at the price which is highest amongst the following,-
- (a) the negotiated weighted average price under share purchase agreement(s) for the acquisition of voting shares of the target company;
- Provided that the expression "negotiated weighted average price" shall include total consideration paid in whatsoever manner, including the liabilities settled whether taken over or not, personal liabilities of sellers and consideration paid either in cash or otherwise against the shares purchased;
- ⁴[(b) the highest price paid by the acquirer for acquiring the voting shares of target company during 180 days preceding the date of public announcement of public offer; or
- (c) the price per share arrived at on the basis of net assets value carried-out by a chartered accountant firm based on the audited or half yearly reviewed financial statements, as the case may be, not older than six months from the date of public announcement of public offer made by the manager to the offer. In case of fixed assets, being part of total assets, the chartered accountant firm shall obtain the services of a valuer to carry-out valuation of fixed assets, as per regulation 8A and 8B of the Companies (Further Issue of Shares) Regulations, 2020.]

14. Number of voting shares to be acquired.- (1) The acquirer may acquire any number of voting shares through an agreement but where the acquisition attracts the provisions of section 111 of the Act, the acquirer shall make a public announcement of ⁵[public] offer to acquire at least fifty percent of the remaining voting shares of the target company.

(2) Where the public offer is made conditional upon minimum level of acceptances, such minimum level shall not be more than thirty-five percent of the remaining voting shares:

Illustration:- Where the acquirer holds 10 percent voting shares of the target company and enters into an agreement to acquire another 20 percent voting shares, then such acquirer shall make a public announcement of ⁵[public] offer for fifty percent of the remaining 70 percent voting shares of the target company. In such a case the minimum

¹Clauses (b), (c) & (d) substituted by SRO 68(I)/2024 dated January 24, 2024.

²Clause (e) omitted by SRO 68(I)/2024 dated January 24, 2024.

³Substituted for the words "If the shares are not frequently traded, the public announcement of offer" by SRO 68(I)/2024 dated January 24, 2024.

⁴Clauses (b) & (c) alongwith Explanation substituted by SRO 68(I)/2024 dated January 24, 2024.

⁵Word inserted by SRO 68(I)/2024 dated January 24, 2024.

level of acceptances for the public offer cannot be more than 24.5 percent which is 35 percent of the 70 percent offered to be acquired through the public offer.

Chapter VI Security

15. Security to be furnished by the acquirer.- (1) For performance of obligations under the public offer, the acquirer shall provide security in the following forms to the manager to the offer:

- (a) cash deposited in an escrow account with a commercial bank with a minimum rating of "A" and to be operated by the manager to the offer; or
- ¹[(b) treasury bills and short term sukus with original maturity of twelve (12) months or less with five percent margin or any other government debt securities with ten percent margin; or]
- (c) bank guarantee in favor of the manager to the offer from a commercial bank with a minimum rating of "A" and valid till all obligations of the acquirer are fulfilled as certified by the manager to the offer; or
- (d) margin trading system eligible shares with thirty percent haircut based on their current market value. The manager to the offer shall mark to market the shares on a weekly basis and any shortfall after market to market shall be notified by the manager to the offer to the acquirer in the form of margin call and the acquirer shall deposit the shortfall on the same day of receipt of the margin call from the manager to the offer.

²[]

- ³[(g) a combination thereof;]

(2) The security referred in sub-regulation (1) shall be provided by the acquirer on or before the date of issue of public announcement of ⁴[public] offer; and

(3) In case of any upward revision of offer, the security deposited shall be increased accordingly.

16. Release of security.- (1) The security deposited by the acquirer shall be released by the manager to the offer, within a period of seven days,-

- (a) after all payments to the shareholders have been made and completion of all obligations of the acquirer under the Act and these regulations; and
 - (b) in the case of withdrawal of public offer, upon certification by the manager to the offer that the offer has been validly withdrawn.
- (2) In the event of non-fulfillment of obligations by the acquirer the manager to the offer shall realize the security amount by way of withdrawal of cash, foreclosure of deposit, calling of bank guarantee or sale of government securities and shares and the proceeds so obtained shall be utilized by the manager to offer to meet all obligations under the Act and these Regulations.

(3) Where the security is not released by the manager to the offer with seven days, the manager to the offer shall pay a surcharge at the rate of 6 months KIBOR +4 percent.

¹Clause (b) substituted by SRO 68(I)/2024 dated January 24, 2024.

²Clauses (e) & (f) omitted by SRO 68(I)/2024 dated January 24, 2024. Earlier clauses (e) & (f) were inserted by SRO 1828(I)/2022 dated September 30, 2022

³Clause (g) inserted by SRO 1828(I)/2022 dated September 30, 2022.

⁴Word inserted by SRO 68(I)/2024 dated January 24, 2024.

Chapter VII

Procedure for Competitive Bid and Acceptance of Public Offer

17. Procedure for making competitive bid.- (1) The public announcement of ¹[public] first and subsequent competitive bids shall be made within twenty-one days of the public announcement of ¹[public] first offer.

(2) The public announcement of ¹[public] competitive bid shall be published in the same newspapers in which the first public announcement of ¹[public] offer was published. A copy of the public announcement of ¹[public] competitive bid shall be submitted, through the manager to the offer, to the Commission, the acquirer who made the previous public announcement of ¹[public] offer, the target company (at its registered office for being placed before the board of directors of such company) and the securities exchange (for being notified on the notice board and on the automated information system thereof), at least four days prior to the date of publication in newspapers.

(3) The public announcement of a competitive bid shall contain the information as prescribed in Schedule VII.

(4) Where competitive bid(s) has been made, the manager to the offer of the competitive bidder(s) and the manager to the offer of the acquirer who made the first public announcement of ¹[public] offer shall jointly, one day before the commencement of the acceptance period for the public offer, publish a comparative statement containing details of the first ²[public announcement of public] offer and subsequent competitive bid(s) in the same newspapers in which the first public announcement of ¹[public] offer and the competitive bid(s) were published.

(5) Upon the public announcement of a competitive bid, the acquirer, who has made a public announcement of the earlier ¹[public] offer, shall have the option to make another announcement,-

- (a) revising the public offer in respect of the price and the number of voting shares to be acquired without changing any other terms and conditions of the said public offer; or
- (b) withdrawing the public offer:

³[Provided that if no such announcement is made within the time lines prescribed with reference to competitive bids and upward revision ⁴[under these regulations], the earlier offer on the original terms shall continue to be valid and binding on the acquirer who has made the earlier public offer, except that the date of closing of such public offer shall stand extended to the date of closure of public offer under the last subsisting competitive bid(s).]

(6) Where there is a competitive bid, the date of closure of the earlier bid, as also the date of closure of all the subsequent competitive bids, shall be the date of closure of public offer under the last subsisting competitive bid and the public offers under all the subsisting competitive bids shall close on the same date.

18. Acceptance of public offer.- (1) On forty sixth day, the acquirer through an advertisement in the newspapers in which the public announcement of ⁵[public] offer or competitive bid, as the case may be, was published, shall inform the shareholders of the target company of the commencement of the acceptance period.

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

²Substituted for the words "public announcement of the" by SRO 68(I)/2024 dated January 24, 2024.

³Proviso substituted by SRO 1828(I)/2022 dated September 30, 2022.

⁴Words inserted by SRO 68(I)/2024 dated January 24, 2024.

⁵Word inserted by SRO 68(I)/2024 dated January 24, 2024.

(2) The advertisement referred to in sub-regulation (1) shall be in the form prescribed under Schedule X.

(3) The shareholders of the target company may accept the public offer during the acceptance period by tendering their shares physically to the manager to the offer or in a designated CDC account specified for the purpose in the public announcement of¹[public] offer.

(4) Convertible security holder intending to accept the public offer shall convert their securities into shares and tender the same to the manager to the offer during the acceptance period in the designated CDC account.

(5) The custodians of Global Depository Receipts holders or American Depository Receipts holders shall upon the request of the respective holders convert the Global Depository or American Depository Receipts, as the case may be, into shares and tender the same to the manager to the offer during the acceptance period in the designated CDC account.

(6) The manager to the offer shall send a written confirmation of receipt to the custodians of Global Depository Receipts holders or American Depository Receipts holders, the shareholders of the target company and convertible security holders who have tendered their shares to the manager to the offer as acceptance of the public announcement of¹[public] offer.

²[19. Mode of payment.] — (1) The consideration for the voting shares to be acquired by the acquirer shall be payable –

- (a) wholly in cash; or
- (b) in the form of securities accompanied with a wholly cash alternative.

(2) In case the consideration includes securities as mentioned in sub-regulation (1)(b), only the following securities or a combination thereof may be offered as consideration by the acquirer:

- (a) shares of listed company owned by the acquirer or proposed further issuance of shares by the acquirer or owned by any person acting in concert subject to the following conditions, -
 - (i) such company is listed for at least two years before the date of public announcement of public offer;
 - (ii) shares of such listed company are presently being traded at normal counter of securities exchange;
 - (iii) shares of such listed company are frequently traded:

Provided that in case of proposed further issuance of shares, appropriate regulatory approvals in accordance with the requirements of the Companies Act, 2017 are in place prior to the public announcement of offer; or

- (b) listed debt instruments owned/proposed to be issued by the acquirer or owned by any person acting in concert; or
- (c) Government debt securities in the form of treasury bills and sukuk with remaining maturity of not more than 364 days owned/held by the acquirer or owned by any person acting in concert.

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

²Regulation 19 substituted by SRO 68(I)/2024 dated January 24, 2024. Earlier it was substituted by SRO 1828(I)/2022 dated September 30, 2022.

(3) The value of shares offered as consideration shall be the weighted average share price during 180 days preceding the date of public announcement of public offer.

(4) The value of government debt securities to be offered as consideration shall be calculated on basis of applicable Pakistan Revaluation (PKRV) rates at the end of the day preceding the date of the public announcement of public offer.

(5) the value of listed debt instruments offered as consideration shall be calculated on the basis of a valuation methodology in accordance with generally accepted principles for valuation of such instruments as disclosed by the acquirer.]

20. Procedure for payment.- The acquirer shall, within a period of two days from the date of closure of public offer, open a special bank account and deposit therein such sum as would, together with the security furnished under regulation 15, make up the entire sum due and payable to the shareholders as consideration for acceptances received and accepted in terms of public offer^{1[:]}

²[Provided that in case the option of receiving consideration in the form of securities is exercised the offeror shall post or credit the non-cash consideration to the securities account of the person accepting the takeover offer within 2 days from the date of closure of public offer.]

Chapter VIII Withdrawals of Public Announcement

21. Withdrawal of public announcement of intention.- (1) A public announcement of intention shall be withdrawn,-

- (a) where the sole acquirer being a natural person, has died or has been declared bankrupt or has been decided to be of unsound mind;
- (b) where the negotiations to acquire voting shares of the target company have failed;
- (c) where the results of the due diligence carried out by the acquirer for the acquisition of shares of the target company are unfavorable;
- (d) in case the acquirer is a company and it has gone into liquidation or its board of directors have passed a resolution not to acquire the voting shares of the target company;
- (e) the time period for making the public announcement of³[public] offer and extension thereof,⁴[if availed], has lapsed^{5[:]}

⁶[Provided that the withdrawal notice shall be submitted to the Securities Exchange and the Commission not later than one working day of expiry of time period for making the public offer or extension thereof if availed, has lapsed.]

- (f) in case of regulated / licensed entity the requisite approval have not been granted by the concerned regulatory authority.

(2) In the event of withdrawal of the public announcement of intention under any of the circumstances specified under the sub-regulation (1), the acquirer shall immediately-

¹Substituted for the expression “; (:)” by SRO 68(I)/2024 dated January 24, 2024. Earlier substituted for the full-stop by SRO 1828(I)/2022 dated September 30, 2022.

²Proviso substituted by SRO 68(I)/2024 dated January 24, 2024. Earlier it was inserted by SRO 1828(I)/2022 dated September 30, 2022.

³Word inserted by SRO 68(I)/2024 dated January 24, 2024.

⁴Substituted for the words “if granted” by SRO 1828(I)/2022 dated September 30, 2022.

⁵Substituted for semi-colon and word “; or” by SRO 1828(I)/2022 dated September 30, 2022.

⁶Proviso inserted by SRO 1828(I)/2022 dated September 30, 2022.

- (a) make a public announcement of withdrawal in all the newspapers in which the public announcement of intention was made and disclose reasons for withdrawal; and
- (b) inform the Commission, the securities exchange and the target company at its registered office along with reasons.

22. Withdrawal of public announcement of offer.- (1) In terms of clause (c) of sub-section (2) of section 122 of the Act, a public announcement of offer once made, may be withdrawn,-

- (a) in case the acquirer is a company and it has gone into liquidation or has been declared bankrupt before the completion of the acquisition process; or
- (b) where the acquirer is an individual and he has been declared as an undischarged insolvent or has applied to be adjudicated as insolvent before the completion of the acquisition process; or
- (c) the acquirer has been declared by a Court of competent jurisdiction as a defaulter in repayment of loans to financial institutions.

¹[]

- (3) Where there is a withdrawal of public offer, the manager to the offer shall,-
 - (a) return the shares, if any, tendered by the shareholders of the target company to the respective shareholders of the target company within a period of three days from the date of the public announcement of withdrawal in the newspapers; and
 - (b) thereafter release the security deposited to the acquirer or the Court in case of insolvency or bankruptcy of the acquirer as the case may be.

Chapter IX Miscellaneous

23. Conditions for upward revision of ²[public] offer.- Any upward revision of ²[public] offer under section 121 of the Act shall be made on the following conditions, namely:-

- (a) making of a public announcement in respect of such changes or amendments in all the newspapers in which the earlier public announcement was made;
- (b) informing the Commission, the securities exchange and the target company at its registered office, simultaneous with the issue of public announcement referred in clause (a); and
- (c) increase in the value of the security accordingly.

24. General obligations of the acquirer.- (1) The acquirer shall announce its public announcement of ²[public] offer only after careful and responsible consideration and the acquirer and its Manager to the Offer must be satisfied that it can and would continue to be able to implement the takeover offer in full.

(2) The acquirer shall at the time of the public announcement of ²[public] offer ensure that the identities of all the persons interested in the acquisition of voting shares beyond the limit prescribed in section 111 of the Act or control of the target company including the persons who makes arrangement for all the funding requirements including payments and would exercise ultimate control over the target company is disclosed to the public and the target company.

¹Sub-regulation (2) omitted by SRO 1828(I)/2022 dated September 30, 2022.

²Word inserted by SRO 68(I)/2024 dated January 24, 2024.

(3) If any director of an acquirer that is a public company is faced with a conflict of interest as a result of a proposed acquisition, the acquirer's board of directors shall establish an independent committee to assess the proposed public offer.

(4) Within two working days of the public announcement of ¹[public] offer, the acquirer shall send a copy of the proposed offer letter to the target company at its registered office address, securities exchange and the Commission.

(5) In case acquirer is a company, whether incorporated in Pakistan or outside Pakistan, the public announcement, brochure, circular, offer letter or any other advertisement or publicity material issued to shareholders in connection with a public offer shall state that the directors accept the responsibility for the information contained in such documents:

Provided that if any of the directors desires to exempt himself from responsibility for the information in such documents, such director shall issue a statement to that effect together with reasons thereof in the public announcement of ¹[public] offer.

(6) Persons, other than the acquirer, representing or having interest in the target company or an insider or a beneficial owner of more than ten per cent of the voting shares during the last twelve months, shall not participate in any matters concerning or relating to a public offer including any preparatory steps leading to the offer.

(7) On or before the date of issue of public announcement of ¹[public] offer, the acquirer shall arrange the requisite security as provided under the Act and these regulations.

(8) The acquirer shall ensure that firm financial arrangements for fulfillment of the obligations under the public offer and suitable disclosures in this regard have been made in the public announcement.

(9) The acquirer shall, within a period of ten days from the date of the closure of public offer, complete all procedures relating to the public offer including payment of consideration to the shareholders who have accepted the public offer.

(10) The acquirer shall comply with all the requirements of the Act, these regulations and the regulations of the securities exchange at all times.

(11) All acts of the acquirer shall be in good faith and in the best interest of the target company and its shareholders considering the long term viability of the target company.

25. General Obligations of the Board of Directors of the target company.- (1)

The target company shall furnish to the acquirer, within seven days of the request of the acquirer or within seven days from the date mentioned in the public announcement of ¹[public] offer, whichever is later, a list of convertible security holders as are eligible for participation containing name, address, shareholding and folio number, and of those persons whose applications for registration of transfer of the securities are pending with the company.

(2) The target company shall ensure that the acquirer and the Manager to the Offer are provided with all relevant and material information which they require for the purposes of due diligence.

(3) The board of directors of the target company shall send its unbiased comments and recommendations on the public offer to the shareholders if so desired by the acquirer(s) or shareholder(s) of the target company.

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

(4) The board of directors of the target company shall facilitate the acquirer in verification of securities tendered for acceptance.

(5) Where an acquirer, in compliance with the provisions of the Act has acquired requisite percentage of the voting shares of the target company after completing the process of public offer, shall be entitled to a proportionate representation on the board of directors or control of the company as prescribed under the Act.

(6) The target company shall comply with all the requirements of the Act, these regulations and the regulations of the securities exchange at all times.

26. General obligations of the manager to the offer.- (1) The manager to the offer shall deemed to be the agent of the acquirer.

(2) Before the public announcement of ¹[public] offer is made, the manager to the offer shall-

- (a) ensure that the acquirer, its sponsors, promoters, substantial shareholders, directors and associates have no over dues or defaults, irrespective of the amount, appearing in the report obtained from the credit information bureau.
- (b) ensure that the acquirer or its directors, sponsors or substantial shareholders have not been holding the office of the directors, or have been sponsors or substantial shareholders in any company,
 - (i) which had been declared defaulter by the securities exchange of futures exchange; or
 - (ii) whose TRE certificate has been cancelled or forfeited by the securities exchange; or
 - (iii) Which has been de-listed by the securities exchange due to non-compliance of its regulations.

Provided that Commission may grant relaxation upon reasons to be recorded, and rectification of cause leading to such delisting

- (c) ensure that the acquirer is able to implement the public offer;
- (d) ensure that firm arrangements for funds and money have been made to fulfill the obligations under the public offer;
- (e) ensure that the public announcement is made in accordance with the Act and these regulations;
- (f) furnish to the Commission on format provided in Schedule XI a due diligence certificate which shall accompany a copy of the proposed offer letter;
- (g) ensure that the contents of the public announcement and offer letter are true fair and adequate and based on reliable sources, quoting the source wherever necessary;

(3) The manager to the offer shall,-

- (a) on the day of the public announcement of ¹[public] offer ensure that the proposed public announcement of ¹[public] offer is filed with the Commission, target company and also sent to the securities exchange on which the voting shares of the target company are listed in accordance with the Act and these regulations;
- (b) upon fulfillment of the necessary obligations by the acquirer under the Act and these regulations, cause the release of the balance amount of the security to the acquirer; and

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

- (c) after ensuring compliance with the provisions of the Act and any other laws or rules and regulations as may be applicable, send a report to the Commission within twenty days from the date of closure of public offer or earlier withdrawal thereof.

27. Changes in the office of manager to the offer.- (1) Any change in the office of manager to the offer shall be immediately intimated to the Commission, the securities exchange and the target company.

(2) The manager to the offer shall be liable for any default/non-compliance for the relevant period of appointment.

28. Equality of treatment.- All shareholders of the target company are to be treated equally and all shareholders of the same class are to be treated similarly.

29. Oppression of minority.- Rights of control shall be exercised in good faith and the oppression of minority or non-controlling shareholders shall be unacceptable.

Repeal and Saving.- (1) These regulations shall repeal the Listed Companies (Substantial Acquisition of Voting Shares and Takeover) Regulations, 2008.

(2) Save as otherwise specifically provided, nothing in these regulations shall affect or be deemed to affect anything done, action taken, investigation or proceedings commenced, order issued, appointment, document or agreement made, fee paid or accrued, resolution passed, direction given, proceedings taken or instrument executed or issued, under the repealed Listed Companies (Substantial Acquisition of Voting Shares and Takeover) Regulations, 2008 and any such thing, action, investigation, proceedings, order, appointment, document, agreement, fee, resolution, direction, proceedings or instrument shall if in force at the coming into force of these regulations and not inconsistent with any of the provisions of these regulations, continue to be in force, and have effect as if it were respectively done, taken, commenced, made, directed, passed, given, executed or issued under these regulations.

Schedule I
Offer Letter

[To be sent by the acquirer under section 117 of the Act]

To: [Name of the eligible shareholder]

[Date]

Subject: Purchase of shares of (name of the target company)

Dear Sir/Madam,

In pursuance of the public announcement of ¹[public] offer made by us and published in the daily [name of Urdu Newspaper(s)] and [name of English Newspaper(s)] on [date of publication of the public announcement of ¹[public] offer] with (in case) an addendum or corrigendum to the public announcement of ¹[public] offer is published in the daily [name of Urdu Newspaper(s)] and [name of English Newspaper(s)] on [date of publication of the public announcement of ¹[public] offer] this is to inform you that we intend to acquire [____% voting shares of the target company] or [control of the target company ____]. Therefore, we are making an offer to you for the acquisition of your [number of shares] of the [name of the target company].

2. In pursuance of our obligations under the Securities Act, 2015 and the Listed Companies [Substantial Acquisition of Voting Shares and Takeovers] Regulations, 2017 you are hereby, being made and offer to sell your [number of shares] of [name of the target company] at Rs. per share to [name of the Acquirer] (the "Acquirer"). The public announcement of ¹[public] offer containing detailed information can be viewed at our website i.e.

3. The offer is valid until _____. You may accept the offer between ___ to ___ by tendering your shares to the manager to the offer in [details of the CDC account specified for the purpose].

4. All payments ²[payable in the] form of cash or through demand draft or pay order or cheque or any other banking instrument ³[or the transfer of securities,] against shares accepted by the acquirer will be made within a period of not more than 10 days from date of closure of the acceptance period.

5. In case of any query regarding the public announcement of ¹[public] offer, you may contact the acquirer or the manager to the offer at the following address:

[Address along with phone, fax and
and E-mail address of the Acquirer]

[Address along with phone, fax E-mail address
of the Acquirer]

The acquirer, and where acquirer is a company, its directors, accept all responsibility for the information contained in this offer letter.

Yours truly,

.....
[name of the acquirer(s)]

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

²Substituted fo the word "be payable in" by SRO 68(I)/2024 dated January 24, 2024.

³Words inserted by SRO 68(I)/2024 dated January 24, 2024.

Schedule II**Disclosure under section 108(2) of the Act****[Regulation 4(1)]**

Date _____

- (i) The Manager Director, Pakistan Stock Exchange
- (ii) The Chief Executive, (Target Company)
- (iii) Securities and Exchange Commission of Pakistan

Subject: Disclosure of exempted Transactions pursuant to section 109 of the Securities Act, 2015

Part-A

1. It is reported pursuant to Section 109 of the Securities Act, 2015 read with regulation 4 of the Listed Companies (Substantial Acquisition of Voting Shares and Takeover) Regulations, 2017, that we/l, (insert name of the acquirer) have acquired on (insert date) (insert number of shares and %) shares of the (insert name of the target company) at the rate of Rs. per share, through (insert nature of transaction). This transaction does not attract part IX of the Act (except reporting) in terms of section 109(1) (insert relevant sub-section) of the Act.
2. Before this acquisition we/l were/was holding (insert number of shares and %) shares of the Company. After above mentioned acquisition our/my total shareholding in the company is (insert number of shares) shares, which represent% of the total issued voting shares of the company.

Part-B**Particulars of the Acquirer(s)**

[This list is not intended to be exhaustive. The acquirer must disclose any information which is important to the shareholders of the company of which the shares have been acquired]

3. If acquirer(s) is a Fund/company etc.

- (i) Name and registered address of the acquirer.
- (ii) CUIN or in the case of a foreign company its registration number.
- (iii) Date of incorporation
- (iv) Jurisdiction of incorporation.
- (v) The authorized and issued share capital.
- (vi) Names and addresses of sponsors or persons having control over the acquire.
- (vii) Names and addresses of board of directors of acquirer(s).

4. If acquirer(s) is an individual

- (i) Name(s) and address(es) of each acquirer.
- (ii) CNIC number(s) or Passport or NICOP number.

Part-C**Particulars of persons acting in concert (vide section 108(d) of the Act)**

- (i) In case of Fund/ company, all details at Para 3.
- (ii) In case of individual, all details at Para 4.
- (iii) Number of shares held by the person acting in concert

Part-D**Detail, if the Acquirer / person acting in concert has representation
on the board of directors of the target company**

- (i) Name(s) and address(es) of nominee director, who represents the acquirer/ person acting in concert.
- (ii) CNIC number(s) or Passport or NICOP number.

Signature

Designation

Date

Website address of the acquirer (in case of fund/company etc.)

Schedule III
Disclosure under section 110(1) of the Act
[Regulation 4(2)]

- (i) The Manager Director, Pakistan Stock Exchange
- (ii) The Chief Executive, (Target Company)
- (iii) Securities and Exchange Commission of Pakistan

Subject: Disclosure pursuant to section 110(1) of the Securities Act, 2015

Part-A

It is notified pursuant to Section 110 of the Securities Act, 2015 that I/we (insert name of the acquirer) have acquired on (insert date) voting shares of (insert name of company) at the rate of Rs. per share. On account of this acquisition my/our total shareholding in the company is shares which represents% of the total issued voting shares of the company, as my / our previous holding in the company was shares.

Part-B

Particulars of the Acquirer(s)

[This list is not intended to be exhaustive. The acquirer must disclose any information which is important to the shareholders of the company of which the shares have been acquired]

3. If acquirer(s) is a Fund/company etc.

- (i) Name and registered address of the acquirer.
- (ii) CUIIN or in the case of a foreign company its registration number.
- (iii) Date of incorporation
- (iv) Jurisdiction of incorporation.
- (v) The authorized and issued share capital.
- (vi) Names and addresses of sponsors or persons having control over the acquire.
- (vii) Names and addresses of board of directors of acquirer(s).

4. If acquirer(s) is an individual

- (i) Name(s) and address(es) of each acquirer.
- (ii) CNIC number(s) or Passport or NICOP number.

Part-C

Particulars of persons acting in concert (vide section 108(d) of the Act)

- (i) In case of Fund/ company, all details at Para 3.
- (ii) In case of individual, all details at Para 4.
- (iii) Number of shares held by the person acting in concert

Part-D

Detail, if the Acquirer / person acting in concert has representation on the board of directors of the target company

- (i) Name(s) and address(es) of nominee director, who represents the acquirer/ person acting in concert.

- (ii) CNIC number(s) or Passport or NICOP number.

Signature

Designation

Date

Website address of the acquirer (in case of fund/company etc.)

Schedule IV

Disclosure under section 110(3) of the Act

[Regulation 4(3)]

- (i) The Manager Director, Pakistan Stock Exchange

- (ii) The Chief Executive, (Target Company)

- (iii) Securities and Exchange Commission of Pakistan

Subject: Disclosure pursuant to section 110(3) of the Securities Act, 2015 for acquisition of additional voting shares

Part-A

In continuation of my/our disclosure made on (insert date) pursuant to section 110(1) of the Act, for acquisition of more than ten percent voting shares of (insert name of company), it is notified that after the expiry of period of twelve months of the acquisition notified in the aforesaid disclosure, I/we have acquired shares on (insert date). My / our present holding in the company isshares, which represents% of the total issued voting shares of the company, as during the period of ¹[twelve months] of the acquisition shown in the abovementioned disclosure, I/we have acquired Shares of the Company.

Part-B

Particulars of persons acting in concert (vide section 108(d) of the Act

- (i) Name(s) and address(es) of each person acting in concert.
- (ii) Number of shares held by each person acting in concert.

Part-C

Detail, if the Acquirer / person acting in concert has representation on the board of directors of the target company

- (i) Name(s) and address(es) of nominee director, who represents the acquirer/ person acting in concert.
- (ii) CNIC number(s) or Passport or NICOP number.

Signature

Designation

Date

Website address of the acquirer (in case of fund/company etc.)

¹Substituted for the word "twelve" by SRO 68(I)/2024 dated January 24, 2024.

Schedule V

Disclosure to be made by Target Company under Regulation 5

- (i) The Manager Director, Pakistan Stock Exchange
- (ii) Securities and Exchange Commission of Pakistan

Subject **Disclosure under Takeover Regulations**

It is hereby informed that M/s _____ (Target Company)

- a. has received firm intention from _____ (Acquirer) to acquire control or _____ voting shares (%age of paid up capital) of the target company, beyond the thresholds prescribed under section 111 of the Act. This intention has been notified to the board of directors of the target company on _____ (date);
or
- b. Target company is the subject of rumor and speculation detail of which is as follows
or
- c. there is undue movement in its share price. The price of the share has increased from _____ (price) to _____ (price) during the period starting from _____ to _____. Further there are reasonable grounds, which are mentioned below for concluding that it is the potential acquirer's actions which has led to the situation
or
- d. Target Company has started negotiations or discussions to commence to induct people (detail of which is mentioned below) for acquiring control of the target company.
or
- e. The director/chief executive and/or majority shareholder of the target company has informed that they individually or in concert with each other or their family members or associates are entering into negotiations for sale of their shareholding beyond the limits prescribed in section 111 of the Act.

The securities exchange is required to make the above information immediately available to the shareholders of the target company under regulation 5(1), by placing it on the notice board and through notification on automated information system and make an announcement on the house of the exchange.

Company Secretary

Schedule VI

**Public announcement of intention to acquire% shares (number of shares) or control
of the (Name of Target Company)**

By

[Name of the Acquirer(s)]

Under Securities Act, 2015

Note: In case the Target Company is engaged in a regulated activities, duly licensed by the Securities and Exchange Commission of Pakistan or by any other concerned authority, the acquirer shall make the following statement in Bold and Italic words.

Admonishment: Please note that the public announcement of intention to acquire voting shares/control of the "name of the target company" is subject to obtaining the requisite regulatory approvals including clearance of fit and proper criteria from the "name of the concerned regulatory authority(ies)". The public announcement of intention may be withdrawn, if the requisite approvals are not granted by the concerned regulatory authority(ies).

Part A

Brief description of the intended acquisition-

Intended acquisition through	Number of shares	Percentage
Agreement(s)		
Public offer		

¹[If there is more than one person, above information shall be provided separately for each person comprising the acquirer(s).]

Part B**1) Information about the acquirer**

- (a) Name(s) and address(es) of acquirer along with persons acting in concert, if any.
- (b) Name(s) of the ultimate acquirer or the ultimate controlling shareholder.
- (c) Name(s) and address(s) of manager to the offer of the acquirer.
- (d) Principal areas of business of the acquirer and relevant experience
- (e) In case the acquirer is a fund/company(s):
 - (i) Names of the chief executive and directors of the company(s);
 - (ii) Names of substantial shareholders of the company.
 - (iii) Date of incorporation
 - (iv) Jurisdiction of incorporation
 - (v) Authorized and paid up capital.
- (f) Detail of companies, where the intended acquirer(s) hold more than thirty percent voting shares:

Name of Company	Registration No.	Nature (listed/unlisted/Private)	Nature of business	Jurisdiction of incorporation	Description held control/ more than thirty % shares or both

- (g) Information about ultimate beneficial owner of the intended acquirer(s):-

²[Name(s) of natural person(s), CNIC/Passport Number, nationality and address of each person.]:

- (i) Name, CNIC, nationality and address of each person
- ³[]
- (iv) Detail of companies located in and outside Pakistan, where the ultimate acquirer or the ultimate controlling shareholder held control and or more than thirty percent voting shares:-

Name of Company	Registration No.	Nature (listed/unlisted/Private)	Nature of business	Jurisdiction of incorporation	Description held control/ more than thirty % shares or both

- (h) details of any existing holding of voting rights in the target company-

- (i) which the acquirer owns or over which it has control or direction;
- (ii) which is owned or controlled or directed by any person acting in concert with the acquirer;
- (iii) in respect of which the acquirer or any person acting in concert with him has received an irrevocable commitment to accept the takeover offer; and in respect of which the acquirer or any person acting in concert with him holds an option to purchase or warrants or other convertible securities.

¹Words etc. inserted by SRO 68(I)/2024 dated January 24, 2024.

²Substituted for the expression "in case of individual" by SRO 1828(I)/2022 dated September 30, 2022.

³The expression "in case of fund/Company etc. and clauses (i), (ii) & (iii) omitted by SRO 1828(I)/2022 dated September 30, 2022.

- (i) all conditions (including normal conditions relating to acceptance, listing and increase of capital) to which the public offer or the posting of it is subject.

Part C

2) Information about the target company

- (a) name of the target company, its directors and major shareholders along with number of shares and percentage of paid-up capital.
- (b) Total number of issued shares of the company.
- (c) Date of listing and offer price at the time of initial public offering
- (d) Opening price at securities exchange at time of listing
- (e) share price quoted on the securities exchange one day before the public announcement of intention.
- (f) the weighted average share price as quoted on the securities exchange during ¹[twenty-eight days (28)] preceding the date of public announcement of intention.
- (g) financial position/ performance of the company for the last five years, including profit/loss after tax, earning per share, payouts.

Schedule VII

(Ref Regulations 7(4) and 17(3))

Standard document for public announcement of ²[public] offer or competitive bid

Public announcement of ²[public] offer to acquire% shares (number of shares to be acquired through public offer) or control of the (Name of Target Company) by (Name of the Acquirer(s)) Under Securities Act, 2015

Part A

Before description of the acquisition-

Acquisition through	Number of shares	Percentage	Price per share [highest price paid in case of SPA]
Shares Purchase agreement(s)			
Public offer			

Part B

[This list is not intended to be exhaustive. The acquirer is obliged to disclose any information which may be necessary for the shareholders of the target company to make an informed decision. Care shall be taken by the manager to the offer that the document is simply worded and technical, legal or financial jargons are not used unnecessarily]

The following information shall be disclosed:

1. The Acquirer

1.1 If acquirer(s) is a company

- (a) Name and registered address of the acquirer.
- (b) Date and jurisdiction of incorporation.
- (c) The authorized and issued share capital.
- (d) If there is more than one acquirer, their relationship.
- (e) Total number of voting shares of the target company already held by the acquirer and the persons acting in concert, including any shares purchased through an agreement and relevant details of such agreement, including the share price agreed.
- (f) The number of shares issued since the end of the last financial year of the company.

¹Substituted for the words "four weeks" by SRO 1828(I)/2022 dated September 30, 2022.

²Word inserted by SRO 68(I)/2024 dated January 24, 2024.

- (g) Details of any re-organization of the acquirer during the two financial years preceding the public announcement of offer.
- (h) Details of any bank overdrafts or loans, or other similar indebtedness, mortgages, charges or other material contingent liabilities of the acquirer and subsidiaries if any, and if there are no such liabilities a statement to that effect.
- (i) Financial advisors of the acquirer.
- (j) Brief history and major areas of operations of the acquirer.
- (k) Names and addresses of sponsors or persons having control over the acquirer.
- (l) Names and addresses of board of directors of acquirer.
- (m) Brief audited financial details of the acquirer for a period of at least last five years including income, expenditure, profit before depreciation, interest and tax, depreciation, profit before and after tax, provision for tax, dividends, earnings per share, return on net worth and book value per share.
- (n) Details of any agreement or arrangement between the acquirer and the directors of the target company as compensation for loss of office or otherwise in connection with the acquisition.
- (o) Details of every material contract entered into not more than two years before the date of the public announcement of ¹[public] offer, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the company.

1.2 If acquirer(s) is an Individual

- (a) Name(s) and address(es) of each individual along with the persons acting in concert.
- (b) CNIC number(s).
- (c) If there are more than one acquirer their relationship, if any.
- (d) Total number of voting shares of the target company already held by the acquirer, including any shares purchased through an agreement and relevant details of such agreement including the share price agreed.
- (e) Financial advisors of the acquirer, if any.
- (f) Principal areas of business of the acquirer and relevant experience.
- (g) Details of any bank over drafts or loans, or other similar indebtedness, mortgages, charges or other material contingent liabilities of the acquirer.
- (h) Details if the acquirer is a director on the board of directors of any listed company(s).
- (i) Details of any agreement or arrangement between the acquirer and the directors of the target company about any benefit which will be given to any director of the target company as compensation for loss of office or otherwise in connection with the acquisition.

Note: In case of competitive bid, the acquirer in addition to above information shall also disclose the information prescribed in Part B of the Schedule-VI

2 Details of the Public Offer

- (a) The names, dates and editions of the newspapers where the public announcement of ¹[public] intention was published.
- (b) The number and percentage of shares proposed to be acquired by the acquirer(s) from the shareholders through agreement, if any, the offer price per share and the mode of payment of consideration for the shares to be acquired.
- (c) Reasons for acquiring shares or control of the target company.
- (d) Details regarding the future plan for the target company, including whether after acquisition the target company would continue as a listed company or not.
- (e) In case of conditional ¹[public] offer, specify the minimum level of acceptance i.e. number and percentage shares.

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

- (f) In case there is any agreement with the present management, promoters or existing shareholders of the target company, an overview of the important features of the agreement(s) including acquisition price per share, number and percentage of shares to be acquired under the agreement(s), name of the seller(s), complete addresses of sellers, names of parties to the agreement(s), date of agreement(s), manner of payment of consideration, additional important information, if any.
- (g) Number of shares already held by the acquirer along with the date(s) of acquisition. Also state whether it was purchased through open market or acquired through a negotiated deal.
- (h) Minimum level of acceptance, if any.

3 Offer Price and Financial Arrangement

3.1 Justification for the offer price

- (a) Disclosure about the form of consideration for the shares to be acquired through the public offer.
- (b) Disclosure of the total amount of consideration to be paid for the shares to be tendered during the public offer (assuming full acceptances).
- (c) Whether the shares of the target company are frequently traded or infrequently traded in the light of criteria prescribed in regulation 13 of these regulations.
- (d) Justification for the offer price for the shares of the target company, in the light of criteria contained in regulation 13 of these regulations.

3.2 Financial arrangements

- (a) Disclosure about the security arrangement made in pursuance of Section 123 of the Act.
- (b) Disclosure about the adequate and firm financial resources to fulfill the obligations under the public offer.
- (c) A statement by the manager to the offer that the manager to the offer is satisfied about the ability of the acquirer to implement the public offer in accordance with the requirements of the Act and these regulations.

4 Procedure for Acceptance and Settlement

- (a) Detailed procedure for acceptance of offer by shareholder of the target company.
- (b) Details of the CDC account in which shares are required to be tendered by eligible shareholders on acceptance during the acceptance period.

5 Statements by the Acquirers

- (a) Statement by the acquirer for assuming responsibility for the information contained in the document (in the case where the acquirer is a company such a statement shall be made by the directors of the company).
- (b) A statement by the acquirer to the effect that each of the acquirers including persons in concert, if any, will be severally and jointly responsible for ensuring compliance with the Act and the regulations.
- (c) A statement by the acquirer that the public offer is being made to all the shareholders who have voting shares of the target company and (except the persons acting in concert with acquirers) whose names appear in the register of shareholders as on the date of book closure.
- (d) A statement by the acquirer that all statutory approvals for the public offer have been obtained.
- (e) Disclosure as to whether relevant provisions of the Act and the regulations have been complied with.

- (f) A statement to the fact if any director(s) of the acquirer is also a director on the board of directors of target company.
- (g) A statement by the acquirer as to whether or not any voting shares acquired in pursuance to the public offer shall be transferred to another person and if that is the case the names of such persons shall be disclosed.

6. Disclaimer Clause

The following disclaimer clause shall be given on the first page:

"IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF DOCUMENT OF PUBLIC OFFER WITH THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY THE COMMISSION. THIS DOCUMENT HAS BEEN SUBMITTED TO THE COMMISSION FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE LAW/REGULATIONS. THIS REQUIREMENT IS TO FACILITATE THE SHAREHOLDERS OF [NAME OF THE TARGET CO.] TO TAKE AN INFORMED DECISION WITH REGARD TO THE ¹[PUBLIC] OFFER. THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF THE ACQUIRER(S) OR THE COMPANY WHOSE SHARES/CONTROL IS PROPOSED TO BE ACQUIRED OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DOCUMENT. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT THE ACQUIRER(S) IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS DOCUMENT. THE MANAGER TO THE OFFER (INDICATE NAME) IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT ACQUIRER(S) DULY DISCHARGES THEIR RESPONSIBILITY ADEQUATELY. FOR THIS PURPOSE, THE MANAGER TO THE OFFER HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED TO THE COMMISSION IN ACCORDANCE WITH THE SECURITIES ACT, 2015".

Signature

With name designation and stamp

Date

Place

Note:

This document shall be signed by the acquirer(s).

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

Schedule VIII

[Ref Regulation 7(5)]

**Documents to be submitted along with
public announcement of ¹[public] offer**

S. No.	Document
i.	Copy of the agreement, if any, for the acquisition of shares and/or control of the target company.

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

ii.	Undertaking on a non-judicial stamp paper by the manager to the offer confirming that it fulfills the requirements of Section 113 of the Securities Act, 2015 and the regulations made thereunder.
iii.	Undertaking on a non-judicial stamp paper by the manager to the offer confirming that it shall comply with all its obligations under the Securities Act, 2015 and Regulations made thererunder.
iv.	Undertaking on a non-judicial stamp paper by the acquirer that the acquirer shall comply with all the obligations of the acquirer under the Securities Act, 2015 and regulations made thereunder.
v.	Evidence that security has been created as required under Section 123 of the Securities Act, 2015 and regulation 15 of the Listed Companies (Substantial Acquisition of Voting Shares and Takeover) Regulations, 2017.
vi.	Copy of latest pattern of shareholding of the target company both in soft form on a compact diskette and as hard form.
vii.	Documentary evidence for the information disclosed under Schedule VI.

Schedule IX

[Ref Regulation 8]

¹[Public Offer Timetable-T]

*Time (T) stands for date of announcement of public offer

Prior to T*	(i) Notice of public announcement of intention in the newspapers under regulation 6. (ii) Disclosures, if any, by the target company required under regulation 5. (iii) Appointment of the manager to the offer under section 113 of the Act read with regulation 6. (iv) Sign agreement, if any, to acquire shares. (v) Compliance by the manager to the offer with the applicable provisions of Act and these Regulations.
2 days prior to T	Provision of a copy of public announcement of ² [public] offer to the Commission, target company and the securities exchange (Reference Regulation 7(2) and Regulation 7(5)).
T	(i) Public announcement of ² [public] offer in the newspapers in accordance with the Act and these Regulations. (Reference Regulation 7) (ii) Final date for the creation of security for the public offer (Reference Regulation 15(2))
T+2 days	Sending of copies of the proposed offer letter to the Commission, target company and the securities exchange. (Reference Regulation 24(4))
T+21 days	Last date for making a competitive bid. Competitive bids may be made anytime from T to T+21 (21 days). (Reference Regulation 120(1) of the Act and regulation 17(1))
T+22 days	Notice of book closure to the securities exchange (Reference regulation 9(1) and regulation 5.5.14(o) of the Rule Book of Pakistan Stock Exchange)

¹Substituted for the words "Offer Timetable-T" by SRO 68(I)/2024 dated January 24, 2024.

²Word inserted by SRO 68(I)/2024 dated January 24, 2024.

T+36 days	Book closure for 7 days i.e. from T+36 to T+42 (<i>Reference regulation 9(2)</i>)
T+43 days	Final date for the target company to (i) provide the list of members for sending offer letters; (ii) list of custodians of Global Depository Receipts or American Depository Receipts; and (iii) list of convertible security holders to the acquirers (<i>Reference regulation 11(1)</i>)
T+45 days	Acquirer or manager to the offer on the acquirer's behalf to issue offer letters to all registered shareholders entitled to accept the ¹ [public] offer. Also acquirer to send a copy of the offer letter to the custodians of Global Depository Receipts or American Depository Receipts and convertible security holders, where the conversion period falls within the offer period. (<i>Reference regulation 11(2)</i>)
T+46 days	Advertisement in the newspapers by the acquirer for submission of acceptances. (<i>Reference regulation 18(1)</i>)
T+47 days	Final date for the acquirer to make an upward revision in earlier offer price. (<i>Reference section 121 of the Act</i>)
T+48 days	Acceptance period for the public offer commences (<i>Reference regulation 2(1)(o)</i>)
T+54 days	Public offer expires i.e. the last day for acceptance of ¹ [public] offer by shareholders and convertible securities holders. (<i>Reference regulation 12</i>)
T+56 days	Final date for the opening of account in accordance with regulation 20.
T+64 days	The final date for completion of all procedures relating to public offer by the acquirer including payment of consideration to shareholders who have accepted the public offer. (<i>Reference regulation 24(9)</i>)
² [T+74 days]	Final date for the manager to the offer to (a) certify that the acquirer has fulfilled all obligations of the acquirer under the Act and these regulations. (b) send a report to the Commission <i>(Reference regulation 26(3)(c))</i>
T+76 days	The BOD of the target company may transfer securities acquired by the acquirer whether through agreement or open market purchases. (<i>Reference section 119(3) of the Act</i>)

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.²Substituted for "T-75 days" by SRO 68(I)/2024 dated January 24, 2024.

Schedule X

Regulation 18 of the Regulations

[Should be published in the manner stated in Regulation (2) of the Regulations one day before commencement of the acceptance period]

Public announcement informing the shareholders of the target company of the commencement of acceptance period

Reference public announcement of offer ¹[public] made by [the Acquire] in daily & on [date]

It is hereby informed that the acceptance period for the acquisition of shares of [the name Target company] will commence from And will end on

All shareholders who intend to tender their shares of [the name Target company] are invited to tender their shares to the manager to the offer in [details of the CDC account] on or before [time] on [date]

[Name, Address and phone numbers of the Acquirer(s)]

Schedule XI

[Reference Regulation 26 of the Regulations]

Due Diligence Certificate

Sub: Public Offer to Acquire (Number of Shares) shares (....%) of (Name of the target company) at an Offer price of Rs. _____ per share by (Name of the acquirer)

1. The (acquirer) vide letter dated has appointed us, as manager to the offer, in terms of Section 113 of the Securities Act, 2015 (the Act).
2. The Public announcement for the captioned ¹[public] offer in terms of Section 111 of the Act will be made on _____.

In this regard, we, the manager to the offer, have examined various relevant documents and confirm the following,

- a. The acquirer is able to implement the ¹[public] offer.
- b. The acquirer has created security on in accordance with Section 123 of the Act and the Regulations framed thereunder.
- c. The acquirer has authorized us to realize the value of security in terms of the Act and the Regulations.
- d. Firm financial arrangements are in place to fulfill the obligation of the acquirer under the public offer.
- e. Contents of the public announcement of offer as well as the offer letter are correct, fair and adequate and are based on reliable sources.

We also confirm that-

- a. We are not an associate, or group of the acquirer or the target company;
- b. The public announcement and the draft offer letter forwarded to the Commission are in conformity with the Act and Regulations.
3. The disclosures made in the public announcement of ¹[public] offer and in the offer letter are true, fair and adequate to enable the investors to make a well informed decision.
4. As a manager to the offer, it shall be our duty to ensure compliance with the Ordinance, Regulations and any other laws or Regulations as may be applicable, in this regard.
5. No material information which is necessary for the shareholders of the target company to make an informed decision has been concealed or withheld in the public announcement of ¹[public] offer or the offer letter.

Manager to the offer

Date

Place

with their seal

¹Word inserted by SRO 68(I)/2024 dated January 24, 2024.

CORPORATE RESTRUCTURING COMPANIES ACT, 2016

An Act to make provisions for the incorporation, regulation and winding up of limited liability partnerships as body corporate and for matters connected therewith or incidental thereto

No. F.9(14)/2016-Legis.- The following Act of Majlis-e-Shoora (Parliament) received the assent of the President on 28th June, 2016 and is hereby published for general information:-

WHEREAS it is expedient to provide for the establishment, licensing and regulation of corporate restructuring companies and the manner in which they can carry on business;

It is hereby enacted as follows:-

1. Short title extent and commencement.— (1) This Act shall be called the Corporate Restructuring Companies Act, 2016.

(2) It extends to the whole of Pakistan.

(3) This section shall come into force at once and the remaining provisions of this Act shall come into force on such date as the Federal Government may, by notification in the official Gazette, appoint and different dates may be so appointed for different provisions of this Act.

2. Definitions.— (1) In this Act, unless there is anything repugnant in the subject or context,-

- (i) “affiliate” means a shareholder, director, employee, agent or adviser of a financial institution and includes an entity that directly or indirectly controls or is controlled by such financial institution, and a shareholder, director, employee, agent or adviser of such entity;

- (ii) “collateral” means a property in relation to which security interest of any description has been created;

- ¹[(iia) “Companies Act” means the Companies Act, 2017 (XIX of 2017);

- (iii) “control” means direct or indirect ownership of fifty percent or more of the voting rights in an entity;

- (iv) “corporate restructuring company” means a public limited company licensed by the Commission under this Act to carry out the business of,-

- (a) acquisition, management, restructuring and resolution of non-performing assets of financial institutions ²[, save as otherwise provided for in section 8A]; and

¹ Clause (iia) inserted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

² Comma and words inserted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

- (b) restructuring, reorganization, revival and liquidation of commercially or financially distressed companies and their business.
- (v) "Committee" means the Securities and Exchange Commission of Pakistan;
- ¹[]
- (vii) "financial asset" includes any short, medium or long term interest and non-interest bearing loan, finance, advance, lease, installment, term finance certificate, participation term certificate, *modaraba*, *musharaka*, *ijara*, profit and loss sharing agreement, redeemable capital, guarantee or contractual right to receive payment of money in respect of sums advanced or committed to an obligor by a financial institution;
- (viii) "financial institution" means a financial institution as defined under clause (a) of section 3 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001);
- (ix) "Government Agency" means a department, agency or a body corporate set up or established by the Federal Government or a Provincial Government and includes the Federal Government and a Provincial Government itself;
- (x) "non-performing asset" means a financial asset held on the books of a financial institution with respect to which the obligor has been in arrears for more than one year on any payment obligation ²[or which has been classified by the financial institution as a loss in its books in accordance with the applicable laws] and includes all security interests with respect thereto;
- (xi) "obligor" means any individual, proprietorship, partnership, trust, company or other entity that has, with respect to a financial asset, a contractual or legal obligation to make payment, effect performance, provide security or collateral, whether as principal, surety, guarantor or otherwise ad whether such obligation is primary, secondary, matured or contingent;
- ³[]
- (xiii) "person" includes an individual, partnership, firm and company but does not include a Government agency;
- (xiv) "prescribed" means prescribed by rules or regulations made under this Act;

1 Clause (vi) omitted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

2 Words inserted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

3 Clause (xii) omitted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

- (xv) "property" means property of any description, movable or immovable, tangible or intangible, and rights, interests, title and claims attached to property, whether certain or contingent, existing or arising in future, and shall include documents of title pertaining to a property;
 - (xvi) "regulations" mean regulations made by the Commission under this Act;
 - (xvii) "rules" means rules made by the Federal Government under this Act;
 - (xviii) "security interest" means a guarantee, charge, mortgage, lien, hypothecation, pledge, assignment or any other security interest in relation to collateral;
 - (xix) "SECP Act" means the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
 - (xx) "speculative transaction" means a transaction which,-
 - (a) substantially relates to the purchase or sale of any commodity, including bonds, debentures, shares or right to, or interest in, property of any description;
 - (b) provides for settlement or execution otherwise than by actual delivery or transfer of such commodity;
 - (c) secures against loss on account of price fluctuations and risks associated with volatility in market; and
 - (d) may be prescribed by the Commission from time to time;
 - (xxi) "transferor" means the financial institution which enters into the transfer and assignment agreement provided in clause (a) of sub-section (1) of section 6; and;
 - ¹[(xxia) "trust" means a trust constituted pursuant to section 6A,]
 - (xxii) "vesting date" mean the date of signing of the transfer and assignment agreement between a financial institution and a Corporate Restructuring Company as provided in clause (b) of sub-section (1) of section 6;
- (2) The words and expressions used but not defined in this Act shall have the same meaning as is assigned to them in the ²[Companies Act] or the SECP Act.

3. Act to override other laws, contracts, instruments, memorandum and articles.- Save as otherwise expressly provided in this Act the provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law, contract, instrument, memorandum or articles of a company or in any agreement executed by a company or in any resolution passed by the company in a general meeting or by its directors, whether the same is registered, executed or passed before or after the commencement of this Act.

¹ Clause (xxia) inserted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

² Substituted for the word "Ordinance" by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

4. Incorporation of Corporate Restructuring Company.- (1) No Corporate Restructuring Company shall be incorporated without the prior approval of the Commission.

(2) No Corporate Restructuring Company shall carry on business unless it is established as a public limited company under this ¹[Companies Act] and holds a license issued in this behalf by the Commission and any such licence may be issued subject to such general or special conditions and upon payment of such fee as the Commission may deem fit to impose.

5. Functions and powers.- (1) Subject to the provision of section 4, a Corporate Restructuring Company may exercise one or more of the following functions and powers, namely:-

- (a) to acquire, buy, hold, manage, restructure, reschedule, resolve, settle, recover, assign, transfer and dispose of non-performing assets;
- (b) to deal with any loan, advance, financial commitment, lease, hire-purchase, rental, sale and buy-back arrangement, *mudaraba*, *musharaka*, *ijara* or other financial transaction or security interest relating to non-performing assets;
- (c) to acquire, take over, hold, re-organize, restructure, encumber, assign, sell lease and otherwise deal with any asset, property, undertaking or collateral with respect to non-performing assets;
- (d) to acquire, hold, manage, restructure, reorganize, revive, merge, amalgamate, lease, liquidate, assign and dispose of distressed companies, their business and properties;
- (e) to advise, develop, advance, support, implement and raise finances for rehabilitation, restructuring, reorganization or liquidation of distressed companies, their businesses and properties;
- (f) to enter into partnerships, joint venture agreement, profit or loss sharing arrangement or otherwise collaborate or participate with any company or other person in relation to non-performing assets or distressed companies;
- (g) to commence, continue, defend, desist enforce, implement and perform any and all actions or activities in relation to non-performing assets and distressed companies; ²[]
- (h) to establish, promote, concur or participate in establishing or promoting any company or other entity, the establishment or promotion of which may seem, directly or indirectly, to benefit its business ³[;]

1 Substituted for the word "Ordinance" by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

2 Word "and" omitted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

3 Substituted for the full-stop by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

- ¹[(i) to provide finance as defined in the Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001) for carrying out the purposes of this Act;
- (j) to establish and provide management services to trusts in terms of section 6A;
- (k) to act as an agent for any financial institution for the purpose of recovering their non-performing assets as provided as section 6B; and
- (l) to develop and implement a scheme in terms of section 8A.]
- (2) No Corporate Restructuring Company or its directors, officers and agents shall perform any function and exercise any power under this Act so as-
- (a) to involve in speculative transactions;
- (b) to aid an obligor with the sole object to avoid its debt obligations or performance of a contract remove its assets and properties from the reach of its creditors, evade payment of any tax, duty or other fiscal charge to Government Agency;
- (c) to circumvent fair valuation and proper appraisal of non-performing assets and the collateral thereof by reputable evaluating and appraising entities;
- (d) to transact business other than at arm's length; and
- (e) not to comply with the applicable laws, except as expressly provided otherwise under this Act.

6. Transfer of non-performing assets.- (1) Notwithstanding anything to the contrary contained in any law, decree, judgment, order, contract, instrument or document,-

- (a) a financial institution may, with the prior approval of its Board of Directors, transfer and assign its non-performing assets to a Corporate Restructuring Company, other than a Corporate Restructuring Company ²[] controlled by such financial institution or its affiliates, ³[subject to clause (e) of sub-section (1),] by entering into a transfer and assignment agreement with it on such terms and conditions as may be mutually agreed upon between them;
- (b) on the vesting date, all rights, title, interest, benefits, privileges and remedies of such financial institution, concerning the non-performing assets and the obligors thereto, shall stand transferred, assigned, conveyed, sold and vested in favour of the Corporate Restructuring Company without the need of any further action, agreement or instrument;

1 Clauses (i) to (l) inserted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

2 Words "established, owned or" omitted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

3 Words etc. inserted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

- (c) the transfer and assignment agreement shall not be required to be compulsorily registered under any law; ¹[]
 - (d) all contracts, deeds, instruments, approvals, commitments or consents relating to the non-performing assets subsisting or having effect immediately before the vesting date and to which the transferor may have been a party or beneficiary shall be of full force and effect in favour of or against the Corporate Restructuring Company and may be enforced or acted upon as fully and effectively as if, in the place of such financial institution, the Corporate Restructuring Company had been a party or beneficiary ²[; and]
- ³[(e)] any transfer or assignment of non-performing assets pursuant to the transfer and assignment agreement shall be deemed to be effected by operation of law and not-
- (i) by virtue of execution of such agreement by any party thereto; and
 - (ii) constitute any assignment, transfer, devolution, conveyance, lease, consent order, alienation, parting with possession or any other disposition under any applicable law other than the provisions of section 6.]

(2) The rights, powers and remedies provided to a Corporate Restructuring Company under this Act may be exercised separately or concurrently by it and are in addition to and not in lieu or derogation of any other rights or remedies that it or any other person may legally have in respect of non-performing assets and the collateral thereof.

¹ Word "and" omitted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

² Substituted for the full-stop by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

³ Clause (e) inserted by the Corporate Restructuring Companies (Amendment) Act, 2021, dated December 3, 2021. Earlier the same amendment was made by the Corporate Restructuring Companies (Amendment) Ordinance, 2020, dated 7th July, 2020.

CORPORATE REHABILITATION ACT, 2018

No. F. 9(2)/2017-Legis, Islamabad, the 15th March, 2018.—The following Act of Majlis-e-Shoora (Parliament) received the assent of the President on 13th March, 2018 and is hereby published for general information:—

ACT NO. IX OF 2018

*An Act to provide for rehabilitation and re-organisation
of distressed corporate entities*

WHEREAS it is expedient to provide for the rehabilitation and re-organisation of distressed corporate entities and their business so as to encourage economic growth and development;

It is hereby enacted as follows:

1. Short title, extent and commencement.—(1) This Act shall be called the Corporate Rehabilitation Act, 2018.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

CHAPTER I Preliminary

2. Definitions.—(1) In this Act, unless there is anything repugnant in the subject or context, —

- (a) “administrator” means an administrator appointed under section 20;
- (b) “administration committee” means the committee of the creditors or shareholders of the debtor appointed under section 26;
- (c) “claim” or “debt” means right to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, secured or unsecured and includes principal amount and any mark-up, profit, return and other charges;
- (d) “Commission” means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (e) “Court” means the High Court having territorial jurisdiction;
- (f) “creditor” means an entity that has a claim against debtor that arose at the time of or before the commencement of a case under this Act;
- (g) “debtor” means a company specified under section 6;
- (h) “financial institution” shall have the same meaning as assigned to it under the Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001);
- (i) “insolvency expert” means the expert specified under section 5;

- (j) "interests" or "class of interests" means any person or class of persons liable to contribute to the assets of a company in the event of its being wound up and includes the holder of any shares which are fully paid up;
- (k) "mediator" means the mediator appointed under section 10;
- (l) "Ordinance" means the Companies Ordinance, 2016 (VI of 2016) or such other law in force for regulations of companies;
- (m) "order of mediation" means the order passed by the Court under section 10;
- (n) "plan of rehabilitation" means a plan of rehabilitation of debtor defined under section 7;
- (o) "prescribed" means prescribed by rules or regulations made under this Act;
- (p) "property" means property of all description, whether movable or immovable, tangible or intangible, existing or future, claims for money, cash, and includes instruments that evidence title in property;
- (q) "qualifying creditors" means one or more creditors holding unpaid and overdue claims for an aggregate amount of not less than two-third of the value of assets of the debtor as per its latest balance sheet;
- (r) "regulations" means regulations made under this Act;
- (s) "rules" means rules made under this Act;
- (t) "security interest" means a charge, mortgage, lien, hypothecation, pledge, assignment or any other encumbrance over a property;
- (u) "State Bank" shall have the same meaning as assigned to it under the State Bank of Pakistan Act, 1956 (XXXIII of 1956); and
- (v) "statement of affairs" means statement of particulars about the property and business of a debtor prepared under section 9.

(2) The words and expressions used but not defined in this Act shall have the same meaning as assigned to them in the Ordinance.

3. Jurisdiction and powers of High Court.—(1) The Court having jurisdiction under this Act shall be the High Court having jurisdiction over the place at which the registered office of the debtor or, as the case may be, the principal place of business of the debtor is situated.

- (2) Subject to the provisions of this Act, the Court shall,—
 - (a) in exercise of its civil jurisdiction, have all the powers vested in a civil court under the Code of Civil Procedure, 1908 (Act V of 1908);
 - (b) in exercise of its criminal jurisdiction, have all the powers vested in a court exercising jurisdiction under the Code of Criminal Procedure, 1898 (Act V of 1898); and
 - (c) in exercise of its company jurisdiction, have all the powers vested in a court exercising jurisdiction under the Ordinance.

(3) Notwithstanding anything contained in any other law, all matters coming before the Court under this Act shall be disposed of expeditiously and final

judgment shall be pronounced as soon as may be practicable and, except in extraordinary circumstances, the Court shall hear the case on day to day basis.

4. Appeal and review.—(1) An appeal shall lie, at the instance of any person aggrieved by an order made by a Judge of the High Court in the exercise of the jurisdiction conferred by this Act, in the same way and subject to the same provisions as an appeal lies against an order passed by a single Judge of that Court in exercise of its original civil jurisdiction.

(2) The Court may review, rescind or vary any order made by it under this Act.

5. Insolvency experts.—(1) The Commission shall, in consultation with the State Bank, maintain a panel of insolvency experts who shall be professionals having a minimum experience of fifteen years in the field of accountancy, banking, finance, law, management and sound knowledge of insolvency practices of the country.

(2) An insolvency expert shall, for due performance of his functions under this Act, be entitled to such remunerations and privileges as may be prescribed by regulations.

(3) The Commission may, by regulations, prescribe the code of conduct for the panel of insolvency experts to be appointed under this Act and organize training, capacity building and accreditation programmes for professional development of such insolvency experts.

CHAPTER II

Rehabilitation of Debtor

6. Debtor.—A debtor shall be a company incorporated or registered under the Ordinance or previous companies legislation and shall not include—

- (a) a financial institution;
- (b) a company engaged in the business of insurance as defined in clause (xxvii) of section 2 of the Insurance Ordinance, 2000 (XXXIX of 2000);
- (c) a company which has debts of less than hundred million Rupees or such other sum as the Federal Government may, by notification in the official Gazette, specify from time to time;
- (d) a company against which an order of dismissal under section 17 has been passed within the past five years;
- (e) a company with respect to which a plan of rehabilitation has been confirmed under this Act within the past seven years;
- (f) a company against which a winding up order has already been passed;
- (g) a company which has resolved by special resolution that such company be wound up voluntarily;
- (h) a company against which execution proceedings are pending for satisfaction of one or more decrees for an aggregate sum not less than twenty-five percent of the value of its assets; or
- (i) a company which has availed relief under the BPD Circular No. 29 of 2002 issued by the State Bank.

7. Plan of rehabilitation.—(1) A plan of rehabilitation shall specify the following matters in relation to a debtor,—

- (a) claims and classes of claims against the debtor;
- (b) interests and classes of interests in the debtor;
- (c) claims and interests belonging to the debtor;
- (d) claims or interests that will not be impaired under the plan of rehabilitation;
- (e) claims or interests that will be impaired under the plan of rehabilitation;
- (f) places of business of the debtor, details of its assets and any security interests created over such assets;
- (g) particulars of shareholders, directors and key management of the debtor; and
- (h) scheme of implementation of the plan of rehabilitation of the debtor.

(2) Subject to sub-section (1), a plan of rehabilitation may provide for the following matters, in relation to a debtor,—

- (a) the settlement, restructuring or rescheduling of any claims or interests or classes of claims or interests;
- (b) the change of ownership and management of the debtor;

- (c) the sale of all or any assets of the debtor and the distribution of proceeds of such sale among holders of claims or interests;
- (d) the assumption, rejection or assignment of any executory contract or unexpired lease of the debtor;
- (e) the enforcement of any claims or interests belonging to the debtor; and
- (f) any other matter concerning rehabilitation of the debtor or distribution of proceeds of sale of property of the debtor.

8. Commencement of a case.—(1) A debtor may file a petition in the Court for an order of mediation, which shall be supported by a plan of rehabilitation, statement of affairs and special resolution of the debtor approving the plan of rehabilitation.

(2) The qualifying creditors may file a petition in the Court for an order of mediation against a debtor.

(3) On first date of hearing, the Court shall issue notice to the parties listed in the petition through,—

- (a) registered post, acknowledgement due;
- (b) courier service; and
- (c) publication in one English language and one Urdu language daily newspaper of wide circulation in the country;

and service duly effected in any one of the aforesaid modes shall be deemed to be

valid service for the purposes of this Act.

(4) The notice issued under sub-section (3) shall specify a date of hearing not later than twenty-one days after completion of the service.

(5) Any person interested of filing a written reply to the petition shall do so at least three days prior to the hearing and supply a copy of such reply to the party that filed the petition.

(6) The Court may, where a prima facie case has been made out by the qualifying creditor for an order of mediation in relation to a petition filed under sub-section (2), direct—

- (a) the debtor to submit, within fifteen days, the statement of affairs in the Court; and
- (b) the qualifying creditor to submit, within thirty (30) days after submission of the statement of affairs, a plan of rehabilitation of the debtor in the Court.

9. Statement of affairs.—(1) The statement of affairs of a debtor shall be verified by an affidavit of the chief executive officer or a director of the debtor and shall contain the following particulars, namely,—

- (a) the assets, debts and liabilities of the debtor;
- (b) the particulars of the creditors, stating separately the amount of secured debts and unsecured debts and in the case of secured debts,

particulars of the securities given, their value and the dates when they were given;

- (c) the debts due to the debtor and the particulars of the persons from whom such debts are due and the amount likely to be realized therefrom;
- (d) where any property of the debtor is not in its custody or possession, the place where and the person in whose custody or possession such property is;
- (e) full address of the places where the business of the debtor was conducted during six months preceding the relevant date and the names and particulars of the persons in charge of the same;
- (f) details of any pending suits or proceedings in which the debtor is a party;
- (g) latest publically disclosed accounts and the last audited accounts; and
- (h) such other particulars as may be prescribed by regulations or as the Court may by order require.

(2) Whoever intentionally files a statement of affairs which is false in material particulars or falsely denies his signature on any document before the Court, or fails to file the statement of affairs without just excuse when so ordered by the Court, shall be guilty of an offence punishable with imprisonment of either description for a term which may extend to six months, or with fine, or with both.

10. Mediation.—(1) The Court may, after notice and a hearing of the petition filed under section 8, pass an order for the appointment of insolvency experts to act as sole mediator or joint mediators, as the case may be, in relation to the plan of rehabilitation filed in the Court.

(2) The mediator appointed by the Court shall carry out mediation between the debtor and creditors or different classes of creditors to achieve acceptance of the plan of rehabilitation, whether with or without any modifications.

(3) For due discharge of his functions under this Act, a mediator shall have the following powers,—

- (a) to hold separate meetings of shareholders of the debtor and creditors or different classes of creditors;
- (b) to invite, scrutinize and determine claims and interest against the debtor;
- (c) to determine security interests created over the debtor's assets;
- (d) to determine the debtor's assets available for satisfaction of the claims of the creditors;
- (e) to carry out valuation of the assets of the debtor through professional experts approved by the State Bank; and
- (f) any other power given by the Court, either on its own accord or on application of the Mediator, to carry out the functions under sub-section (1).

(4) A mediator shall, from the date of his appointment, submit monthly progress reports and may refer any matter to Court for appropriate directions including for the purposes of –

- (a) production of any records or property of the debtor in possession of any person; and
- (b) examination and attendance of any person concerned with affairs of the debtor.

(5) The person filing the petition shall provide necessary funds to allow the mediator to perform the functions under this Act and, where required, the matter may be referred to the Court for necessary directions in this regard.

11. Notice of order of mediation.—(1) The person filing the petition under this Act shall provide the notice of the order of mediation to all interested parties within three days of the order through,—

- (a) registered post, acknowledgement due;
- (b) courier service; and
- (c) publication in one English language and one Urdu language daily newspaper of wide circulation in the country;

and service duly effected in any one of the aforesaid modes shall be deemed to be valid service for the purposes of this Act.

(2) The notice of order of mediation shall specify the appointment of mediator and for filing of any claims against, and interests in, the debtor with the mediator within a period of fourteen days of publication of notice of the order of mediation.

12. Stay of actions against debtor.—(1) In a case commenced under this Act, the Court may, on an application made to it by the debtor or an interested person, pass an order after notice and a hearing for—

- (a) preservation of assets of the debtor in such manner as the Court may deem fit in the circumstance of the case; and
- (b) protection of the debtor or its shareholders, directors and guarantors.

Against any imminent adverse action, measure, process or proceeding commenced to recover a claim against the debtor or its shareholders, directors and guarantors through sale, transfer, repossession or mortgage of assets of the debtor or its shareholders, directors and guarantors, or by creating any rights or interests in relation to such assets.

(2) The stay granted under sub-section (1) shall, if not earlier vacated, *ipso facto* cease to have effect on,—

- (a) the confirmation of a plan under section 14; or
- (b) the dismissal of the case under section 17.

(3) Notwithstanding anything contained in sub-section (2), the Court may, on application of the qualifying creditors or an interested party and after notice and a hearing, grant such relief from the stay granted under sub-section (1) as may be necessary to prevent irreparable harm or loss to the interest of that party.

13. Acceptance of plan of rehabilitation.—(1) The acceptance or rejection of a plan of rehabilitation shall not be solicited from a holder of a claim or interest unless such holder is first provided with a copy of the plan.

(2) A class of creditors shall be deemed to have accepted a plan of rehabilitation if such plan is accepted by the creditors holding at least two-thirds in value of such class.

(3) A class of interests of the debtors, shall be deemed to have accepted a plan of rehabilitation if such plan is accepted by holders of at least two-thirds in value of interests of such class.

(4) A class that is not impaired under a plan of rehabilitation and each holder of a claim or interest of such class are conclusively presumed to have accepted the plan and solicitation of acceptance with respect to such class from the holders of claims or interests of such class is not required.

14. Confirmation of a plan of rehabilitation.—(1) The Court may, after notice and a hearing, confirm a plan of rehabilitation if the plan is in accordance with the provisions of this Act and

(a) with respect to each class of claims or interests, —

- (i) such class has accepted the plan; or
- (ii) such class is not impaired under the plan; and

(b) except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that the holder of such claim will receive cash equal to the allowed amount of such claim.

(2) The provisions of a plan of rehabilitation confirmed by the Court bind the debtor, any entity issuing securities under the plan, any entity acquiring property under the plan and any creditor or shareholder of the debtor, whether or not the claim or interest of such creditor or shareholder is impaired under the plan and whether or not such creditor or shareholder has accepted the plan.

(3) The Court may refuse to confirm a plan if the principal purpose of the plan is avoidance of taxes, duties and fiscal charges levied under law.

15. Implementation of plan of rehabilitation.—(1) The Court may, on the application of the debtor or qualifying creditors and after notice and a hearing, pass such directions as deemed appropriate for the purposes of implementation of the plan of rehabilitation and any person responsible for carrying out the plan or any part thereof shall comply with such directions.

(2) The Court may direct the debtor and any other necessary party to execute or deliver or to join in the execution or delivery of any instrument required to effect a transfer of property dealt with by a plan of rehabilitation confirmed by the Court and to perform any other act, including the satisfaction of any charge, that is necessary for the consummation of the charge.

16. Revocation of confirmation of a plan of rehabilitation.—(1) The Court may, on the application of any person aggrieved by the plan of rehabilitation, at any time within twelve months of the date of confirmation of the plan and after

notice and a hearing, make an order, upon such terms as the Court thinks fit declaring the confirmation to have been void.

(2) The Court may pass an order under sub-section (1) if the order of confirmation to be declared void was procured by fraud.

(3) An order under this section revoking an order of confirmation shall provide for all such measures as are necessary to protect any entity which has acquired rights in good faith reliance on the order of confirmation.

17. Dismissal of a case.—(1) Notwithstanding anything to the contrary in this Act, the Court may, on the application of any person concerned with the debtor or on its own accord, dismiss a case or may suspend all proceedings in a case under this Act at any time, if the Court determines that—

- (a) the continuation of proceedings would amount to an abuse of the judicial process;
- (b) the person filing the petition has failed to provide necessary funds for mediation after getting due opportunity in this regard; and
- (c) the mediator has not been able to fully perform one or more of the functions specified in section 10 within a period of twelve months from his appointment.

(2) Unless the Court for any reason orders otherwise, the dismissal of a case does not affect the validity of any action taken during the pendency of a case.

(3) Unless the Court for any reason orders otherwise, the dismissal of a case shall:

- (a) re-instates,—
 - (i) any proceeding or custodianship superseded under this Act;
 - (ii) any transfer avoided under this Act; and
 - (iii) any charge voided under this Act;
- (b) vacates any order or transfer ordered under this Act; and
- (c) re-vests the property of the estate in such person in which such property was vested before the commencement of the case under this Act.

18. Conversion of a case.—(1) A case under this Act may, on an application made to the Court, be converted into winding up proceedings for the following reasons:—

- (a) failure to achieve the acceptance of plan of rehabilitation in twelve months from appointment of an administrator except where the administrator has been removed under section 22; or
- (b) the Court finds that a petition under this Act was filed by the debtor for fraudulent purposes.

(2) The order of conversion under this section shall also provide for the appointment of a liquidator and the Court shall for such purpose exercise necessary jurisdiction under the Ordinance.

(3) An administrator appointed in a case under this Act shall not be appointed as liquidator in that case.

(4) An application for conversion under this section shall not be filed by any party except—

- (a) the debtor;
- (b) the qualifying creditors; or
- (c) the administrator appointed in the case.

19. Consequences of conversion.—(1) Notwithstanding any provision of the Ordinance, an order of conversion under section 18 shall be deemed to be a winding up order by the Court under the Ordinance and the winding up of the debtor shall be deemed to have commenced on the date of commencement of the case under this Act.

(2) Except as provided in sub-section (3), all proceedings subsequent to an order of conversion under section 18 shall be carried out in accordance with the provisions of the Ordinance, including the filing of appeal against such order and other remedies provided therein.

(3) Following an order of conversion, a financial institution may initiate or continue with proceedings under the Financial Institutions (Recovery of Finances) Ordinance, 2001 (XLVI of 2001) without seeking permission from the Court under the Ordinance.

CORPORATE RESTRUCTURING COMPANIES RULES, 2019

S.R.O. 1306(I)/2019, Islamabad, the 1st November, 2019.- In exercise of the powers conferred by section 15 of the Corporate Restructuring Companies Act, 2016 (XXXII of 2016), read with clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan with the approval of the Federal Government, is pleased to make the following rules, the same having been previously published vide Notification S.R.O 35(I)/2018 dated 17th January, 2018 namely: -

1. Short title and commencement.- (1) These rules shall be called the Corporate Restructuring Companies Rules, 2019.

(2) These shall come into force at once.

2. Definitions. - (1) In these rules , unless there is anything repugnant in the subject or context,-

(a) "Act" means the Corporate Restructuring Companies Act, 2016 (XXXII of 2016);

¹[(a) **"Board"** means Corporate Restructuring Board as defined in clause (b) of sub-section (14) of section 8A of the Act;]

(b) "Companies Act" means the Companies Act, 2017 (XIX of 2017); and

(c) "Form and Annexures" means form and annexures appended to these rules.

(2) The words and expression used in these rules but not defined herein shall have the same meaning as assigned thereto in the Act and the Companies Act, 2017 (XIX of 2017)

3. Eligibility and licensing procedure.- (1) Any person may apply to the Commission for grant of licence to carry on business as a corporate restructuring company under the Act subject to the following eligibility criteria, namely:-

(a) the promoters and directors are, in opinion of the Commission, the persons of means and integrity and have special knowledge and experience of matters regarding restructuring of companies in distress, financial engineering techniques and skills and capacity to deal with the out of court work out;

(b) the promoters have given an undertaking that they shall not enter into any agreement or utilize the assets of the financial institutions or companies for personal gain;

(c) a company shall be incorporated with such paid up capital as may be specified by Commission in consultation with the State Bank of Pakistan and with approval of Ministry of Finance;

(d) proposed director, officer or employee of such company shall not be such a person who has been convicted of any offence involving fraud or

¹ Clause (aa) inserted by SRO 243(I)/2024 dated February 20, 2024.

breach of trust and adjudged as insolvent or who has suspended payment or has compounded with his creditors;

- (e) there is no instance of overdue or past due payment to a financial institution, irrespective of amount, appearing in the latest consumer credit information report (CCIR) of the person and of the companies, Limited Liability Partnerships, firms, or sole proprietorships where promoter is chief executive, director (other than nominee director), partner or owner; and
- (f) any other requirement as the Commission may deem fit.

(2) The application under sub-rule (1) shall be on the format as provided in Form- I along with such supporting documents as provided in the Annexure A along with payment of fee of fifty thousand Rupees deposited with the designated bank branch and accounted for to the Commission.

(3) The application under sub-rule (1) may be made by the applicant himself or through a person duly authorized in this behalf, who is either -

- (a) a person named as subscriber or director in the articles or a chief executive; or
- (b) an intermediary duly registered with the Commission under the Intermediary (Registration) Regulations, 2017.

(4) The Commission, after satisfying itself that the applicant meets the eligibility criteria as provided in sub-rule (1), may approve the application and direct the applicant to incorporate the corporate restructuring company and intimate the Commission immediately.

(5) Subject to intimation under sub-rule (4), the Commission may, on being satisfied that the applicant is eligible for licence under these rules, grant a licence on the format as set out in Form-II, subject to such general or special conditions as it may deem fit to impose or that may be subsequently imposed.

(6) The licence granted shall remain valid unless voluntarily surrendered by the corporate restructuring company or cancelled by the Commission.

(7) Any person providing services of or holding himself out as corporate restructuring company at the time of coming into force of these rules shall get licence from the Commission under these rules within a period of six months from the date of notification of these rules in the official Gazette or such extended period as may be allowed by the Commission on application made by the company.

(8) The Commission may refuse to grant a licence after giving a reasonable opportunity of hearing to the applicant, if in opinion of the Commission such applicant does not fulfill the requirements prescribed in the Act and these rules and where the Commission, after taking into account the facts, is of the view that it is not in the interest of investor or financial services market to grant such licence.

(9) The order of refusal to grant a licence shall be communicated to the applicant stating therein the grounds of rejection.

(10) A corporate restructuring company whose application for the grant of licence is refused under sub-rule (8) shall, within three months from date of order of such refusal, take necessary steps to either get its name struck off from the register in terms of section 426 of the Companies Act or get itself wound up voluntarily.

(11) In case of failure to take any of the actions under sub-rule (10), the Commission may make an application to the Court having jurisdiction for winding up of the company in the manner prescribed in sub-section (3) of section 13 of the Act.

4. Cancellation of licence.- (1) Subject to section 11 of the Act, the Commission may, after providing to corporate restructuring company a reasonable opportunity of being heard, cancel the licence of a corporate restructuring company, if -

- (a) in opinion of the Commission, the corporate restructuring company has been in violation of any provision of these rules or condition of licence; or
- (b) any of its directors or chief executive is by a competent court of law convicted for an offence of fraud or any criminal offence of moral turpitude; or
- (c) it is declared undischarged insolvent by a court;
- (d) it is wound up by an order passed by a court of competent jurisdiction; or
- (e) it voluntarily makes application to the Commission and the Commission, upon being satisfied that the corporate restructuring company has completed all the formalities for closure of its business, including but not limited to pending obligations, accepted the application.

(2) The Commission may, while cancelling licence of a corporate restructuring company, take such measures and issue such directions as it deems appropriate as are not inconsistent with the Act.

5. Declaration by companies or financial institutions.- The financial institutions or companies availing services of corporate restructuring company licensed by the Commission for recovery of its non-performing assets shall provide full support and assistance in the provision of documentation including details of obligations, claims, registered interests, pending or threatened litigation through disclosures of all cases and the court in which such litigations or cases are pending, amount of claims, finance or loan pertaining to the non-performing assets granted by the companies or financial institutions to the obligator and the collateral thereof held by the financial institutions and any part payments of the finance or loan made by the obligator to the company or the financial institution.

¹[6. Liquidation of trust. - (1) The trust may be liquidated by occurrence of any of the following events subject to approval of three-fourth majority of beneficiaries of the trust, namely: -

¹ Rule 6 to 11 inserted by SRO 243(I)/2024 dated February 20, 2024.

- (a) when the objective for establishment of trust including acquisition, disposal, resolution or settlement of non-performing assets has been achieved and net proceeds of such assets have to be disbursed as per the constitutive document of the trust and transfer and assignment agreement;
 - (b) where the corporate restructuring company goes into liquidation, becomes bankrupt or has a liquidator appointed over its assets, or its licence has been cancelled or it does not hold a valid licence;
 - (c) if in the opinion of the corporate restructuring company, the trust is not commercially viable or the purpose of the trust cannot be accomplished; and
 - (d) on occurrence of any event or circumstances which, in the opinion of the corporate restructuring company, requires the trust to be liquidated.
- (2) Where the trust is to be liquidated, the corporate restructuring company shall present to its board of directors, the relevant information with regard to the realization of proceeds of the trust property including non-performing assets and prescribed manner of disbursement of net proceeds as defined in the constitutive document of the trust and transfer and assignment agreement for seeking permission for liquidation of the trust:

Provided that where a trust is to be liquidated in terms of clause (b) of sub-rule (1) and a liquidator is appointed, the liquidator shall prepare, or cause to be prepared, such information and may take necessary measure for liquidation of trust:

Provided further that the corporate restructuring company shall intimate to the Corporate Restructuring Board regarding decision of liquidation of trust within seven working days of such decision, failing which the Commission may, upon intimation by the Board, initiate proceedings against the corporate restructuring company in terms of section 13 of the Act.

(3) The proceeds from the sale of the trust property including non-performing assets shall be first utilized towards discharge of such liabilities as are due and payable under the trust. After making appropriate provision for meeting the expenses connected with such liquidation, the balance shall be paid to the beneficiaries in proportion to their respective interest in the assets of the trust.

(4) On the completion of the liquidation process of the trust, the corporate restructuring company shall present to its board of directors a report on the liquidation process containing particulars including the steps taken for disposal of assets of the trust before liquidation, expenses of the trust for liquidation, net assets available for distribution to the beneficiaries and a certificate from the auditors of the trust in this regard:

Provided that where a trust is to be liquidated in terms of clause (b) of sub-rule (1) and a liquidator is appointed, the report on the liquidation process of the underlying trust shall be prepared or caused to be prepared by the liquidator:

Provided further that the aforesaid report shall also be made available to the beneficiaries of the trust by the corporate restructuring company or the liquidator, as the case may be.

(5) In process of liquidation of a trust, the corporate restructuring company or the liquidator, as the case may be, shall comply with the applicable provisions of the prevalent provincial trust laws.

7. Composition, appointment and governance of the Board and its code of conduct. - (1) With effect from such date as the Federal Government may, by notification in the official Gazette, appoint, there shall be established, for the purposes of the Act, a Board by the name of the Corporate Restructuring Board.

(2) The office of the Board shall be at such place as the Federal Government may, by notification, specify.

(3) The Board shall comprise maximum five whole-time members who shall be appointed by the Federal Government in accordance with the approved procedure. At least three of these members shall be appointed from private sector:

Provided that these members shall not be appointed unless they meet the following criteria, namely: -

- (a) practitioners with at least twenty years working experience in the fields of banking, accountancy, law or economics;
- (b) should have served in senior level positions in their relevant field in private or public organizations;
- (c) at least two of the members should have five years' experience of business revival and rehabilitation and matters ancillary thereto;
- (d) shall be the persons of integrity, expertise, eminence and having relevant experience and sound knowledge of dealing with company law or recovery of non-performing assets or restructuring and rehabilitation of companies in financial distress; and
- (e) shall not be more than age of sixty two years at the time of their appointment;

(4) The Federal Government shall designate one of the members to be the Chairman of the Board.

(5) Subject to these Rules, the following procedure may be observed by the Federal Government for the appointment of members of the Board, namely: -

- (i) The Minister-in-Charge of the Federal Government shall constitute a selection committee who shall be responsible for shortlisting and recommending suitable candidates to the Ministry of Finance for onward submission to the Cabinet for the appointment of members;
- (ii) The selection committee shall, -
 - (a) formulate job description, eligibility criteria and skills required for the position of members;

- (b) decide evaluation parameters in accordance with the criteria as provided in this rule;
 - (c) place a public advertisement in at least three daily newspapers having wide circulation. The advertisement shall also be placed on the website of the relevant Ministry; and
 - (d) finalize a list of such number of eligible candidates as the selection committee may deem fit, in order of merit, based on eligibility criteria, for an interview;
- (iii) where the selection committee is not satisfied with the quality of the candidates, it may re-advertise and start the process afresh; and
 - (iv) the Ministry of Finance shall submit to the Cabinet for approval a panel of three candidates selected against each position.
- (6) The Chairman and the members shall be appointed for a period of not more than five years and their term shall not be renewable or extendable. The Chairman shall be the chief executive officer of the Board and along with the other members shall, subject to the procedure made by the Board, be responsible for policy and administration of the affairs of the Board.
- (7) The members and employees of the Board shall be subject to the code of conduct provided in Annexure-B to these rules.
- (8) No person shall be appointed as a member, if –
- (a) he has been convicted of an offence involving moral turpitude;
 - (b) he has been or is adjudged insolvent by a court of law;
 - (c) he is incapable of discharging his duties by reasons of physical, physiological or mental unfitness and has been so declared by a registered medical practitioner appointed by the Federal Government;
 - (d) he has entered into a plea bargain arrangement with the National Accountability Bureau or has been the subject of adverse action by any other financial regulatory body.
- (9) No member shall continue as a member, if –
- (a) in the opinion of the Federal Government the performance of member is not satisfactory and as such it may give one month's notice to the member to cease to hold the office;
 - (b) he has been convicted of an offence involving moral turpitude;
 - (c) he has been or is adjudged insolvent by a court of law;
 - (d) he is incapable of discharging his duties by reasons of physical, physiological or mental unfitness and has been so declared by a registered medical practitioner appointed by the Federal Government;
 - (e) he, being a member, absents himself from three consecutive meetings of the Board, without leave of the Board;

- (f) he fails to disclose any conflict of interest at or within the time provided for such disclosure or contravenes any of the provisions of the Act pertaining to unauthorized disclosure of information;
- (g) he has so abused his authority in official capacity as to render his continuation in office detrimental to the public interest; and
- (h) he has entered into a plea bargain arrangement with the National Accountability Bureau or has been the subject of adverse action by any other financial regulatory body:

Provided that no member shall be removed under clause (g) unless he has been provided a reasonable opportunity of being heard.

- (10) Subject to sub-rule (9), appointment of any member may, at any time, be revoked and he may be removed from his office by order of the Federal Government if it is found that such person stands disqualified under sub-rule (9):

Provided that the Federal Government may by recording the reasons in writing remove a member from the office if in its opinion it is expedient in the public interest so to do.

- (11) Unless a disqualification referred to in sub-rule (9) arises from the judgment or order of a court or tribunal of competent jurisdiction under any relevant provision of applicable law, a member shall not be removed or his appointment shall not be revoked without an inquiry by an impartial person or body of persons constituted in accordance with such procedure, as may be notified by the Federal Government.

- (12) A member may at any time resign from his office by a written notice addressed to the Federal Government.

- (13) The office of a member or Chairman shall ipso facto be vacated if he dies.

- (14) The quorum of the meetings of the Board shall not be less than three including the Chairman:

Provided that participation of members by video conferencing or by other audio-visual means shall also be counted for the purpose of quorum.

- (15) Decisions in the meeting of the Board shall be made on the basis of majority votes of the members present and voting, and in the event of an equality of votes, the Chairman shall have a casting vote.

- (16) Any casual vacancy occurring on the Board shall be filled up by the Federal Government within ninety days.

- (17) A member, who has or who becomes aware of the probable conflict of interest that may be arising in any matter coming up for consideration at a meeting of the Corporate Restructuring Board, shall disclose nature of his interest immediately to the Board and such disclosure must be recorded in writing in proceedings of the Board, and such member shall not take part in any deliberation or decision of the Board with regard to such matter.

(18) A member shall give written notice to the Federal Government of all direct or indirect pecuniary interests that he has or acquires in a body corporate carrying a business in Pakistan.

(19) The members including the Chairman shall be paid competitive remuneration and be eligible for such privileges as may be determined by the Federal Government at the time of appointment.

(20) The Board shall propose an organizational structure with necessary human resource requirements along with the qualifications, skill set and remuneration for approval of the Ministry of Finance as it may consider necessary for the efficient discharge of its functions in accordance with the budgetary allocations notified by the Federal Government.

8. Functions of the Board and its members. - (1) The Board shall perform all or any of the following functions, namely: -

- (a) review of the scheme being presented by corporate restructuring company in accordance with the provisions of the Act;
- (b) invite objections to the scheme from all the stakeholders. Objections shall be invited by following process, namely: -
 - (i) the Board shall issue a written notice of at least fourteen days, further extendable for three days on just cause, to all parties concerned with the scheme to file their comments;
 - (ii) the objections shall be filed in writing along with the supporting material and shall be solemnly affirmed by the parties;
 - (iii) any objection received after the deadline shall only be entertained at the discretion of the Board;
 - (iv) the Board shall appoint a date for personal hearing by giving a written notice of at least seven days to all parties that requested for such hearing, including the applicant company; and
 - (v) the Board shall conclude the review proceedings of the scheme not later than ninety days of its submission unless there are exceptional reasons justifying the extension for a reasonable period which shall be recorded in writing by the Board;
- (c) call for information and records from corporate restructuring companies and other stakeholders;
- (d) collect and maintain record of proceedings and decisions;
- (e) issue necessary guidelines with regard to presenting the scheme and proceedings of the Board;
- (f) sanction, modify or refuse to sanction the scheme through an order in writing;

- (g) charge such fees and other charges as may be notified by the Federal Government; and
 - (h) any other functions ancillary and incidental to thereto.
- (2) The Board shall carry out its functions and conduct its business in an orderly manner in accordance with the procedure laid down by the Board.

9. Budgetary allocation for proper functioning of the Board. – (1) The Federal Government may make to the Board such budgetary allocation or grants of such sums of money as it may think fit for being utilized for the purposes of proper functioning of the Board.

(2) There shall be constituted a Fund to be called the Corporate Restructuring Board Fund to which shall be credited—

- (a) all grants, monies and allocations received from such sources as may be notified by the Federal Government;
- (b) any fees and other charges of the Board, as notified by the Federal Government in the official Gazette; and
- (c) such other funds as may be notified by the Federal Government.

(3) The Fund shall be applied for meeting—

- (a) the salaries, allowances and other remuneration of the members and staff of the Board;
- (b) the expenses of the Board in the discharge of its functions; and
- (c) such other purposes as may be notified by the Federal Government.

(4) The Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form and manner as may be notified by the Federal Government in consultation with the Auditor General of Pakistan.

(5) The accounts of the Board shall be audited by the Auditor General of Pakistan at such intervals as may be specified by him and any expenditure incurred in connection with such audit shall be payable by the Board to the Auditor General of Pakistan.

10. Contents of the scheme. – There shall be made out and submitted to the Corporate Restructuring Board, along with the scheme, a solemnly affirmed statement as to the affairs of the principal obligor which shall contain the following minimum particulars, namely: -

- (a) particulars of the obligor's assets, debts and liabilities including the detail of cash balance in hand and at the bank;
- (b) the names and addresses of the obligor's creditors including the amount of secured and unsecured debts;
- (c) the names and addresses of the persons from whom debts of the obligor are due;
- (d) property in possession, the place where and the person in whose possession such property may be found; and

- (e) such other particulars as may be required by the Board in the discharge of its functions under the Act.

11. Call for information. – For the preparation of a scheme, a corporate restructuring company may call upon the concerned financial institutions by way of a notice, giving a period of fourteen days, to submit an affidavit of its authorized officer which shall solemnly affirm the following information, namely: -

- (a) the total principal amount owed by the obligors and outstanding as of the date of the notice;
- (b) the type, date and principal amount of each finance facility advanced to the obligors;
- (c) the type, date of creation and registration, amount and ranking of all the security interests, created by the obligors respectively for each finance facility;
- (d) the names of any other financial institutions that share any security interests and the sharing basis;
- (e) the market value and forced sale value of each collateral and property subject to security interest, as assessed by a credible valuator, duly registered with the Pakistan Engineering Council and enlisted as approved professional valuers by Pakistan Banks Association; and
- (f) any other information that the corporate restructuring company may require by notice in this behalf.]

CORPORATE REHABILITATION REGULATIONS, 2019

S.R.O. 1415(I)/2019, Islamabad, the 19th November, 2019.- In exercise of the powers conferred by section 41 of the Corporate Rehabilitation Act, 2018 (IX of 2018), the Securities and Exchange Commission of Pakistan is pleased to make the following regulations, the same having been previously published for public comments vide S.R.O. 721 (I)/2019 dated July 04, 2019, namely:-

1. Short title and commencement.- (1) These Regulations shall be called the Corporate Rehabilitation Regulations, 2019.

(2) They shall come into force at once.

2. Definitions.— (1) In these regulations unless there is anything repugnant in the subject or context,-

- (i) “**Act**” means the Corporate Rehabilitation Act, 2018 (IX of 2018);
- (ii) “**Companies Act**” means the Companies Act, 2017 (XIX of 2017);
- (iii) “**Form**” means form appended to these regulations;
- (iv) “**Panel**” means a panel of insolvency experts maintained by the Commission in consultation with the State Bank of Pakistan under these regulations;
- (v) “**Provisional manager or official liquidator**” shall have the same meaning as assigned to it in section 315 of the Companies Act; and
- (vi) “**Schedule**” means schedule appended to these regulations.

(2) Words and expressions used but not defined in these regulations shall have the same meanings as are assigned to them under the Corporate Rehabilitation Act, 2018 (IX of 2018) or any administered legislation as specified in Schedule I to the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

3. Panel of Insolvency Experts.—Subject to section 5 of the Act, the Commission shall maintain a Panel of insolvency experts in the manner as it may deem fit.

4. Eligibility Criteria.- (1) Any person may apply to the Commission to be included in the Panel if he/she meets the following criteria:-

- (i) has a bachelors degree in law, or masters degree in accounting, banking, finance, management, or equivalent, duly recognized by the Higher Education Commission (HEC) of Pakistan; or
- (ii) is a chartered accountant or cost and management accountant or ACCA from Association of Chartered Certified Accountants (UK) or such other equivalent professional qualification as may be notified by the Commission;

Provided that in case of a professional accountant or cost and management accountant, the person must have membership of the relevant professional institute:

Provided further that in case of an advocate, his/her name must be appearing on common roll of advocates of a High Court or, as the case may be, the common roll of advocates of the Supreme Court prepared and maintained by the relevant Bar Council under the Legal Practitioners and Bar Councils Act, 1973 (XXXV of 1973).

- (2) An individual shall be ineligible to be included in the Panel, if he/she:-
- (a) is not a person residing in Pakistan;
 - (b) is of unsound mind;
 - (c) has applied to be adjudicated as an insolvent and his application is pending;
 - (d) is an undischarged insolvent;
 - (e) has been convicted by a court of law for any offence provided under any law;
 - (f) has been debarred from being appointed as provisional manager or liquidator under the Companies Act by the competent Court;
 - (g) is lacking fiduciary behavior and a declaration to this effect has been made by the court at any time during the preceding five years;
 - (h) has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;
 - (i) in case of a Pakistani national, is not an income tax filer with the Federal Board of Revenue.

(3) An insolvency expert, while accepting an assignment, shall provide an undertaking that he/she possesses adequate resources, knowledge, expertise, experience and skills to perform his/her duties with professional competence in conformity with the legal and regulatory requirements.

(4) If at any time after the name of an insolvency expert is included in the Panel, any disqualification occurs in terms of the criteria provided in these regulations, he/she shall immediately intimate the Commission and the Court if already appointed or appointment is under consideration by the Court.

5. Application procedure. - (1) Subject to the requirements of regulation 4 and the Act, any person may apply to the Commission to be included in the Panel on Form I.

(2) The Commission may, while considering an application under this regulation, require the applicant to furnish such additional information, clarification, or documents as it may deem fit.

(3) The Commission may refuse the application in case the applicant fails to provide requisite information, clarification or documents within the stipulated time.

(4) The Commission shall, after consultation with the State Bank of Pakistan, on being satisfied that the applicant meets the eligibility criteria and other requirements of these regulations and the Act, enter the name of the applicant in the Panel.

(5) The Commission may, after affording reasonable opportunity of hearing to the applicant may refuse to include the name of the applicant in the Panel, if in the opinion of the Commission such applicant does not meet the requirements of these regulations or the Act.

(6) The Commission may, after providing a reasonable opportunity of hearing to the insolvency expert listed on the panel, in consultation with the State Bank of Pakistan, remove his/her name from the Panel if:-

- (a) at any time becomes ineligible in terms of regulation 4; or
- (b) fails to comply with or contravenes the requirements of the code of conduct provided under regulation 8; or
- (c) order of removal is passed by the Court in terms of the provisions of the Act in the case of insolvency expert or the Companies Act in the case of provisional manager or official liquidator who is appointed as an insolvency expert under the Act; or
- (d) removal is recommended by the State Bank of Pakistan; or
- (e) has obtained membership of the Panel on the basis of incorrect or misleading information;
- (f) fails to provide any information, clarification or documents, required by the Commission, within stipulated time; or
- (g) any other reason deemed sufficient by the Commission:

Provided that an applicant whose application is refused by the Commission under sub-regulation (5) or his/her name is removed from the Panel under sub-regulation (6), shall not be eligible to submit a fresh application within six months of the date of refusal or removal.

(7) The consultation process referred in these regulations with the State Bank of Pakistan means that the proposed names of insolvency experts for inclusion in or removal from the Panel, as the case may be, shall be furnished by the designated officer of the State Bank of Pakistan within 30 days from the date of intimation by the Commission and if no response is provided by the State Bank of Pakistan within the said time period it will be deemed to be agreed by the State Bank of Pakistan.

6. Panel to be displayed on the website of the Commission — A list of professionals included in the Panel, including particulars as per Form II, shall be displayed on the website of the Commission.

7. Remuneration of insolvency expert and administrator.- (1) Remuneration of an insolvency expert shall be determined by the debtor where a

petition for an order of mediation is filed by the debtor under sub-section (1) of section 8 of the Act, by the debtor and the qualifying creditor with mutual consent where petition for an order of mediation is filed by the qualifying creditor under sub-section (2) of section 8 of the Act:

Provided that in case of disagreement between debtor or the qualifying creditor remuneration of insolvency expert shall be determined by the Court.

(2) The Court may award such fees and expenses to an administrator as may be recommended by the qualifying creditor filing petition under section 20 of the Act:

Provided further that remuneration shall reflect value of the work to be performed and experience and qualification of insolvency expert and such remuneration shall be paid in the manner as agreed between the debtor and/or the qualifying creditor and the insolvency expert and confirmed by the Court.

8. Code of conduct. - Subject to the requirements of sub-section (3) of section 5 of the Act, an insolvency expert shall follow the code of conduct as provided in Schedule I to these regulations.

-.-.-.-

COMPENDIUM
OF
CORPORATE LAWS

¹[**PART VIIIA**
NON BANKING FINANCE COMPANIES

**PROVISIONS AS TO ESTABLISHMENT AND REGULATION OF
NON-BANKING FINANCE COMPANIES**

282A. Application of this Part.— The provisions of this Part shall apply to—

- (a) non-banking finance companies (NBFCs) which include companies licensed by the Commission to carry out any one or more of the following forms of business, namely:—
 - (i) Investment Finance Services;
 - (ii) Leasing;
 - (iii) Housing Finance Services;
 - (iv) Venture Capital Investment;
 - (v) Discounting Services;
 - (vi) Investment Advisory Services;
 - (vii) Asset Management Services; and
 - (viii) any other form of business which the Federal Government may, by notification in the official Gazette specify from time to time; and
- (b) ²[notified entities which include] such other company or class of companies or corporate body ²[or trust or any other entity or person] as the Federal Government may, by notification in the official Gazette specify for the purpose ²[under this clause].

282B. Power to make ³[rules and regulations and issue directives, circulars, codes, guidelines, etc.].— ⁴[(1)] The Federal Government may make rules for establishment and regulation of NBFCs ⁵[and notified entities, and their businesses and activities] and such rules may, *inter alia*, in addition to anything already provided in this Ordinance, provide for ⁶[] any other matter which the Commission may deem fit for the effective regulation of NBFCs and ⁷[the notified entities].

⁸[(2) The Commission may make regulations, for the establishment and regulation of NBFCs and notified entities and their business and activities and such regulations may provide for any matter which the Commission deems fit for the effective regulation of NBFCs, notified entities and their businesses and activities.

1 Part VIIIA inserted by Companies (Second Amendment) Ordinance, 2002, dated November 15, 2002.

2 Inserted by Finance Act, 2007, dated June 30, 2007.

3 Substituted for "Rules" by Finance Act, 2007, dated June 30, 2007.

4 S. 282B re-numbered as sub-section (1) by Finance Act, 2007, dated June 30, 2007.

5 Words inserted Finance Act, 2007, dated June 30, 2007.

6 Words "conditions relating to qualifications of directors, chief executive, chairman, auditors, for licensing, capital and audit requirements; and" omitted by Finance Act, 2007, dated June 30, 2007.

7 Substituted for "companies established under the rules framed hereunder" by Finance Act, 2007, dated June 30, 2007.

8 Sub-sections (2) and (3) inserted by Finance Act, 2007, dated June 30, 2007.

(3) The Commission may issue such directives, circulars, codes, notifications and guidelines as are necessary to carry out the purposes of Part VIII A and the rules and regulations made thereunder.]

282C. Incorporation of NBFC.—(1) A NBFC shall not be incorporated without prior approval of the Commission.

(2) Notwithstanding anything contained in any other provision of this Ordinance, a NBFC shall not carry on business unless it holds a licence issued in that behalf by the Commission; and any such licence may be issued subject to such conditions ¹[and payment of such fees], as the Commission may deem fit to impose.

(3) Every company in existence which is engaged in any one or more forms of business as specified in section 282A, before the expiry of six months from coming into force of this section and every other company before commencing any form of business as specified in ¹[clause (a) of] section 282A, shall apply in writing to the Commission for grant of a licence under this section. The Commission, if it is satisfied that the company has fulfilled the conditions prescribed by the Commission in respect of the business for which the licence is being sought, may grant licences to such company for one or more of the forms of business specified in section ¹[clause (a) of] 282A.

(4) A NBFC shall not commence or carry on business unless it has such minimum ²[equity] as may be prescribed by the Commission from time to time in respect of each form of business as specified in ¹[clause (a) of] section 282A.

³[(5) Notwithstanding anything in this Ordinance, the provisions of this Part VIII A and the rules and regulations made thereunder shall continue to apply to any NBFC whose licence has expired, or any NBFC or notified entity whose licence or registration has been cancelled or suspended, or to any existing company or entity carrying on a business specified in clause (a) of section 282A or notified under clause (b) of section 282A which has not applied for a fresh licence or registration, or whose application for a fresh licence or registration has not been decided by the Commission.]

⁴**[282CA. Registration of notified entities.]**—(1) Any entity notified by the Federal Government under clause (b) of section 282A shall not operate without prior registration with the Commission.

(2) Notwithstanding anything contained in this Ordinance or any other law, the Commission may register the notified entity on such terms and conditions and payment of such fee, as the Commission may deem fit to impose from time to time.

1 Words inserted by Finance Act, 2007, dated June 30, 2007.

2 Substituted for "paid up capital" by Finance Act, 2007, dated June 30, 2007.

3 Sub-section (5) inserted by Finance Act, 2007, dated June 30, 2007.

4 Section 282CA inserted by Finance Act, 2007, dated June 30, 2007.

(3) Every entity notified by the Federal Government under clause (b) of section 282A which is in existence before the commencement of this provision, and every other entity notified by the Federal Government under the aforesaid section shall within a period of six months apply in writing to the Commission for registration under this section, and the Commission after being satisfied that the applicant has fulfilled the conditions specified by the Commission may register the notified entity.]

282D. Power to issue directions.— (1) Notwithstanding anything contained in any other provision of this Ordinance, where the Commission is satisfied that it is necessary and expedient so to do—

- (a) in the public interest; or
- (b) to prevent the affairs of any NBFC¹[or notified entity]¹[from] being conducted in a manner detrimental to the interests of shareholders¹[or unit or certificate holders as the case may be,] or persons whose interests are likely to be affected or in a manner prejudicial to the interests of the NBFC¹[or notified entity]; or
- (c) to secure the proper management of any NBFC¹[or notified entity] generally, ¹[it may] issue directions to NBFCs¹[or notified entities] generally or to any NBFC¹[or notified entity] in particular¹[to do or desist from doing such acts as the Commission may deem fit and] to carry out such changes as are necessary to rectify the situation and the NBFCs¹[or notified entities] shall be bound to comply with such directions.

(2) The Commission may, on representation made to it or on its own motion, modify or cancel any direction issued under sub-section (1), and in so modifying or cancelling any direction may impose such conditions as it thinks fit.

282E. Power to remove.— (1) Notwithstanding anything contained in any other provision of this Ordinance, where the Commission is satisfied that—

- (a) continued association of any chairman or director or chief executive¹[by whatever name called] or any other officer¹[or person responsible for the affairs] of a NBFC¹[or a notified entity], is or is likely to be detrimental to the interests of NBFC¹[or a notified entity] or its shareholders¹[or the notified entity] or persons whose interest is likely to be affected; or
- (b) the public interest so demands; or
- (c) to prevent the affairs of NBFC¹[or a notified entity] being conducted in a manner detrimental to the interest of its shareholders¹[or unit or certificate holders, as the case may be, or the participants] or in a manner prejudicial to the interests of NBFC¹[or a notified entity]; or
- (d) to secure a proper management of the NBFC¹[or a notified entity],

¹ Inserted by Finance Act, 2007, dated June 30, 2007.

it is necessary so to do, the Commission may, for reasons to be recorded in writing, by order, remove from office, with effect from such date as may be specified in the order, any chairman or director or chief executive ¹[by whatever name called] or other officer ¹[or person responsible for the affairs] of the NBFC ¹[or a notified entity].

(2) No order under sub-section (1) shall be made unless the chairman or director or chief executive or other officer ¹[or person responsible for the affairs] has been given a reasonable opportunity of making a representation and of being heard:

Provided that if, in the opinion of the Commission, any delay would be detrimental to the public interest or the interest of its shareholders ¹[or unit holders as the case may be], the Commission may, at the time of giving the opportunity aforesaid or as* any time thereafter and pending the consideration of the representation aforesaid, if any, by order direct that—

(i) the chairman or, director or chief executive ¹[by whatever name called] or other officer ¹[or person responsible for the affairs] shall not, with effect from the date of the order—

- (a) act as such chairman or director or chief executive or other officer ¹[or person responsible for the affairs] of the NBFC ¹[or a notified entity]; or
- (b) in any way, whether directly, or indirectly, be concerned with, or take part in the management of the NBFC ¹[or a notified entity];

(ii) any person authorized by the Commission in this behalf shall act as such chairman or director or chief executive of the NBFC ¹[or a notified entity] till another person is elected in a general meeting or a board meeting, as may be directed by the Commission, to fill in the vacancy.

(3) Where any order under sub-section (1) is made in respect of a chairman or director or chief executive ¹[by whatever name called] or other officer ¹[or person responsible for the affairs] of a NBFC ¹[or a notified entity], he shall cease to be a chairman or a director or chief executive or other officer of the NBFC ¹[or a notified entity] and shall not in any way, whether directly or indirectly, be concerned with, or take part in, the management of the NBFC ¹[or a notified entity] or any other NBFC ¹[or a notified entity] for such period not exceeding three years as may be specified in the order.

(4) Any person appointed as chairman or director or chief executive under sub-section (2) shall—

(a) hold office during the pleasure of the Commission subject to such conditions as may be specified in the order of his appointment and, subject thereto, for such period, not exceeding three years as the Commission may specify; and

(b) not incur any obligation or liability for anything which is done or intended to be done in his capacity as such chairman or director or chief executive.

¹ Inserted by Finance Act, 2007, dated June 30, 2007.

(5) No person removed from office under sub-section (1) shall be entitled to claim any compensation for the loss or termination of office.

282F. Power to supersede Board of Directors.— Notwithstanding anything contained in any other provision of this Ordinance, where the Commission is satisfied that the association of the Board of Directors of any NBFC¹[or a notified entity] is or is likely to be detrimental to the interest of the NBFC¹[or a notified entity] or its shareholders or is otherwise undesirable; or for all or any of the reasons specified in section 282E; it is necessary so to do, the Commission may, for reason to be recorded in writing, by order, supersede the Board of Directors of a NBFC¹[or a notified entity] with effect from such date and for such period as may be specified in the order.

(2) The period of supersession specified in an order under sub-section (1) may from time to time be extended by the Commission so, however, that the total period of supersession does not exceed three years.

(3) All powers and duties of the Board of Directors; shall, during the period of supersession, be exercised and performed by such person as the Commission may from time to time appoint in this behalf.

(4) The provisions of sub-sections (2), (3), (4) and (5) of section 282 E shall, with necessary modifications apply to an order made under sub-section (1) or (3) of this section.

282G. Power to require to furnish information, etc.— (1) The Commission may, at any time, by notice in writing, require NBFCs generally, or any NBFC¹[or notified entity] in particular to furnish it within the time specified therein or such further time as the Commission may allow, with any statement or information or document relating to the business or affairs of such NBFC¹[or notified entity] or NBFCs (including any business or affairs with which such NBFC¹[or notified entity] or NBFCs is or are concerned) and, without prejudice to the generality of the foregoing power, may call for information, at such intervals as the Commission may deem necessary.

(2) No NBFC¹[or notified entity], director, officer, employee or agent or auditor thereof shall, in any document, prospectus, report, return, accounts, information or explanation required to be furnished in pursuance of this Part or the rules¹[or regulations] made thereunder, or in any application made under this Part or the rules¹[or regulations], make any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect or omit any material fact therefrom.

282H. Special Audit.— (1) Notwithstanding anything contained in any other provision of this Ordinance, the Commission shall monitor the general financial condition of a NBFC¹[or notified entity], and, at its discretion, may order special audit and appoint an auditor to carry out detailed scrutiny of the affairs of NBFC¹[or notified entity], provided that the Commission may, during the pendency of the scrutiny, pass such interim orders and directions as may be deemed appropriate by the Commission.

¹ Inserted by Finance Act, 2007, dated June 30, 2007.

(2) On receipt of the special audit report, the Commission may direct a NBFC ¹[or notified entity] to do or to abstain from doing certain acts and issue directives for immediate compliance which shall forthwith be complied with, or take such other action under this Ordinance as it deems fit.

282I. Inquiry by the Commission.— (1) The Commission may cause an enquiry or inspection to be made by any person appointed in this behalf into the affairs of a NBFC ²[] or ¹[of any notified entity or] of any of its directors, managers or other officers ³[or persons responsible for its affairs].

(2) ⁴[Notwithstanding anything contained in any other law for the time being in force where,] an enquiry or inspection under sub-section (1) has been ordered, every director, manager or other officer of the NBFC ⁵[or the notified entity] to which or to whose director, manager or other officer the enquiry or inspection relates and every other person who has had any dealing with such NBFC ¹[or the notified entity], its director, partner, manager or officer shall furnish such information in his custody or power or within his knowledge relating to, or having bearing on the subject-matter of the enquiry or inspection as the person conducting the enquiry or inspection may by notice in writing require.

(3) The person conducting an enquiry or inspection under sub-section (1) may call for, inspect and seize books of account and documents in possession of any such NBFC ¹[or the notified entity] or any of its directors, managers or other officers.

282J. Penalty for failure, refusal to comply with, or contravention of any provision of this Part.— (1) Notwithstanding anything contained in any other provision of this Ordinance, if a NBFC ¹[or a notified entity] or its officers (including auditors) fails or refuses to comply with, or contravenes any provision contained in this Part or of any of the provisions of the rules ³[or regulations] made under section 282B or ¹[regulation, circular or directive or] any direction or order passed by the Commission under the provisions contained in this Part or knowingly and wilfully authorizes or permits such failure, refusal or contravention, shall, in addition to any other liability under this Ordinance, be also punishable with fine the amount of which shall not exceed ⁵[fifty] million rupees:

Provided that if the failure, refusal, default, contravention is committed by NBFC ¹[or a notified entity], every director, manager, or other officer ¹[or person] responsible for the conduct of its affairs shall, unless he proves that the failure or contravention or default took place or committed without his knowledge, or that he exercised all diligence to prevent its commission, be deemed to be guilty of the offence.

(2) Without prejudice to the provisions of sub-section (1), in case of contravention of any provision of this Ordinance or rules ³[or regulations] made or non-compliance of any direction given or order passed thereunder by the

1 Inserted by Finance Act, 2007, dated June 30, 2007.

2 Words "licensed under this Ordinance" omitted by Finance Act, 2007, dated June 30, 2007.

3 Words inserted by Finance Act, 2008 dated June 27, 2008.

4 Substituted for "Where" by Finance Act, 2007, dated June 30, 2007.

5 Substituted for "five" by Finance Act, 2007, dated June 30, 2007.

Commission, the Commission may cancel ¹[or suspend] any one or more of the licences in respect of the various forms of business of the NBFC ¹[or registration granted to any notified entity], after issuing a show cause notice and giving such NBFC ¹[or notified entity as the case may be,] an opportunity of being heard or pass any other order which may be deemed appropriate by the Commission.

(3) Upon cancellation of all the licences ¹[or registrations], the functions and carrying on the business of NBFC ¹[or the notified entity] shall cease and 5[notwithstanding anything contained in section 305 or sub-clause (c) of the proviso to section 309,] the Commission may move the Court for winding up of the NBFC ¹[or the notified entity].

²[(4) Where a NBFC or a notified entity carries on the business after its licence or registration to do such business has been suspended by the Commission, the chief executive, by whatever name called, and every director, manager, and other officer of the NBFC or the notified entity as the case maybe, who is responsible for such default, shall be punishable with fine not exceeding fifty million rupees and to a further fine of two hundred thousand rupees for every day after the first during which the default continues.]

(5) Notwithstanding anything to the contrary contained in this Ordinance, if an officer (which expression includes auditors) of a NBFC fails to make payment, within six months of the order imposing penalty on him, the Commission may, by an order in writing, disqualify him from holding any office in any company or NBFC for such period as may be specified in the order.

282K. Penalty for making false statement, etc.– (1) Notwithstanding anything contained in any other provision of this Ordinance, if any person, being the chairman, director, chief executive, by whatever name called ¹[, or a person not being a professional advisor in accordance with whose directions or instructions the directors are accustomed to act,] or official liquidator or any officer of a NBFC ¹[or a notified entity] in

any document, prospectus, report, return, accounts, information or explanation required to be furnished in pursuance of this Ordinance or the rules ²[or regulations] made thereunder, wilfully makes a statement which is false in any material particular knowing it to be false, or wilfully omits to make a material statement, mismanages the affairs of the NBFC ¹[or a notified entity] or misuses his position for gaining direct or indirect benefit for himself or any of his family members, he shall be punishable with imprisonment for a term which may extend to three years and shall also be liable to fine which shall be not less than one hundred thousand rupees, and shall be ordered by the Court trying the offence, to deliver up or refund within a time to be fixed by the Court any property acquired or gained by him in his own name or in the name of his family members by so mismanaging the affairs of the NBFC ¹[or a notified entity] or misusing his position or, in default, to suffer imprisonment for a term which may extend to three years.

1 Inserted by Finance Act, 2007, dated June 30, 2007.

2 Sub-section (4) substituted by Finance Act, 2007, dated June 30, 2007.

(2) Any officer, director or chief executive of a NBFC¹ [or the notified entity] who is either directly or indirectly owned, controlled or managed by the Federal Government or a Provincial Government who extends, or aides^{*} in extending, a loan, advance, or any financial facility to a borrower or customer on the verbal instruction of a holder of a public officer^{**} without reducing the terms of the instructions into writing and drawing them to the attention of his superior officer, or the board of directors, shall be guilty of an offence punishable with imprisonment of either description which may extend to one year, or with fine, or with both, in addition to such other action which may be taken against him in accordance with law.

(3) If any company which is not a NBFC¹ [or a notified entity], or a company which does not hold a license under section 282C or the licence granted to which has been cancelled,¹ [or which has not been registered under section 282C or its registration has been cancelled] or any individual or association or body of individuals, transacts the business specified in section 282A, the chief executive, by whatever name called, of the company and every director, manager, and other officer of the company, and the individual and every member of the association or body of individuals, shall be deemed to be guilty of such contravention and shall be punishable with imprisonment of either description for a term which may extend to seven years and with fine the amount of which shall not exceed one million and shall be ordered by the Court trying the offence to pay the fine within a time to be fixed by the Court or in default to suffer further imprisonment for a term which may extend to five years.

Explanation.— For the purposes of this section a director or chief executive or other officer shall be deemed to have acted knowingly if he has departed from established NBFC business practices and procedures or circumvented the regulations or directions/restrictions laid down by the Commission from time to time.

282L. Procedure for amalgamation of NBFCs.— (1) Without prejudice to the provisions contained in Part IX of this Ordinance, NBFCs may be amalgamated with each other provided a scheme containing the terms of such amalgamation has been placed in draft before the shareholders of each of the NBFC concerned separately, and approved by a resolution passed by a majority in number representing two thirds in value of the shareholders of each of the said NBFCs, present either in person or by proxy at a meeting called for the purpose.

(2) Notice of every such meeting as is referred to in sub-section (1) shall be given to every shareholder of each of the NBFC concerned in accordance with the relevant articles of association, indicating the time, place and object of the meeting, and shall also be published at least once a week for three consecutive weeks in not less than two newspapers which circulate in the locality or localities where the registered offices of the NBFCs concerned are situated, one of such newspapers being in a language commonly understood in the locality or localities.

1 Inserted by Finance Act, 2007, dated June 30, 2007.

2 Words inserted by Finance Act, 2008 dated June 27, 2008.

(3) Any shareholder, who has voted against the scheme, of amalgamation at the meeting or has given notice in writing at or prior to the meeting to the NBFC concerned or the presiding officer of the meeting that he dissents from the scheme of amalgamation, shall be entitled, in the event of the scheme being sanctioned by the Commission to claim from the NBFC concerned, in respect of the shares held by him in that NBFC, their value as determined by the Commission when sanctioning the scheme and such determination by the Commission as to the value of the shares to be paid to dissenting shareholder shall be final for all purposes.

(4) If the scheme of amalgamation is approved by the requisite majority of shareholders in accordance with the provisions of this section, it shall be submitted to the Commission for sanction and shall, if sanctioned by the Commission by an order in writing passed in this behalf be binding on the NBFCs concerned and also on all the shareholders thereof.

(5) Where a scheme of amalgamation is sanctioned by the Commission under the provisions of this section, the remaining or resulting entity shall transmit a copy of the order sanctioning the scheme to the registrar before whom the NBFC concerned have been registered and the registrar shall, on receipt of any such order, strike off the name of the NBFC hereinafter in this section referred to as the amalgamated NBFC which by reason of the amalgamation will cease to function.

(6) On the sanctioning of scheme of amalgamation by the Commission, the property of the amalgamated NBFC shall, by virtue of the order of sanction, be transferred to and vest in, and the liabilities of the said NBFC shall, by virtue of the said order be transferred to and become the liabilities of the NBFC which under the scheme of amalgamation is to acquire the business of the amalgamated NBFC, subject in all cases to the terms of the order sanctioning the scheme.

282M. Punishment and adjudication of fine or penalty.—(1) Where a penalty or fine other than fine in addition to, or in lieu of, imprisonment is provided for any offence, contravention of, or default in complying with, any provision of this Part or rules ¹[or regulations] made thereunder or a directive or order of the Commission or other officer or authority empowered to issue a directive under any provision of this Ordinance, the same shall be adjudged and imposed by the Commission or any officer of the Commission empowered, in writing, to exercise the said powers in respect of any case or class of cases, either to the exclusion of, or concurrently with, any other officer of the Commission:

Provided that the fine or penalty as aforesaid shall be imposed after giving the person concerned an opportunity to show cause why he should not be punished for the alleged offence, contravention, default or non-compliance, and if he so requests, after giving him an opportunity of being heard personally or through such person as may be prescribed in this behalf.

¹ Words inserted by Finance Act, 2008 dated June 27, 2008.

(2) No Court shall take cognizance of any offence punishable under section 282K except on a complaint in writing made by an officer of the Commission generally or specially authorized in writing in this behalf by the Commission and no Court other than the High Court shall try such offence.]

¹[**282N. Rehabilitation of NBFCs and notified entities.**— (1) Notwithstanding anything contained in this Ordinance, the Commission shall have the same powers as are exercisable by the Federal Government under section 296 for the rehabilitation of a NBFC or a notified entity which is facing financial or operational problems.

(2) Where in exercise of its powers granted under sub-section (1) the Commission declares a NBFC or a notified entity as sick, the Commission may, in addition to any other powers specified in section 296,—

- (a) make an application to the Court under section 412 or section 413 and the provisions contained in sections 412 to 415 shall, *mutatis mutandis*, apply thereto in all respects; and
- (b) make an application to the Court for declaring any preference, made or done by or against the NBFC or the notified entity within twelve months before such NBFC or notified entity is declared sick, as fraudulent as provided in section 408, and the provisions contained in sections 408 and 409 shall *mutatis mutandis* apply thereto in all respects.

(3) Whosoever fails to give effect, or carry out or implement the rehabilitation plan approved by the Commission or any matter provided therein or any direction issued, shall be liable to a fine not exceeding ten million rupees and, in case of a continuing failure, to a further fine not exceeding ten thousand rupees for every day after the first during which the failure or default continues.]

1 Section 282N inserted by Finance Act, 2007, dated June 30, 2007.

**The Non-Banking Finance Companies
(Establishment And Regulation)
Rules, 2003**

CONTENTS
(Arrangement of Rules)

Rule	Title/Description	Page No.
Chapter – I General		
1.	Short title and commencement.....	629
2.	Definitions	629
3.	Eligibility criteria for the establishment of a NBFC.....	636
4.	Permission to form a NBFC	637
5.	Conditions for grant of licence.....	637
6.	[Omitted]	641
7.	Conditions applicable to a NBFC	641
7A.	Monitoring fee	646
8.	[Regulations 8 to 10B are not included in Syllabus].	

THE NON-BANKING FINANCE COMPANIES (ESTABLISHMENT AND REGULATION) RULES, 2003

S.R.O 310(I)/2003, dated 1st April, 2003.— In exercise of the powers conferred by section 282 B of the Companies Ordinance, 1984 (XLVII of 1984), the Federal Government is pleased to make the following rules, namely:—

CHAPTER – I

General

1. Short title and commencement.— (1) These rules may be called the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

(2) They shall come into force at once.

2. Definitions.— (1) In these Rules, unless there is anything repugnant in the subject or context,

¹[]

- (iii) “asset management services” mean the ²[business of providing services] for management of ³[collective investment schemes];
- (iv) “assets” mean properties of all kinds ⁴[tangible or intangible,] including shares, ⁴[units, certificates,] securities, deposits, right and bonus shares, cash, bank balances, profits, dividends, fees, commissions, all receivables, claims, ⁴[derivatives contract,] licences, privileges, accrued or accruing or contingent ⁵[];
- (v) “associated companies” ⁶[means associated companies] and associated undertakings as defined in sub-section (2) of section 2 of the Ordinance;
- ⁷[(vi) “brokerage business” means the services being provided by a broker registered under the Brokers and Agents Registration Rules, 2001;
- (vii) “central depository company” means central depository as defined under the Securities and Exchange Ordinance, 1969 (XVII of 1969);]

⁸[]

1 Clauses (i) & (ii) omitted by SRO 1131(I)/2007 dated November 21, 2007.

2 Substituted for “services provided” by SRO 1002(I)/2015 dated October 15, 2015.

3 Substituted for “open-ended schemes and include offering of investment schemes under trust deeds and issue of redeemable securities” by SRO 1131(I)/2007 dated November 21, 2007.

4 Inserted by SRO 1131(I)/2007 dated November 21, 2007.

5 Words etc. “, the beneficial ownership of which vests in the shareholders of an investment company or certificate holders of a close-end scheme or unit holders of open-ended schemes” omitted by SRO 1131(I)/2007 dated November 21, 2007.

6 Substituted for “include associated issuer, associated client, companies” by SRO 1131(I)/2007 dated November 21, 2007.

7 Clauses (vi), (vii) substituted by SRO 1131(I)/2007 dated November 21, 2007.

8 Clauses (viii) omitted by SRO 1131(I)/2007 dated November 21, 2007.

- (ix) "closed-end fund" means ^{1[]} a closed-end scheme;
- ²[(x) "closed-end scheme" means a collective investment scheme having a specified period of maturity which does not continuously offer its certificates for sale to investors and entitles the holder of certificates, to receive, proportionate share of the net assets of the closed end scheme ^{3[.]}

^{4[]}

- (xi) "close relative" includes spouse and ⁵[lineal ascendants and descendants and brothers and sisters];
- ⁶[(xii) "collective investment scheme" means any arrangement whose sole purpose is the collective investment of funds in a portfolio of securities, or other financial assets for profits, income or other returns, and where the participants, who have pooled in the funds, do not have any day to day control over the management of the scheme, whether or not they have the right to be consulted or to give direction in respect of such management:

Provided that the following shall not be considered as a collective investment scheme for the purpose of these rules:-

- (i) employee welfare trusts or gratuity trusts or employees provident funds or employees pension funds setup for the benefit of employees by companies; and
 - (ii) any such pool of funds which is separately regulated by the Commission or which is already established under any specific law;]
- (xiii) "Commission" means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997(XLII of 1997);
- (xiv) "company" means a company ⁷[as defined] under the Companies Ordinance, 1984 (XLVII of 1984);
- ⁸[(xv) "connected person" in relation to an NBFC or a ⁹[notified entity], means,-
- (a) any person or trust beneficially owning, directly or indirectly, ten percent or more of capital of the NBFC or the ⁹[notified entity];

¹ Words "an investment company or" omitted by SRO 1313(I)/2023 dated September 14, 2023.

² Clause (x) substituted by SRO 1002(I)/2015 dated October 15, 2015.

³ Substituted for the colon by SRO 1313(I)/2023 dated September 14, 2023.

⁴ Proviso omitted by SRO 1313(I)/2023 dated September 14, 2023.

⁵ Substituted for "minor children" by SRO 1131(I)/2007 dated November 21, 2007.

⁶ Clause (xii) substituted by SRO 1002(I)/2015 dated October 15, 2015.

⁷ Substituted for "incorporated" by SRO 1131(I)/2007 dated November 21, 2007.

⁸ Clause (xv) substituted by SRO 1131(I)/2007 dated November 21, 2007.

⁹ Substituted for "collective investment scheme" by SRO 1002(I)/2015 dated October 15, 2015.

- (b) any person able to exercise, directly or indirectly, ten percent or more of the total voting power in that NBFC or the ¹[notified entity];
 - (c) a ¹[notified entity] being managed by an NBFC;
 - (d) the NBFC managing a ¹[notified entity];
 - ²[(da) notified entities being managed by the same NBFC;]
 - (e) a trustee or custodian of the ¹[notified entity];
 - (f) any person or trust controlled by a person who or which meets the descriptions given in sub-clause (a) to (e);
 - (g) any member of the group of which that person, or trust forms part; and
 - (h) any director or officer of that NBFC ^{3[]} or of any of their connected persons as specified in sub-clauses (a) to (g);]
 - ⁴[]
- ⁵[(xvii) “custodian” includes a bank licensed under the Banking Companies Ordinance, 1962 (LVII of 1962) or a trust company which is a subsidiary of such bank or a central depository company approved by the Commission or an NBFC carrying out investment finance services provided it has been approved by the Commission to act as custodian or such other company as may be approved by the Commission to act as custodian;]
- ⁶[(xviii) “discounting services” means the business of discounting of financial instruments on conventional or Islamic basis;]
- ⁷[(xviib) “deposit” means any deposit of money with, or any money borrowed or raised by an NBFC, but shall not include,-
- (a) redeemable capital issued under section 120 of the Ordinance;
 - (b) finance obtained from a financial institution;
 - (c) advance, application or subscription money for shares in the NBFC;
 - (d) cash margin or security deposit received in respect of finance provided by NBFC’
 - (e) subordinated loans; and
 - (f) finance obtained from major shareholders, sponsors, and associated companies:

1 Substituted for “collective investment scheme” by SRO 1002(I)/2015 dated October 15, 2015.

2 Words “or the investment company being managed by that NBFC” omitted by SRO 1313(I)/2023 dated September 14, 2023.

3 Sub-clause (da) inserted by SRO 1002(I)/2015 dated October 15, 2015.

4 Clause (xvi) deleted by SRO 1002(I)/2015 dated October 15, 2015.

5 Clause (xvii) substituted by SRO 1131(I)/2007 dated November 21, 2007.

6 Clause (xviii) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was inserted by SRO 1131(I)/2007 dated November 21, 2007.

7 Clause (xviib) inserted by SRO 1002(I)/2015 dated October 15, 2015.

Provided that the Commission shall be the final authority to determine, by an order in writing, whether any money deposited, raised or borrowed falls under the definition of deposit or otherwise;]

¹[]

²(xix) "equity" includes paid up ordinary share capital, preference shares which are compulsorily convertible into ordinary shares, general reserves, statutory reserves, balance in share premium account, reserve for issue of bonus shares, subordinated loans and unappropriated profits, excluding accumulated losses.

Explanation.-

- (b) Surplus on revaluation of fixed assets as described in section 235 of the Ordinance, treasury stocks, intangible assets, deferred tax reserves, and surplus on revaluation of investments shall not be included in the equity.
- (ii) A loan may be classified as subordinated loan if it complies with the following conditions:-
 - (a) subordinated loan can be raised from any person, preferably from the sponsors;
 - (b) rate of profit on subordinated loan, if any shall be decided by NBFC subject to the clearance of the Commission;
 - (c) neither the interest nor the principal shall be paid even at maturity if such payment would result in non-compliance with the equity or capital adequacy requirements;
 - (d) subordinated loan shall be un-secured and sub-ordinate to all other indebtedness including deposits;
 - (e) subordinated loan shall be in the form of cash or liquid assets only;
 - (f) auditor certificate evidencing injection of funds into NBFC as subordinated loan;
 - (g) minimum tenor of subordinated loan shall be specifically mentioned; and
 - (h) prior approval of the Commission is required for repayment of subordinated loan.
- (iii) For the purpose of calculating minimum equity requirements for licensing purposes, the exposure of an NBFC in its subsidiaries and strategic investments shall be deducted from equity:
Provided that the equity investment in subsidiary and strategic investment shall be taken at cost;]

1 Clause (xviii) omitted by SRO 1131(I)/2007 dated November 21, 2007.

2 Clause (xix) substituted by SRO 1002(I)/2015 dated October 15, 2015.

¹[(xx) "finance" means provision of,-

- (i) any accommodation or facility on the basis of participation in profit and loss, musharika or modaraba basis, mark-up or mark-down in price, hire-purchase, lease, rent-sharing, bills of exchange, promissory notes or other instruments with or without buy-back arrangement by a seller, participation term certificate, musharika or modaraba certificate, term finance certificate;
- (ii) guarantees, indemnities, letters of credit or any other financial engagement, issued or undertaken on behalf of a person, with a corresponding obligation of that person;
- (iii) a loan, advance discounting services to any person;
- (iv) micro financing including any form of finance such as leases advances, consumer loans, housing finance;
- (v) a financial facility or accommodation provided on the basis of Islamic mode of financing; and
- (vi) any other form of financial facility provided to a person;]

²[(xxa) "financial services company" for the purposes of these rules, means a financial institution incorporated in Pakistan or outside Pakistan, insurance company, broker i.e. of stock market or money market or commodities market; a company which is primarily involved in distribution of securities, insurance products and units or certificates of a notified entity, and any other company as notified by the Commission in the official Gazette;]

(xxi) "form" means the forms annexed to the rules;

³[(xxia) "forms of business" means following forms of business as notified in the official Gazette by the Federal Government or any other form of business which the Federal Government may, by notification in the official Gazette specify from time to time, namely:-

- (a) asset management services;
- (b) discounting services;
- (c) housing finance services;
- (d) investment advisory services;
- (e) investment finance services;
- (f) leasing;
- (g) pension fund scheme business;
- (h) private equity and venture capital fund management services;
- (i) REIT management services; and
- (j) venture capital investment;]

1 Clause "(xx)" substituted by SRO 1002(I)/2015 dated October 15, 2015.

2 Clause "(xxa)" inserted by SRO 1002(I)/2015 dated October 15, 2015.

3 Clause "(xxia)" substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was inserted by SRO 1131(I)/2007 dated November 21, 2007.

¹[(xxiaa) "fund management NBFC" means an NBFC licenced by the Commission to undertake Asset Management Services or REIT Management Services or Pension Fund Scheme Business or Private Equity and Venture Capital Fund Management Services or Investment Advisory Services or any combination thereof;]

²[(xxib)"group" means persons, whether natural or legal, if one of them or his close relatives, in case of a natural person, or, its subsidiary or associated company, if it is a legal person, have control or hold ³[direct or indirect] substantial ownership interest or have power to exercise significant influence over the other. For the purpose of this clause the expression-

- (a) subsidiary shall have the same meaning as defined in sub-section (2) of section 3 of the Ordinance;
- (b) control shall have the same meaning as defined ⁴[Securities Act, 2015 (III of 2015)];
- (c) substantial ownership means beneficial shareholding of ten percent by a person or by close relative; and
- (d) "significant influence" refers to the management control of the company or the ability to participate in financial ⁵[operational and risk management] policies, either exercised by representation on the Board of Directors, through partnership or by statute or by agreement in the policy making process;]

⁶[]

⁷[(xxiii)"housing finance services" means the business of providing consumer or commercial Finance on conventional or Islamic basis to a person for the purchase or construction of house or apartment or for purchase of land and construction thereupon including the facilities availed for the purpose of making improvements in house or apartment;]

⁸[(xxiiia) "independent director" shall have the same meaning as assigned to it in regulation 3 of the Listing Regulations of Karachi Stock Exchange;]

⁹[]

¹⁰[(xxv) "investment advisory services" means the services provided for, managing discretionary or non-discretionary portfolios for both

1 Clause "(xxiaa)" inserted by SRO 1002(I)/2015 dated October 15, 2015.

2 Clause (xxib) inserted by SRO 1131(I)/2007 dated November 21, 2007.

3 Words inserted by SRO 1002(I)/2015 dated October 15, 2015.

4 Substituted for "in section 2 of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 (CIII of 2002)" by SRO 1002(I)/2015 dated October 15, 2015.

5 Substituted for "and operating" by SRO 1002(I)/2015 dated October 15, 2015.

6 Clause (xxii) omitted by SRO 1131(I)/2007 dated November 21, 2007.

7 Clause (xxiii) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier clauses (xxiiii) and (xxv) substituted by SRO 1131(I)/2007, dated November 21, 2007.

8 Clause (xxiiia) inserted by SRO 1002(I)/2015 dated October 15, 2015.

9 Clause (xxiv) omitted by SRO 1131(I)/2007 dated November 21, 2007.

10 Clause (xxv) substituted by SRO 1131(I)/2007 dated November 21, 2007.

individual and institutional clients and include the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling of securities, for remuneration;]

¹[]

²[]

³[(xxviii) "investment finance services" means the business of providing finance on conventional or Islamic basis;

(xxix) "leasing" means the business of providing finance on operating lease or finance lease or Ijarah basis;]

⁴[]

⁵[(xxxii) "major shareholder" means a person who, individually or in concert with his family or as part of a group, holds ten percent or more shares having voting rights of the paid-up capital of the company;]

⁶[(xxxiii) "lending NBFC" means an NBFC licenced by the Commission to undertake leasing or housing finance services or investment finance services or discounting services;]

⁷[(xxxiii)a) "NBFC" means a non-banking finance company which includes company licenced by the Commission to carry out any one or more forms of business as specified in clause (a) of section 282A of the Ordinance;]

⁸[(xxxiv) "non-bank micro finance company" means a non-deposit taking NBFC primarily engaged in the business of Micro Financing as specified by the Commission from time to time"]

⁹[]

¹⁰[(xxxvii) "Open End Scheme" means a collective investment scheme which offers units for sale based on net asset value on continuous basis without specifying any duration for redemption and which entitles the holder of such units on demand to receive his proportionate share of the net assets of the scheme less any applicable charges on redemption or revocation;]

1 Clause (xxvi) omitted by SRO 1313(I)/2023 dated September 14, 2023. Earlier it was substituted by SRO 1131(I)/2007 dated November 21, 2007.

2 Clause (xxvii) omitted by SRO 1131(I)/2007 dated November 21, 2007.

3 Clauses (xxviii) & (xxix) substituted by SRO 1002(I)/2015 dated October 15, 2015.

4 Clauses (xxx) & (xxxi) omitted by SRO 1131(I)/2007 dated November 21, 2007.

5 Clause (xxxii) substituted by SRO 1131(I)/2007 dated November 21, 2007.

6 Clause (xxxiii) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007, dated November 21, 2007.

7 Clause (xxxiii)a) inserted by SRO 1002(I)/2015 dated October 15, 2015.

8 Clause (xxxiv) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007 dated November 21, 2007.

9 Clauses (xxxv) & (xxxvi) omitted by SRO 1131(I)/2007, dated November 21, 2007.

10 Clause (xxxvii) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007, dated November 21, 2007.

- (xxxviii) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984);
- (xxxix) "person" includes an individual, a Hindu undivided family, a firm, an association or body of individuals whether incorporated or not, a company and every other ¹[legal] person;
- ²[(xxxixa) "promoter or sponsor" means a person who has made an application to the Commission to form an NBFC under rule 4 and has contributed initial capital in the proposed company or a person who replaces him;]
- ³[(xxxxb) "Private Fund" means an arrangement which has the purpose of pooling funds from one or more Eligible Investors for investment in a portfolio of securities or other financial assets for profit, income or other returns and where participants of the funds, neither have day to day control over the management of fund property, nor the right to give directions in respect of such management and which is established and operated by private fund management company:

Provided that for the purpose of these rules following shall not classify as a private fund,-

- (i) collective investment schemes regulated under the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- (ii) employee welfare trusts or gratuity trusts or employees provident fund or employee pension fund setup for the benefit of employees by companies; and
- (iii) any such pool of funds which is separately regulated by the Commission or which is already established under any other specific law;

- ³[(xxxxc) "private fund management company" means company licenced by the Commission to provide private equity and venture capital fund management services;]

- ³[(xxxid) "private equity and venture capital fund management services" means services provided for management of private funds;]

- ⁴[(xli) "records" mean all documentary and electronic materials created, generated, sent, communicated, received or stored, regardless of physical form or characteristics;]

- ⁴[(xli) "regulations" means the regulations made by the Commission in exercise of its powers under Part VIIIA of the Ordinance;]

- (xlii) "Schedule" means the schedule to these rules;

- ⁵[(xliia) "securities broker" means a trading right entitlement certificate holder or "TRE" certificate holder who, by way of business,

1 Substituted for "juridical" by SRO 1131(I)/2007, dated November 21, 2007.

2 Clause (xxxixa) inserted by SRO 1131(I)/2007, dated November 21, 2007.

3 Clauses (xxxxb) to (xxxid) inserted by SRO 1002(I)/2015 dated October 15, 2015.

4 Clauses (xli) & (xlii) substituted by SRO 1131(I)/2007, dated November 21, 2007.

5 Clauses (xliia)&(xliib) inserted by SRO 1002(I)/2015 dated October 15, 2015.

(a) makes or offers to make with any person or induces or attempts to induce any person to enter into or to offer to enter into, any agreement for or with a view to buying, selling, exchanging or subscribing for, securities; or

(b) solicits or accepts any order for or otherwise trading in, or effects transactions in, securities for clients or on its own account;]

¹[(xliia) “strategic investment” means an investment which an NBFC makes with the intention to hold it for a period of minimum 5 years and is more than 10% of its equity;]

²[]

(xliv) “trust” means a trust established by a deed under the provisions of the Trusts Act, 1882 (II of 1882);

³[(xlv) “trustee” means a company appointed as a trustee of a notified entity as per the rules and regulations made under Part VIIIA of the Ordinance;]

⁴[]

(2) Words and expressions used but not defined in these rules shall have the same meaning as assigned to them in the Ordinance or the ⁵[Securities Act, 2015 (III of 2015) or Rules and Regulations made thereunder].”

3. Eligibility ⁶[criteria] for the establishment of a NBFC.— A NBFC may be established, if each of its ⁷[promoters], proposed directors, chief executive and chairman of the Board of Directors fulfills the ⁸[] terms and conditions ⁹[mentioned in the fit and proper criteria as may be specified by the Commission by notification in the official Gazette and complies with the requirements of the Ordinance, these rules and the regulations made under the Ordinance] ¹⁰[]:-

¹¹[]

4. Permission to form a NBFC.— (1) A person desirous of forming a NBFC ¹²[to undertake any form of business] shall make an application to the Commission as set out in Form-1 providing information, as given in Annexure thereto, along with all the relevant documents and receipt evidencing the payment of non-refundable processing fee ¹³[as may be specified by the Commission by notification in the official Gazette].

1 Clauses (xliia)&(xliib) inserted by SRO 1002(I)/2015 dated October 15, 2015.

2 Clause (xliii) omitted by SRO 1131(I)/2007, dated November 21, 2007.

3 Clause (xlv) substituted by SRO 1002(I)/2015 dated October 15, 2015.

4 Clauses (xlvi), (xvii), (xviii) (xlix) and (l) omitted by SRO 1131(I)/2007, dated November 21, 2007.

5 Substituted for “Securities and Exchange Ordinance, 1969 (XVII of 1969)” by SRO 1002(I)/2015 dated October 15, 2015.

6 Substituted for “conditions” by SRO 1131(I)/2007, dated November 21, 2007.

7 Substituted for “sponsors” by SRO 1131(I)/2007, dated November 21, 2007.

8 Word “following” omitted by SRO 1131(I)/2007, dated November 21, 2007.

9 Inserted by SRO 1131(I)/2007, dated November 21, 2007.

10 Word “namely” omitted by SRO 1131(I)/2007, dated November 21, 2007.

11 Paragraphs “(a) to (g)” omitted by SRO 1131(I)/2007, dated November 21, 2007.

12 Words etc inserted by SRO 1002(I)/2015 dated October 15, 2015.

13 Substituted for “amounting to one hundred thousand rupees” by SRO 1131(I)/2007, dated November 21, 2007.

(2) The Commission ¹[] , if it is satisfied that the person seeking permission to form the NBFC ²[to undertake any form of business] has fulfilled the ³[criteria in terms of rule 3 and the regulations, may] permit by an order in writing ⁴[] to establish a NBFC.

⁵[(3) The permission granted under sub-rule (2) shall be valid for a period of six months unless extended for a maximum period of further three months under special circumstances, on the application of the promoters made before the expiry of initial six months. During the validity of this permission, the promoters shall get the NBFC incorporated and submit an application to the Commission for grant of license, after fulfilling all the conditions specified in these rules.]

⁶**5. Conditions for grant of licence.-** ⁷[(1) An NBFC or any other company subject to eligibility in terms of schedule I shall make separate applications to the Commission for grant of licence for carrying out each form of business. The Said application shall be submitted to the Commission in Form-II along with a non-refundable processing fee as may be specified by the Commission by notification in the official Gazette for each licence.

(2) A fund management NBFC shall not be eligible for seeking licence for any form of business allowed to lending NBFC and a lending NBFC shall not be eligible for seeking licence for any form of business allowed to fund management NBFC.

(3) An NBFC or any other company may apply to the Commission for grant of licence subject to eligibility criteria given in Schedule I.

(4) The Commission may issue a licence for asset management services to manage only closed end fund. Licence granted to an NBFC for investment finance services shall be valid for undertaking leasing, housing finance services and discounting services and such an NBFC shall not be required to obtain separate licences for each form of business. I-e., leasing, housing finance services and discounting services specified in these rules.

(5) Every other person engaged in any form of business shall within a period of six months of coming into force of these rules apply in writing to the Commission, for grant of a licence along with a non-refundable processing fee as specified by the Commission by notification in the official Gazette ⁸[:]

⁹[Provided that persons already engaged in business of micro financing shall for grant of licence apply in writing to the Commission within six months from the date of publication of this Notification or such other extended date as may be specified by the Commission through Notification in the official Gazette:

1 Word "may" omitted by SRO 1131(I)/2007, dated November 21, 2007.

2 Words etc inserted by SRO 1002(I)/2015 dated October 15, 2015.

3 Substituted for "terms and conditions specified in rule 3" by SRO 1131(I)/2007, dated November 21, 2007.

4 Words "such person" deleted by SRO 1002(I)/2015 dated October 15, 2015.

5 Rule 4(3) substituted by SRO 1002(I)/2015 dated October 15, 2015.

6 Rule "5" substituted by SRO 1131(I)/2007 dated November 21, 2007.

7 Rule 5(1) to (6) substituted by SRO 1002(I)/2015 dated October 15, 2015.

8 Substituted for full-stop by SRO 437(I)/2019 dated April 8, 2019.

9 Provisos inserted by SRO 437(I)/2019 dated April 8, 2019.

Provided further that a person shall not be required to obtain licence, if engaged in business of micro financing, but having less than five thousand active borrowers or having outstanding loan portfolio of less than fifty million rupees:

Provided also that such person should be receiving funding or financing from a bona fide source such as local or international donor agencies of repute or Federal or Provincial Governments or their agencies or entities regulated by the Commission or State Bank of Pakistan or such other sources as specified by the Commission and such providers of fund shall endeavor to route the funding through proper banking channels and to oversee its operations so that these are conducted legitimately, as specified by the Commission.]

(6) The Commission shall, after making necessary inquiries and after obtaining such further information, as it may consider necessary, and if it is satisfied that each of its promoters, directors, chief executive and chairman of the Board of Directors fulfills the terms and conditions mentioned in the fit and proper criteria, grant licence as per Form-III for one or more forms of business subject to compliance of all or any of following conditions:-

- (a) the company fulfills the eligibility criteria given in Schedule I;
- (b) the company is not part of a group of companies already holding a licence, under these rules, for the same form of business;
- (c) the company meets minimum equity requirements or any other requirement in lieu of minimum equity requirement as may be prescribed by the Commission for specific form of business or class of companies by notification in the official Gazette, in respect of each form of business;
- (d) the company has allotted at least twenty five percent of the paid-up share capital to the promoters;
- (e) the company's promoters or majority shareholders and directors have deposited their shares with Central Depository Company of Pakistan Limited in an account marked as blocked and such shares shall not be sold or transferred without prior approval of the Commission and shall be kept unencumbered:

Provided that directors holding qualifying shares, maximum up to 2 per cent of the total share capital shall be exempt from this requirement;

- (f) the company's promoters or majority shareholders and directors have given an undertaking that they shall not enter into any agreement for sale or transfer of their shares in any manner without prior approval of the Commission;

Provided that directors holding qualifying shares, up to maximum up to 2 per cent of the total share capital shall be exempt from this requirement;

- (g) the company appoints its chief executive who does not hold such office in any other company ^{1[]}, provided that prior approval of the Commission has been obtained in this regard;
- (h) the company shall not make any change in the Memorandum of Association, other than increase in the authorized share capital, without prior approval of the Commission;
- (i) the company shall comply with the conditions as set out in these rules, the regulations or any direction given by the Commission;
- (j) the company shall furnish evidence to the satisfaction of the Commission that the personnel employed by it for executive positions, research or other related functions possess sufficient educational qualifications and professional experience to undertake the proposed form of business:

Provided that a new company shall furnish the evidence within 90 days of grant of licence;

- (k) the company obtaining licences for multiple forms of business or any company undertaking any form of business as an ancillary activity must have, other than chief executive, at least one person responsible for heading each licenced form of business;
- (l) the company incorporated as NBFC in accordance with criteria mentioned in rule 4 shall not undertake any other activity except the licenced activity; and
- (m) the company, its promoters and major shareholders, its chief executive and its directors shall furnish separate undertakings to the Commission that they shall comply in letter and spirit with the requirements of the Ordinance, these rules, the regulations made under the Ordinance and the directions issued by the Commission:

Provided that the Commission may, impose additional conditions or grant time to the company for compliance with any of the above conditions as it deems appropriate:

Provided further that the Commission may further extend the time granted to the company for compliance.]

(7) Without prejudice to the conditions prescribed under sub-rule (6) above, the Commission may, while granting licence, impose such additional conditions, as it may deem necessary.

²[(7a) If a company fails to commence business within the period as specified by the Commission while issuing licence, the licence shall be deemed to be cancelled unless the specified period is extended by the Commission on the application made by the company.]

¹ Words "except for an investment company being managed by the said company" omitted by SRO 1313(I)/2023 dated September 14, 2023.

² Rule 7a inserted by SRO 1002(I)/2015 dated October 15, 2015.

(8) The licence granted ¹[] shall be valid for ²[three years] from the date of its issuance and shall be renewable upon expiry of the said period by making an application at least one month prior to the expiry as set out in Form IV along with payment of a fee as specified by the Commission by notification in the official Gazette.

(9) The Commission may, after making such inquiry and after obtaining such further information, as it may consider necessary, renew the licence ³[], for ⁴[three years] in Form V on such conditions, as it may deem necessary:

Provided that till such time that the licence is renewed, the existing licence shall be deemed valid for the purposes of these rules and the regulations unless the company fails to apply as specified in sub-rule (8) and fulfills all the requirements to the satisfaction of the Commission for the ⁵[renewal] of a licence:

Provided further that if the company fails to apply within the stipulated time period and fulfills all the requirements to the satisfaction of the Commission its licence shall stand cancelled and the Commission may initiate further proceedings to give effect to the cancellation.

⁶[(10) Without prejudice to the terms and conditions prescribed in rule 7, the Commission may, subsequent to the grant or renewal of licence, impose any other condition as it may deem necessary in the public interest.]

⁷[]

7. Conditions applicable to a NBFC.—(1) A NBFC shall,

- (a) maintain such books of accounts and other records ⁸[], as prescribed under the Ordinance,] as shall depict a true and fair ⁹[view] of its state of affairs, including,—
 - (i) journals, cash ¹⁰[books] and other records of original entry forming the basis of entry in any ledger;
 - (ii) ledgers (or other comparable record) reflecting assets, liabilities, income and expenses ¹¹[along with all supporting documents or records];
 - (iii) ledgers (or other comparable record) showing securities in the portfolio;
 - (iv) record of transactions with banks;
 - (v) record of the meetings of the board of directors ¹²[and all relevant committees including the audit committee, credit committee and investment committee]; and

1 Words "to the NBFC" deleted by SRO 1002(I)/2015 dated October 15, 2015.

2 Substituted for "one year" by SRO 271(I)/2010 dated April 21, 2010.

3 Words "of such NBFC" deleted by SRO 1002(I)/2015 dated October 15, 2015.

4 Substituted for "one year" by SRO 271(I)/2010 dated April 21, 2010.

5 Substituted for "grant" by SRO 1002(I)/2015 dated October 15, 2015.

6 Sub-section (10) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier Rule 5 was substituted by SRO 1131(I)/2007.

7 Rule 6 deleted by SRO 1002(I)/2015 dated October 15, 2015.

8 Inserted by SRO 1131(I)/2007 dated November 21, 2007.

9 Substituted for "picture" by SRO 1131(I)/2007 dated November 21, 2007.

10 Substituted for "book" by SRO 1131(I)/2007 dated November 21, 2007.

11 Inserted by SRO 1131(I)/2007 dated November 21, 2007.

12 Inserted by SRO 1131(I)/2007 dated November 21, 2007.

- (vi) original record of all reports, analysis and memoranda containing investment advice distributed; ¹[]
- (b) maintain such books of accounts and other records ²[as prescribed under the Ordinance, to depict a true and fair view of its state of affairs] for a period of not less than ten years;
- ³[(ba) ensure that its statutory auditors are from the approved list of auditors circulated by the Commission;]
- ⁴[(c) appoint an individual, having minimum three years experience, as its financial or chief accounting officer who is-
 - (i) a chartered accountant; or
 - (ii) a cost and management accountant; or
 - (iii) a member of a recognized foreign accountancy organization; or
 - (iv) a person having master's degree in commerce or business administration with specialization in finance ⁵[.]]
- ⁵[Provided that a non-deposit taking and unlisted lending NBFC may designate another officer as its financial or chief accounting officer;]
- ⁶[(ca) appoint ⁷[as internal auditor];
 - ⁸[(i) a person having minimum three years relevant experience who is,-
 - (a) a chartered accountant; or
 - (b) a cost and management accountant; or
 - (c) a certified internal auditor; or
 - (d) a certified information system auditor; or
 - (e) a member of recognized foreign accountancy organization; or
 - (f) an individual having master degree in commerce or business administration with specialization in finance; and
 - (ii) a chartered accountancy firm having satisfactory Quality Control Review (QCR) and not being the statutory auditors to whom this function is outsourced ⁹[.]]
- ¹⁰[Provided that the internal auditor shall report directly to the board of directors or the audit committee of the board of the NBFC.]

1 Words "and" omitted by SRO 1131(I)/2007 dated November 21, 2007.

2 Inserted by SRO 1131(I)/2007, dated November 21, 2007.

3 Clauses (ba), (ca), (cb), (cc) & (cd) inserted by SRO 1131(I)/2007, dated November 21, 2007.

4 Clause (c) substituted by SRO 1131(I)/2007, dated November 21, 2007.

5 Colon substituted for semi colon and Proviso inserted by SRO 1002(I)/2015 dated October 15, 2015.

6 Clauses (ba), (ca), (cb), (cc) & (cd) inserted by SRO 1131(I)/2007, dated November 21, 2007.

7 Words inserted by SRO 1002(I)/2015 dated October 15, 2015.

8 Sub-clause (i) substituted by SRO 1002(I)/2015 dated October 15, 2015.

9 Substituted for semi colon by SRO 1002(I)/2015 dated October 15, 2015.

10 Proviso inserted by SRO 1002(I)/2015 dated October 15, 2015.

- ¹[(cb) appoint a person as compliance officer to ensure reporting to the Commission of status of compliance with the existing regulatory framework by the NBFC ²[;]]
- ²[Provided that a non-deposit taking and unlisted lending NBFC may designate another officer as its compliance officer;]
- ³[(cc) appoint such executives who shall fulfill the terms and conditions mentioned in the fit and proper criteria specified by the Commission by notification in the official Gazette;]
- ⁴[(cd) appoint the directors in accordance with Schedule I, provided that the Commission shall be the final authority to determine the status of a director as independent or otherwise;]
- (d) prepare its accounts in conformity with the International Accounting Standards notified under sub-section (3) of section 234 of the Ordinance and technical releases issued by Institute of Chartered Accountants of Pakistan from time to time;
- ⁵[(da) furnish to the Commission its quarterly and annual financial statements in accordance with Schedule I;]
- ⁶[]
- ⁷[]
- ⁸[]
- (g) follow directions issued to protect NBFCs against their involvement in money laundering activities ⁹[, terrorist financing] and other unlawful trades ¹⁰[;]
- ¹¹[(h) ¹²[obtain rating in accordance with Schedule I] as and when it becomes eligible for rating as per the rating criteria of a rating agency registered with the Commission, and such rating shall be updated at least once every financial year:

Provided that the NBFC shall within one year of the decrease in its rating from the grade specified by the Commission by notification in the official Gazette, obtain a fresh rating and during the period that its rating

1 Clauses (ba), (ca), (cb), (cc) & (cd) inserted by SRO 1131(I)/2007, dated November 21, 2007.

2 Colon substituted for semi colon and Proviso inserted by SRO 1002(I)/2015 dated October 15, 2015.

3 Clauses (ba), (ca), (cb), (cc) & (cd) inserted by SRO 1131(I)/2007, dated November 21, 2007.

4 Clause (cd) substituted by SRO 1002(I)/2015 dated October 15, 2015.

5 Clause (da) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was inserted by SRO 1131(I)/2007, dated November 21, 2007.

6 Clause (db) deleted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was inserted by SRO 1131(I)/2007, dated November 21, 2007.

7 Clause (e) deleted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007, dated November 21, 2007.

8 Clause (f) omitted by SRO 1131(I)/2007, dated November 21, 2007.

9 Words inserted by SRO 1002(I)/2015 dated October 15, 2015.

10 Semi-colon substituted for "full stop" by SRO 1131(I)/2007 dated November 21, 2007.

11 Clauses (h) to (j) inserted by SRO 1131(I)/2007 dated November 21, 2007.

12 Substituted for "obtain credit rating and, management quality rating, wherever applicable" by SRO 1002(I)/2015 dated October 15, 2015.

is below the grade so specified, the NBFC may be allowed by the Commission to continue its operations on such conditions as are deemed appropriate by the Commission;

- ¹[(i) publish the rating in its annual report and quarterly reports, annual and quarterly reports of the collective investment schemes managed by it, if applicable, and any advertisement and brochures in relation to promotion of its business;]
- (j) acquire and maintain membership of the relevant association and follow the code of conduct specified by the said association approved by the Commission.]
- ²[(k) seek registration of notified entities as per the regulations notified by the Commission in the Official Gazette before offering of unit, certificates or shares of notified entities.]
- (2) A NBFC shall not,
- ³[(a) appoint as directors ⁴[those] persons who hold such office in any other NBFC licensed for the same form of business.

Provided that this clause shall not apply to the nominees of the Federal or Provincial Governments on the board of any NBFC or, any exception specified by the Commission;]

- ⁵[(aa) appoint or change its chief executive or any of its directors subject to authorized of the fit and proper criteria and prior approval of the Commission provided that the Commission may refuse appointment of any person ⁶[];

Explanation.- This clause shall not apply to a director nominated by the Federal Government or Provincial Governments;]

- ⁷[(b) enter into premises leasing or renting, and sale or purchase of any kind with their directors, officers, employees or their close relatives or any person acting on their behalf or such persons who either individually or in concert with family members beneficially own 10% or more of the equity of the NBFC:

Provided that this restriction shall not apply to such NBFCs that have a policy to this effect duly approved by their board of directors:

Provided further that in case of any sale and purchase to the directors the prior approval in writing of the board, excluding the participation of the beneficiary directors, is required;]

1 Clause (i) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was inserted by SRO 1131(I)/2007 dated November 21, 2007.

2 Clause (k) inserted by SRO 1002(I)/2015 dated October 15, 2015.

3 Clause (a) substituted by SRO 1131(I)/2007 dated November 21, 2007.

4 Words inserted by SRO 1002(I)/2015 dated October 15, 2015.

5 Clause (aa) inserted by SRO 1131(I)/2007 dated November 21, 2007.

6 Words "without assigning any reason" deleted by SRO 1002(I)/2015 dated October 15, 2015.

7 Clause (b) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007 dated November 21, 2007.

- ¹[(ba) hold or make investment in a subsidiary other than that which is a financial services company:

Provided that an NBFC may make strategic investments in financial services company with the approval of the Commission ²[::]

- ³[Provided further that non-banking microfinance companies may set up non-financial subsidiaries with intimation to the Commission, whose business is conducted so as to supplement or complement the community service objective of the non-bank microfinance company:

Provided also that the conditionalities and modalities pertaining to these investments shall be specified by the Commission and any exceptions thereto shall be decided by the Commission on case to case basis;]

- ⁴[(c) form, sell or transfer ownership of shares in subsidiary or associated company, merge with, acquire or takeover any other company unless it has obtained prior approval of the Commission in writing to such formation or sale or transfer;]

- ⁵[(ca) sell strategic investment unless it has obtained prior approval of the Commission in writing to such sale;]

- ⁶[(cb) merge with, acquire or takeover any other company unless it has obtained prior approval of the Commission in writing to such scheme of merger, acquisition or takeover;]

^{7&8}[]

- (f) remove any of its records or documents relating to its business from Pakistan to a place outside Pakistan without the prior permission of the Commission;

⁹[]

- ¹⁰[(h) make aggregate investment in shares of unlisted companies in excess of twenty percent of its equity. Investment in unlisted company shall be approved in a board meeting after carefully analyzing the merits and financial impact of the investment and recording the decision in detail in minutes of the meeting and such decisions shall be communicated to the Commission within fourteen days of the board meeting along with copy of the minutes:

1 Clause (ba) inserted by SRO 1002(I)/2015 dated October 15, 2015.

2 Substituted for semi-colon by SRO 437(I)/2019 dated April 8, 2019.

3 Provisos inserted by SRO 437(I)/2019 dated April 8, 2019.

4 Clause (c) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007, dated November 21, 2007.

5 Clause (ca) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was inserted by SRO 1131(I)/2007 dated November 21, 2007.

6 Clause (cb) inserted by SRO 1002(I)/2015 dated October 15, 2015.

7 Clause (d) omitted by SRO 1131(I)/2007 dated November 21, 2007.

8 Clause (e) omitted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007, dated November 21, 2007.

9 Clause (g) omitted by SRO 1131(I)/2007, dated November 21, 2007.

10 Clause (h) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007, dated November 21, 2007.

Provided that the NBFC shall not own shares of any one unlisted company in excess of ten per cent of its own equity of the issued capital of that company, whichever is less:

Provided further that investment by an NBFC out of its surplus equity (i.e. over and above the required minimum equity requirements) in unlisted shares of its subsidiaries or any other financial services company in the group, shall not be taken into account for calculating the limit for unquoted shares;]

- (i) offer any of its own or other securities for any consideration other than cash ¹[or liquid assets] nor make any loan or advance against these securities. ²[unless otherwise specified by the Commission by notification in the official Gazette;]

- ³[(j) hold, deal or trade in real estate except for the use of NBFC itself or where specified by the Commission by notification in the official Gazette ⁴[:]

⁴[Provided that properties acquired by lending NBFC in satisfaction of its claims shall be disposed of within a maximum period of seven years from the date of acquisition;]

- ⁵[(k) raise deposits in any form by whatever name called except as specified by the Commission in the Non-Banking Finance Companies and Notified Entities Regulations, 2008;]

- (l) provide unsecured facilities or exposures except as specified by the Commission by notification in the official Gazette;
- (m) encumber or mortgage or pledge or transfer clients' assets deposited as security with the NBFC against any facility extended to the client, for securing its own obligation; and
- (n) undertake the brokerage business in capital market except by forming a separate company for this purpose ⁶[.]

⁶[]

- ⁷[(3) An NBFC shall comply with such minimum equity requirement or any other requirement in lieu of minimum equity requirement as may be prescribed by the Commission from time to time for specific form of business or class of companies by notification in the official Gazette.]

- ⁸**[7A. Payment of fee.- An NBFC shall pay such non-refundable fee as may be specified by the Commission through notification in the official Gazette.]**

1 Words inserted by SRO 1002(I)/2015 dated October 15, 2015.

2 Inserted by SRO 1131(I)/2007, dated November 21, 2007.

3 Clauses (j) to (n) inserted by SRO 1131(I)/2007, dated November 21, 2007.

4 Substituted for semi colon and Proviso inserted by SRO 1002(I)/2015 dated October 15, 2015.

5 Clause (k) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was inserted by SRO 1131(I)/2007, dated November 21, 2007.

6 Substituted for colon and Proviso deleted by SRO 1002(I)/2015 dated October 15, 2015. Earlier proviso was substituted by SRO 271(I)/2010 dated April 21, 2010.

7 Sub-rule (3) substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was substituted by SRO 1131(I)/2007, dated November 21, 2007.

8 Rule 7A substituted by SRO 1002(I)/2015 dated October 15, 2015. Earlier it was inserted by SRO 1131(I)/2007, dated November 21, 2007.

The Non-Banking Finance Companies and Notified Entities Regulations, 2008

CONTENTS *(Arrangement of Regulations)*

Regulation	Title/Description	Page No.
PART – I-Title and Definitions		
1	[Regulation 1 is not included in syllabus].	
2	Definitions	648
PART – II – General		
3	Application of this part.....	654
4	[Regulations 4 to 8 are not included in syllabus].	
9	Prevention of NBFCs involvement in money laundering, terrorist financing and other illegal trades	655
10	Procedure for approval for appointment or re-appointment of directors and chief executives	656
11	[Regulations 10A, 11 & 11A are not included in syllabus].	
PART – III - Lending NBFCs		
12	Application of this Part	657
13	[Regulations 13 to 15A are not included in syllabus].	
15B	Limit on aggregate liabilities of an NBFC.....	657
16	Creation of reserve fund.....	658
17	Maximum Exposure of NBFC to a single person or Group	658
17A	Maintenance of Capital Adequacy Ratio ('CAR').....	660
17B	Asset Liability Management System	660
17C	Exposure Limits in Capital Market.....	660
18	Limit on clean placements.....	661
18A	[Regulations 18A to 24 are not included in syllabus].	
25	Classification and Provisioning for non-performing assets	661
25A	[Regulations 25A to 67A are not included in syllabus].	

THE NON-BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

S.R.O. 1203 (I)/2008, Islamabad, November 21, 2008.- In exercise of the powers conferred by sub-section (2) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan hereby notifies the following Non-Banking Finance Companies and Notified Entities Regulations, 2008 for the regulation of NBFCs carrying out leasing, investment finance services, housing finance services, ¹[discounting services, micro financing] asset management services and investment advisory services and their business activities and notified entities being managed by the aforementioned NBFCs ²[and Pension Fund Managers and pension fund scheme business managed by them].

³[Part - I]

Title and Definitions

2. Definitions.- (1) In these Regulations, unless there is anything repugnant in the subject or context,-

(i) "Asset Management Company" means an NBFC licensed by the Commission to provide asset management services;

⁴[]

⁵[(iii) "Borrower" means a person who has obtained Finance from an NBFC;]

⁶[]

⁷[(v) "Collective Investment Scheme" means any arrangement whose sole purpose is the collective investment of funds in a portfolio of securities, or other financial assets for profits, income or other returns, and where the participants, who have pooled in the funds, do not have any day to day control over the management of the scheme, whether or not they have the right to be consulted or to give direction in respect of such management:

Provided that the following shall not be considered as a Collective Investment Scheme for the purpose of these regulations:-

- (a) employee welfare trusts or gratuity trusts or employees provident funds or employees' pension funds setup for the benefit of employees by companies; and
- (b) any such pool of funds which is separately regulated by the Commission or which is already established under any specific law;]

1 Words and commas inserted by SRO 592(I)/2023 dated May 17, 2023.

2 Words inserted by SRO 592(I)/2023 dated May 17, 2023.

3 Substituted for "CHAPTER I General" by SRO 1160(I)/2015 dated November 25, 2015.

4 Clause (ii) deleted by SRO 1160(I)/2015 dated November 25, 2015.

5 Clause (iii) substituted by SRO 1160(I)/2015 dated November 25, 2015.

6 Clause (iv) deleted by SRO 1160(I)/2015 dated November 25, 2015.

7 Clause (v) substituted by SRO 1160(I)/2015 dated November 25, 2015.

¹[(vi) “Closed End Fund” means a Closed End Scheme which is a CIS having a specified period of maturity which does not continuously offer its certificates for sale to investors and entitles the holder of certificates, to receive, proportionate share of the net assets of the closed end scheme;]

²[]

³[(viii) “Constitutive Documents” includes the trust deed, offering document, supplemental documents and other principal documents governing the formation of a Closed End Scheme, Open End Scheme or a Pension Fund and all other related material agreements;]

⁴[(ix) “Consumer Financing” means the financing allowed to individuals for meeting their personal, family or household needs.]

(x) “Consumer Leasing” means any leasing allowed to individuals for meeting their personal, family or household needs;

⁵[(xi) “Contingent Liabilities” means,-

(a) a possible obligation that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or

(b) a present obligation that arises from past events but is not recognized on the books of the NBFC and Notified Entity because:

(I) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(II) the amount of the obligation cannot be measured with sufficient reliability and includes letters of credit, letters of guarantee, bid bonds or performance bonds, advance payment guarantees and Underwriting Commitments;]

⁶[(xii) “deposit taking NBFC” means a lending NBFC with a valid permission to raise Deposits or have outstanding Deposits on its books;

⁷[(xiii) “Data processing” shall mean any operation or set of operations which is performed upon the User’s data, whether or not by automatic means, such as collection, recording, organization, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, aligning or combining, blocking, erasing or destroying of data;]

1 Clause (vi) substituted by SRO 592(I)/2023 dated May 17, 2023.

2 Clause (vii) omitted by SRO 592(I)/2023 dated May 17, 2023. Earlier it was substituted by SRO 1160(I)/2015 dated November 25, 2015.

3 Clause (viii) substituted by SRO 1068(I)/2021 dated August 23, 2021.

4 Clause (ix) substituted by SRO 1160(I)/2015 dated November 25, 2015.

5 Clause (xi) substituted by SRO 1160(I)/2015 dated November 25, 2015.

6 Clauses (xii) & (xiii) inserted by SRO 1160(I)/2015 dated November 25, 2015.

7 Clause (xiii) inserted by SRO 807(I)/2022 dated June 14, 2022.

- ¹[(xaaa) “Digital Fund Management NBFC” means services provided by fund management NBFC through digital technology based or internet-based channels, apps or tools, with limited or no human interaction;
- (xaaaab) “Digital Lending” means providing finance through digital, technology-based or internet-based channels, apps or tools, with limited or no human interaction for loan application, approval, disbursement and repayment of loan;]
- (xib) “discount house” means an NBFC licensed by the Commission to provide discounting services.]
- ²[(xii) “Discretionary Portfolio” means a portfolio of securities and deposit with financial institution managed by an Investment Advisor under an agreement entered into with a client on a duly notarized stamp paper of applicable value and whereby investment decisions are made and executed by the Investment Advisor on behalf of its client;]
- ³[xiia] “Distributor” means a person who performs distribution function for Collective Investment Schemes;]
- ⁴[xiib] “Element of income” represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net Asset Value (NAV) at the beginning of the relevant accounting period,-

Explanation:- Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution ⁵[::]

⁶[Provided that in case of Exchange Traded Funds receipt and payment of element of income relating to income statements is taken to Income Statement both at the time of issuance and redemption of units.]

^{7&8}[]

- ⁹[(xv) “Exposure” includes Finance, subscription to or investment in securities, debt instruments, units or certificates or shares of a Notified Entity, placements, deposits with Financial Institutions, derivatives, Margin

1 Clauses (xaaa) & (xaaaab) inserted by SRO 592(I)/2023 dated May 17, 2023.

2 Clause (xii) substituted by SRO 1160(I)/2015 dated November 25, 2015.

3 Clause (xiia) inserted by SRO 1160(I)/2015 dated November 25, 2015.

4 Clause (xiib) inserted by SRO 756(I)/2017 dated August 07, 2017.

5 Substituted for the full-stop by SRO 613(I)/2020 dated July 7, 2020.

6 Proviso inserted by SRO 613(I)/2020 dated July 7, 2020.

7 Clause (xiii) omitted by SRO 592(I)/2023 dated May 17, 2023.

8 Clause (xiv) omitted by SRO 592(I)/2023 dated May 17, 2023. Earlier it was substituted by SRO 1160(I)/2015 dated November 25, 2015.

9 Clause (xv) substituted by SRO 1160(I)/2015 dated November 25, 2015.

Trading System (MTS) or any mechanism that replaces it, but does not include:

- (a) obligations under letters of credit and letters of guarantee to the extent of cash margin held by an NBFC;
- (b) Finance provided to financial institutions through REPO transactions with underlying statutory liquidity requirement eligible securities;
- (c) deposit in current and savings accounts other than term deposits;]

¹[]

- (xvii) "Fit and Proper Criteria" means the criteria specified in Schedule IX;
- (xviii) "Form" means the Forms annexed to these Regulations;
- (xix) "FSV" means the forced sale value which reflects the possibility of price fluctuations and can be realized by selling the mortgaged, pledged, leased or collaterally held assets in forced or distressed sale conditions;
- (xx) "Government Securities" include monetary obligations of the Federal Government or a Provincial Government or of a corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government and any other security as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be a Government Securities;
- (xxi) "Housing Finance Company" means an NBFC licensed by the Commission to provide housing finance services;
- (xxii) "Investment Advisor" means an NBFC licensed by the Commission to provide investment advisory services;

²[]

- (xxiv) "Investment Finance Company" means an NBFC licensed by the Commission to provide investment finance services;
- (xxv) "Leasing Company" means an NBFC licensed by the Commission to provide leasing;

³[(xxva) "Lender" in relation to P2P Lending means a person or entity extending a loan to a borrower through the Platform for the Price and on the terms and conditions determined by the P2P Service Provider and where context permits, a lender shall also include the P2P Service Provider;]

⁴[(xxvi) "Liquid Assets" means the assets which are readily convertible into cash and includes encashment or realizable value of gold, Government Securities, bank deposits, shares of listed companies which are actively

1 Clause (xvi) omitted by SRO 592(I)/2023 dated May 17, 2023.

2 Clause (xxiii) omitted by SRO 592(I)/2023 dated May 17, 2023.

3 Clause (xiao) inserted by SRO 807(I)/2022 dated June 14, 2022.

4 Clauses (xxvi) & (xxvii) substituted by SRO 1160(I)/2015 dated November 25, 2015.

traded on the stock exchange, certificates or shares of a Close End Fund, Deposits issued by DFIs or NBFCs rated at least 'A-' by a credit rating agency registered with the Commission, Certificates of Musharika issued by Modarabas rated at least 'A' by a credit rating agency registered With the Commission, listed TFCs and Sukuks rated at least 'A' by a credit rating agency registered with the Commission and which are actively traded in the market, commercial papers rated at least 'A' by a credit rating agency registered with the Commission, National Saving Scheme securities and units of Open End Scheme for which a duly licensed Asset Management Company quotes daily offer and redemption price;]

- ¹[(xxvii) "Margin Financing" ²[shall have the same meaning as assigned to it under the] Securities (Leveraged Markets and Pledging) Rules, 2011;]
- ³[(xxviiia) "Micro Financing" means Finance provided to a poor person or microenterprise;]
- (xxviiib) "Microenterprises" means projects or businesses in trading or manufacturing or services or agriculture that lead to livelihood improvement and income generation. These projects or businesses are undertaken by micro entrepreneurs who are either self-employed or employ few individuals not exceeding 10 (excluding seasonal labour);]
- ⁴[(xxviii) "Net Assets", in relation to a collective investment scheme and pension fund, means the excess of assets over liabilities of the collective investment scheme or pension fund, computed in the manner provided in these regulations;]
- ⁵[(xxviiia) "non-deposit taking NBFC" means a Lending NBFC which does not have a permission to raise Deposits;]
- ⁶[(xxix) "Non-Discretionary Portfolio" means a portfolio of securities and deposit with financial institution managed by an Investment Advisor under an agreement entered into with the client on a duly notarized stamp paper of applicable value whereby investment decisions are executed by the Investment Advisor on written instructions of the client;]
- (xxx) "Notified Entity" means a company or class of companies or corporate body or trust or any other entity or person notified by the Federal Government in the official Gazette;
- ⁷[(xxxi) "Offering Document" includes,-

1 Clauses (xxvi) & (xxvii) substituted by SRO 1160(I)/2015 dated November 25, 2015.

2 Substituted for the words "means Margin Financing as defined in sub-rule (k) of rule 2 of" by SRO 592(I)/2023 dated May 17, 2023.

3 Clauses (xxviiia) & (xxviiib) inserted by SRO 1160(I)/2015 dated November 25, 2015.

4 Clause (xxviii) substituted by SRO 1068(I)/2021 dated August 23, 2021. Earlier it was substituted by SRO 1160(I)/2015 dated November 25, 2015.

5 Clause (xxviiia) inserted by SRO 1160(I)/2015 dated November 25, 2015.

6 Clauses (xxix) substituted by SRO 1160(I)/2015 dated November 25, 2015.

7 Clause (xxxi) substituted by SRO 1068(I)/2021 dated August 23, 2021.

- (a) a published document containing information on a Collective Investment Scheme to invite the public or purchase of certificates or units in that scheme;
- (b) a document inviting contributions from eligible persons for a pension fund; and
- (c) all supplementary documents thereto or any document relating to an income payment plan;]
- (xxxii) "Open End Scheme" means a collective Investment Scheme which offers units for sale based on net asset value on continuous basis without specifying any duration for redemption and which entitles the holder of such units on demand to receive his proportionate share of the net assets of the scheme less any applicable charges on redemption or revocation;]
- (xxxiii) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984);
- (xxxiv) "Other Form of Security" includes hypothecation of stock (inventory), assignment of receivables, lease Rentals, contract receivables ¹[etc.];
- ²[(xxxiva) "poor person" means an individual who has meager means of subsistence and whose total business income excluding expenses during a year is less than or equal to Rs. ³[1,200,000/-] or such other minimum limit as may be ⁴[notified] from time to time;]
- ⁵[(xxxivb) "P2P Service Provider" shall mean and include a Lending NBFC providing P2P Services;
- (xxxivc) "P2P Services" shall mean the services provided by a Lending NBFC permitted under these Regulations for facilitating P2P Lending transactions through the P2P Lending Platform and shall include the provision of the Platform and activities provided in these Regulations for P2P Lending;
- (xxxivd) "Participant" in relation to P2P Lending means a person who has entered into an arrangement/agreement with a P2P Lending Platform to lend or borrow through a P2P Lending Platform;
- (xxxive) "Peer to Peer Lending" or "P2P Lending" shall mean the extension of loans by the lender to the borrower through the P2P Lending Platform;
- (xxxive) "Peer to Peer Lending Platform" or "P2P Lending Platform" shall mean an intermediary providing P2P services through online medium or otherwise to the participants who have entered into an arrangement with that platform to lend or to borrow money;
- (xxxivf) "Price" means the amount determined by the P2P Service Provider for each transaction and includes the principal amount plus the profit/rate

¹ Words etc inserted by SRO 1160(I)/2015 dated November 25, 2015.

² Clauses (xxxiva) & (xliva) inserted by SRO 1160(I)/2015 dated November 25, 2015.

³ Substituted for the figure "600,000/-" by SRO 592(I)/2023, dated May 17, 2023.

⁴ Substituted for the word "prescribed" by SRO 279(I)/2020, dated March 31, 2020.

⁵ Clauses (xxxivb) to (xxxivf) inserted by SRO 807(I)/2022 dated June 14, 2022.

- of return determined based on the factors prescribed in these Regulations;]
- (xxxv) "Readily Realizable Assets" include Liquid Assets and stocks pledged with the NBFCs and are in their possession,¹[directly, or held through another NBFC or a Scheduled Bank on behalf of the NBFC, with 'perfected lien/charge'] duly supported with complete documentation;
 - (xxxvi) "Regulations" means the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the Schedules and Forms attached to it;
 - (xxxvii) "Rental" include lease Rentals, Rentals in respect of housing finance facilities, hire purchase installments or any other amount received by NBFC from Borrower against the grant of a Facility;
 - (xxxviii) "Rules" mean the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;
 - (xxxix) "Schedule" means the Schedule to these Regulations;
 - (xl) "Secured" means Exposure backed by Tangible Security and any Other Form of Security with appropriate margins (in cases where margin has been specified by the Commission appropriate margin shall at least be equal to the specified margin);
 - ²[(xli) "small enterprise" and "medium enterprise", (together referred to as the SME)", includes ,-
 - (a) small enterprise:- a business entity not a public limited company that has annual turnover up to Rs. 150 million and employees (including contractual) up to 50; and
 - (b) medium enterprise:- a business entity that has annual turnover of more than Rs. 150 million and up to Rs. 800 million and number of employee (including contractual) between 51 to 100 for trading entity and between 51 to 250 for manufacturing or service entity]
 - ³[]
 - (xlii) "Tangible Security" means Readily Realizable Assets, mortgage of land, plant, building, machinery and any other fixed assets;
 - (xliiv) "TFC" means debt instrument issued for the purpose of raising funds in the form of redeemable capital;
 - ⁴[(xliv) "Total Expense Ratio" means the ratio of the sum of all fees, expenses, taxes or government levies charged to the Collective Investment scheme to average daily net assets value of that Collective Investment Scheme;]

1 Substituted for "with 'perfected lien'" by SRO 592(I)/2023, dated May 17, 2023.

2 Clause (xli) inserted by SRO 279(I)/2020, dated March 31, 2020. Earlier a different clause (xli) was omitted by SRO 1160(I)/2015 dated November 25, 2015.

3 Clause (xlii) deleted by SRO 1160(I)/2015 dated November 25, 2015.

4 Clauses (xxxiva) & (xliva) inserted by SRO 1160(I)/2015 dated November 25, 2015.

- (xlv) "Underwriting Commitments" mean commitments given by NBFCs to the limited companies at the time of new issue of equity or debt instrument, that in case the proposed issue of equity or debt instrument is not fully subscribed, the un-subscribed portion will be taken up by them (NBFCs);
 - (xlvi) "Unlisted Debt Security" means a debt security not listed or quoted on a stock exchange; and
 - (xlvii) "Unlisted Equity Security" means an equity security not listed or quoted on a stock exchange.
- ¹[(xlviii) "Unsecured" means the Exposure without any security or collateral.]
- ²[(xlix) "User(s)" shall mean any person or entity using the P2P Lending Platform for the transaction and shall include the borrowers and lenders;]
- (2) Words and expressions used but not defined in these Regulations shall have the same meaning unless contrary to the context as assigned to them in the Ordinance, Rules ³[, Securities Act, 2015 and] the Securities and Exchange Ordinance, 1969 (XVII of 1969) and the Rules and Regulations made thereunder ⁴[including the Voluntary Pension System Rules, 2005].

⁵**[PART-II
General]**

⁶**[3. Application of this part.-** The provisions of this part shall apply to the following form of business,-

- (i) Asset Management Services
- (ii) Leasing;
- (iii) Discounting Services;
- (iv) Housing Finance Services;
- (v) Investment Advisory Services; ⁷[(]
- (vi) Investment Finance Services; ⁸[/and]]

⁹[(vii) Investment Finance Services restricted to Micro financing.]

¹⁰**[9. Prevention of NBFCs involvement in money laundering, terrorist financing and other illegal trades.-** (1) All NBFCs shall ensure prevention of money laundering and other illegal trades and abide by such laws, directives and circulars as may be issued by the Federal Government or the Commission to

1 Clause (xlviii) inserted by SRO 1160(I)/2015 dated November 25, 2015.

2 Clause (xlix) inserted by SRO 807(I)/2022 dated June 14, 2022.

3 Substituted for "and" by SRO 1160(I)/2015 dated November 25, 2015.

4 Words etc. inserted by SRO 1068(I)/2021 dated August 23, 2021.

5 Substituted for "CHAPTER II Part-I" by SRO 1160(I)/2015 dated November 25, 2015.

6 Reg. 3 substituted by SRO 1160(I)/2015 dated November 25, 2015.

7 Word "and" omitted by SRO 592(I)/2023 dated May 17, 2023.

8 Word inserted by SRO 592(I)/2023 dated May 17, 2023.

9 Clause (vii) inserted by SRO 592(I)/2023 dated May 17, 2023.

COMPENDIUM
OF
CORPORATE LAWS

safeguard the NBFC against involvement in money laundering activities and other illegal trades.

(2) Notwithstanding the generality of Regulation 9(1) and NBFC shall comply with the following conditions,-

- (a) it shall determine the true identity of the prospective customer or investor before extending its services and care shall be taken to establish beneficial ownership of all accounts and those using safe custody.;

For the purpose of this regulation, customer means a person who has placed a Deposit with the Lending NBFC or has invested in the units or certificates of a Notified Entity or has obtained Finance from a Lending NBFC or has any business relationship with the NBFC or Notified Entity.

- (b) it shall accept money from a customer only after ensuring that an account has been opened in the name of the customer using the account opening form developed by the respective industry associations in consultation with the Commission;
- (c) it shall establish effective procedures for obtaining identification from new customers and devise a policy to ensure that business transactions are not conducted with persons who fail to provide evidence of their identity;
- (d) it shall conduct its business in conformity with the Rules and these Regulations and shall not offer services or provide any assistance in transactions which, in the opinion of the NBFC, are associated with illegal activities or relating to terrorist financing from legitimate or illegal means;
- (e) it shall establish effective procedures for monitoring of customer accounts on a regular basis, checking identities and bonafide of remitters and beneficiaries of transactions and retain record of transaction; and
- (f) it shall not make payment or receive amounts in cash exceeding Rs.50,000/-.

Provided that the above limit shall not apply to cash payments made for repayment of Finance by an existing borrower.

(3) All transactions into or from the account maintained with the NBFC which are not usual transactions shall be thoroughly scrutinized and properly investigated by the NBFC.]

10. Procedure for ^{2[]} approval for appointment ^{3[or re-appointment]} of directors and chief executives.- An NBFC shall follow the following procedure for

1 Reg. 9 substituted by SRO 1160(I)/2015 dated November 25, 2015.

2 Word "prior" deleted by SRO 1160(I)/2015 dated November 25, 2015.

3 Words inserted by SRO 1160(I)/2015 dated November 25, 2015.

obtaining approval of appointment ³[or re-appointment] or any change of its directors or chief executive,-

- ¹[(a) in the case of election of directors in the Annual or Extraordinary General Meeting, the NBFC, 10 days before the date of the meeting in which election of directors is to be held, shall submit an application for the individuals seeking to contest the elections whether they are retiring directors or otherwise;
- ²[(aa) within thirty days from the date of election of directors in a general meeting, or the office of the chief executive falling vacant, as the case may be, the NBFC shall submit an application complete in all respects, for obtaining approval for appointment or reappointment of chief executive;]
- ³[(ab) in case the Board of Directors of an NBFC decides to remove its chief executive before the expiration of his term of office or the chief executive decides to tender his resignation before the completion of his term of office or replacement of chief executive on completion of his term, the NBFC shall immediately inform the Commission along with reasons for the same;]
- ⁴[(b) in case of occurrence of any casual vacancy in respect of a director ⁵[], the NBFC shall submit an application within ⁶[ninety days];]
- ⁷[]
- (c) the application shall be submitted in compliance with the requirements of Schedule IX and be accompanied by information and documents required therein; and
- (d) any deficiency or shortcoming in the information or documents submitted by the NBFC to the Commission shall be rectified by the NBFC within 14 days of the ⁸[communication of such deficiencies or short comings] by the Commission informing the NBFC of the deficiency or shortcoming:

Provided that where the NBFC does not remove the deficiency or shortcoming, the Commission may close the matter.

1 Clause (a) substituted by SRO 1160(I)/2015 dated November 25, 2015.

2 Clause (aa) substituted by SRO 592(I)/2023 dated May 17, 2023. Earlier it was inserted by SRO 279(I)/2020 dated March 31, 2020.

3 Clause (ab) inserted by SRO 592(I)/2023 dated May 17, 2023.

4 Clause (b) substituted by SRO 279(I)/2020 dated March 31, 2020. Earlier it was substituted by SRO 1160(I)/2015 dated November 25, 2015.

5 Words "or a Chief Executive" by SRO 592(I)/2023 dated May 17, 2023.

6 Substituted for the words "ten days" by SRO 592(I)/2023 dated May 17, 2023.

7 Clause (ba) omitted by SRO 592(I)/2023 dated May 17, 2023. Earlier it was inserted by SRO 1160(I)/2015 dated November 25, 2015.

8 Substituted for the words "issue of the letter" by SRO 592(I)/2023 dated May 17, 2023.

¹[PART-III
Lending NBFCs]

12. Application of this Part.- The provisions of this part shall apply to Leasing Companies, Investment Finance Companies ²[, Discount Houses, Non-Bank Micro Finance Companies] and Housing Finance Companies.

3[15B. Limit on aggregate liabilities of an NBFC.]- (1) Aggregate liabilities, excluding contingent liabilities and security deposits, of a non-deposit taking NBFC shall not exceed ten times of its equity ⁴[:]

⁵[Provided that for an NBFC engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, the aggregate liabilities, excluding contingent liabilities and security deposits shall not exceed ten times of its equity and qualified capital and for this purpose the Commission may specify, through circular, qualified capital and its terms and conditions ⁶[:]])

⁷[Provided further that for an NBFC that is exclusively engaged in the business of issuance of guarantees against,-

- (i) financing to SMEs; and
- (ii) debt instruments issued for financing SMEs,

the Contingent Liabilities shall not exceed 10 times of the equity.]

(2) Contingent Liabilities of an NBFC shall not exceed the limits prescribed below:

Credit Rating	Maximum Limit
AA- and above	2 times of equity
A- to A+	1.5 times of equity
BBB+	0.5 times of equity

⁸[Provided that for an NBFC engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, contingent Liabilities shall not exceed the 10 times of the equity and qualified capital and for this purpose the Commission may, through circular, specify the qualified capital and its terms and conditions.]

Provided that the following shall not constitute contingent liabilities for the purpose of this regulation,-

- (a) non-fund based Finance to the extent covered by liquid assets;
- (b) non-fund based finance where the payment is guaranteed by the Federal Government, Provincial Government, Financial Institution rated AA by a credit rating agency registered with the Commission; and
- (c) claims other than those related to provision of Finance (fund based or non-fund based) to the NBFCs' constituents, where the probability of conversion of these claims into liabilities is remote in the view of the Auditor.]

1 Substituted for "PART II Leasing, Investment Finance Services and Housing Finance Services" by SRO 1160(I)/2015 dated November 25, 2015.

2 Words etc inserted by SRO 1160(I)/2015 dated November 25, 2015.

3 Regulation 15B inserted by SRO 1160(I)/2015 dated November 25, 2015.

4 Substituted for the full-stop by SRO 1233(I)/2019 dated October 16, 2019.

5 Proviso inserted by SRO 1233(I)/2019 dated October 16, 2019.

6 Substituted for the full-stop by SRO 807(I)/2022 dated June 14, 2022.

7 Proviso inserted by SRO 807(I)/2022 dated June 14, 2022.

8 Proviso inserted by SRO 1233(I)/2019 dated October 16, 2019.

16. Creation of reserve fund.- ¹[A deposit taking lending] NBFC shall create a reserve fund wherein at least 20% of the after tax profits of the NBFC shall be credited till the time that the reserve fund equals the amount of the paid up capital of the NBFC and thereafter a sum not less than 5% of its after tax profits shall be credited to the reserve fund.

Explanation.- Issuance of bonus shares may be made from the reserve fund after appropriation made under Regulation 16 however the NBFC shall transfer further amounts to the reserve fund in order to comply with the requirements of Regulation (16).

2[17. Maximum Exposure of NBFC to a single person, or Group.]- (1) The total outstanding Exposure (fund based and non-fund based) by an NBFC to a person shall not at any time exceed twenty per cent (20) of the equity of an NBFC (as disclosed in the latest financial statements):

Provided that the maximum outstanding fund based Exposure does not exceed fifteen per cent (15) of the equity of an NBFC ³[:]

⁴[Provided further that for an NBFC engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, the total outstanding Exposure (fund based and non-fund based) by an NBFC to a person shall not at any time exceed forty per cent (40%) of the equity (as disclosed in the latest financial statements) and Qualified Capital and for this purpose the Commission may, through circular, specify qualified capital and its terms and conditions:

Provided also that this relaxation shall be applicable to the NBFC as mentioned above:

- (i) for the first [five (5)] years of its operations; and
- (ii) for total outstanding Exposure in relation to finance raised otherwise from the public ⁵[:]

⁶[Provided further that an infrastructure finance company and a non-deposit taking NBFC that is not involved in retail lending and provides finance to other NBFCs or financial institutions, may exceed the above limits by up to five percent and ten percent of its equity, respectively.

Explanation:-For the purposes of this regulation, the infrastructure finance company means an NBFC that deploys at least seventy per cent of its total assets in infrastructure finance for the infrastructure projects, which the Commission may notify through circular and is compliant with minimum equity and CAR requirement.]

(2) The total outstanding Exposure (fund based and non-fund based) by an NBFC to any group shall not exceed twenty five per cent (25) of the equity of an NBFC (as disclosed in the latest financial statements):

Provided that the maximum outstanding fund-based Exposure does not exceed twenty per cent (20) of the equity of an NBFC:

Provided further that the limits prescribed in sub-regulation (1) and (2) shall not be applicable to exposure taken by an NBFC in its own subsidiaries out of its surplus equity ⁷[:]

1 Substituted for "An" by SRO 1160(I)/2015 dated November 25, 2015.

2 Regulation 17 substituted by SRO 1160(I)/2015 dated November 25, 2015.

3 Substituted for the full-stop by SRO 1233(I)/2019 dated October 16, 2019.

4 Provisos inserted by SRO 1233(I)/2019 dated October 16, 2019.

5 Substituted for the full-stop by SRO 279(I)/2020 dated March 31, 2020.

6 Proviso inserted by SRO 279(I)/2020 dated March 31, 2020.

7 Substituted for the full-stop by SRO 1233(I)/2019 dated October 16, 2019.

¹[Provided further that for an NBFC engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, the total outstanding Exposure (fund based and non-fund based) to any group shall not exceed fifty per cent (50%) of the equity (as disclosed in the latest financial statements) and Qualified Capital and for this purpose the Commission may, through circular, specify qualified capital and its terms and conditions:

Provided also that this relaxation shall be applicable to the NBFC as mentioned above:

- (i) for the first [five (5)] years of its operations; and
- (ii) for total outstanding Exposure in relation to finance raised otherwise from the public ²[::]

³[Provided further that an infrastructure finance company and a non-deposit taking NBFC that is not involved in retail lending and provides finance to other NBFCs or financial institutions, may exceed the above limits by up to five percent and ten percent of its equity, respectively.]

⁴[(3) In case of micro financing, the following Exposure limits shall be applicable:

- (a) Poor Person
 - Rs. 1,500,000 for housing loan
 - Rs. 500,000 for general loans other than housing loan
- (b) Microenterprise
 - Rs. 1,500,000]
- (4) Exposure under this Regulation shall be calculated as under,-
 - (a) hundred per cent (100) of the deposits placed with the lending NBFC, under perfected lien, shall be deducted from Exposure;
 - (b) ninety per cent (90) of the following shall be deducted from Exposure,-
 - (i) deposits with any other financial institution or scheduled bank rated at least A or equivalent by a credit rating agency registered with the Commission, under perfected lien; and
 - (ii) encashment value of Government Securities and National Saving Scheme securities deposited by the Borrower with the lending NBFC as collateral;
 - (c) 85% of the unconditional financial guarantees, payable on demand, issued by the scheduled banks ⁵[or NBFCs engaged exclusively in the business of issuance of guarantees,] rated at least 'A' or equivalent by a credit rating agency registered with the Commission, accepted as collateral by NBFCs shall be deducted from the Exposure;
 - (d) thirty per cent (30) of listed Term Finance Certificates and Sukuks and shares of the KSE 100 index companies held as security with duly marked lien shall be deducted:

Explanation.- The TFCs and Sukuks to qualify for this purpose should have been rated at least 'A' or equivalent by a credit rating agency registered with the Commission;

1 Proviso inserted by SRO 1233(I)/2019 dated October 16, 2019.

2 Substituted for the full-stop by SRO 279(I)/2020 dated March 31, 2020.

3 Proviso inserted by SRO 279(I)/2020 dated March 31, 2020.

4 Sub-regulation (3) substituted by SRO 639(I)/2019 dated June 20, 2019.

5 Words inserted by SRO 592(I)/2023 dated May 17, 2023.

- (e) seventy five per cent (75) of the Encashment Value of a Life Policy issued by an A-rated insurance company, duly assigned and endorsed in favor of the lending NBFC using its as a Security"; and
- (f) the following weightage will be applicable in respect of placements with financial institutions,-
 - (i) 10% weightage on Exposure to financial institutions with 'AAA' Rating;
 - (ii) 25% weightage on Exposure to financial institutions rated at least 'AA';
 - (iii) 75% weightage on Exposure to financial institutions rated at least 'A'.]

¹[(5) This regulation shall not apply to an NBFC not accessing Public Funds in Pakistan provided that such NBFC shall determine its internal prudential limits, restrictions and requirements for exposure as per the credit and risk management policies duly approved by its Board.

Explanation:- Public Funds include public deposits, inter-corporate deposits, certificate of deposits and all funds received whether directly or indirectly from outside sources such as funds raised by issue of shares, debentures, commercial papers, etc. that are listed or publicly traded. Further, indirect receipts of public funds mean funds received not directly but through associates and group entities which have access to public funds;]

²[**17A. Maintenance of Capital Adequacy Ratio ('CAR').-** A deposit taking NBFC shall be required to maintain CAR of eight per cent (8) for the first two years from coming into force of these regulations and ten per cent (10) for subsequent years as per the criteria given in Schedule IXA.

17B. Asset Liability Management System.- The board of directors of a deposit taking NBFC shall approve a policy for effective monitoring of the NBFC's assets and liabilities profiles for managing liquidity risks by containing mismatches (running total) in maturity of assets and liabilities across all time buckets by establishing internal prudential limits.

17C. Exposure Limits in Capital Market.- (1) An NBFC's aggregate exposure in listed equity securities (in the ready as well as in futures market), and spread transactions shall not exceed fifty percent of its equity.

Explanation:- For the purpose of this Regulation "spread transactions" mean such transactions where shares of one company are purchased on one settlement date and simultaneously sold on another settlement date, that will be considered as one transaction:

Provided that the above condition shall not be applicable on non-deposit taking NBFCs.

(2) An NBFC's investment in equity securities of any company shall not exceed ten percent (10) of the paid-up capital of the investee company or ten per cent (10) of its own equity, whichever is less and the shares acquired in excess of the ten per cent limit, due to the Underwriting Commitments, shall be sold off within a period of six months from the date of acquisition of such shares:

¹ Sub-regulation (5) substituted by SRO 592(I)/2023, dated May 17, 2023. Earlier it was inserted by SRO 279(I)/2020 dated March 31, 2020.

² Regulations 17A to 17C inserted by SRO 1160(I)/2015 dated November 25, 2015.

Provided that the amount of provisions created against permanent diminution shall be deducted from the cost of acquisition of equity investments and the maximum limit:

Provided further that the above restriction shall not be applicable to investments made by an NBFC in its own subsidiaries and long term strategic investments out of surplus equity.

Explanation:- For the purpose of this Regulation "investments in equity securities" shall be valued at cost of acquisition for the purpose of calculating the above limit.]

¹[18. Limit on clean placements.- An NBFC shall make clean placement only with financial institutions rated at least A- or equivalent by a credit rating agency registered with the Commission:

Provided further that the aggregate Exposure of Deposit taking NBFC shall not exceed its equity.

Explanation. For the purpose of this Regulation "clean placement" means Exposure without taking any security or collateral.]

³[25. Classification and Provisioning for non-performing assets.- ⁴[(1) A Lending NBFC shall observe the criteria for classification of its assets and provisioning as provided in Schedule X:

Provided that in case of loans of up to Rs. 100,000 that are not secured by any Tangible Security and having a duration of up to six months, provided by lending NBFCs engaged in Investment Finance Services, the classification criteria specified for Micro Finance portfolio in Schedule X shall apply. Notwithstanding anything contained in this sub-regulation, after adoption and implementation of IFRS 9, the requirements of IFRS 9 shall be applicable.]

(2) In addition to time based criteria provided in Schedule X subjective evaluation of performing and non-performing Finance shall be made for risk assessment and where considered necessary the category of classification determined on the basis of the aforementioned time based criteria shall be further downgraded:

Provided that such evaluation shall be carried out on the basis of adequacy of security inclusive of its realizable value, cash flow of the Borrower or lessee, operations in the account and records covering advances and credit worthiness of the Borrower or lessee.

(3) The status of classification of a rescheduled or restructured non-performing Finance shall be changed only when the terms and conditions of the rescheduled or restructured Finance are full met for a period of at least six months (excluding grace period, if any) from the date of such rescheduling or

1 Regulation 18 substituted by SRO 1160(I)/2015 dated November 25, 2015.

2 Regulation 18A substituted by SRO 279(I)/2020 dated March 31, 2020. Earlier it was inserted by SRO 1160(I)/2015 dated November 25, 2015.

3 Regulation 25 substituted by SRO 1160(I)/2015 dated November 25, 2015.

4 Sub-regulation (1) substituted by SRO 592(I)/2023 dated May 17, 2023.

restructuring and when at least 20% of the outstanding amount (principal and mark up) is recovered in cash:

Provided that the above condition of six months retention period shall not apply if the Borrower repays or adjusts at least 50% of the restructured or rescheduled loan amount (principal and markup) in cash either at the time of restructuring agreement or later-on during the grace period if any.

(4) An NBFC shall ensure that the status of classification and provisioning of a rescheduled or restructured non-performing Finance is not changed in its reports to the Commission merely due to rescheduling or restructuring of a Finance and rescheduled or restructured Finance shall be reported to the Credit Information Bureau as such and not as default.

(5) Where the Borrower subsequently defaults (either on principal or mark-up) after the rescheduling or restructuring of the non-performing Finance the NBFC shall classify the Finance in the same category as it was in at the time of rescheduling or restructuring and NBFC may further downgrade the classification after taking into account the applicable criteria stated in Schedule X.

(6) At the time of rescheduling or restructuring, an NBFC shall reconsider, re-examine and record in detail the viability of the project or business and shall accordingly obtain a revised business plan, latest CIB report and endeavor to obtain additional security to protect its interests.

(7) A Lending NBFC shall take benefit of realizable value of assets held as collateral against non-performing Finance as per criteria given in Schedule XI;

(8) Subjective evaluation of investment portfolio and other assets shall be carried out by the NBFC. Classification of such assets and provisioning required against them shall be determined by keeping in view the risks involved and the requirements of the International Accounting Standards as notified by the Commission under Section 234(3) of the Ordinance and the Technical Releases issued by the ICAP, from time to time.

(9) An NBFC shall review, at least on a quarterly basis, the recovery of their Finance, portfolio and shall properly document the evaluations so made:

Provided that shortfall in provisioning, if any, determined as a result of quarterly assessment, shall immediately be provided in the books of accounts by the NBFC.

(10) The external auditors as a part of the annual audit of the NBFC shall verify that all requirements under these Regulations or any other circular issued by the Commission for classification of assets and determination of provisions required against them have been complied with.]

**¹[Minimum Equity Requirement
see Regulation 4]**

Form of Business	Minimum equity Requirement
New deposit taking NBFCs for obtaining license of Investment Finance Services or Leasing or Discounting or Housing Finance Services	Rs. 1,000 million
Existing NBFCs with valid deposit taking permission having Investment Finance Services license	Rs. 750 million
Existing NBFCs with valid deposit taking permission having Leasing license	Rs. 500 million
Non-deposit taking NBFCs for Investment Finance Services license	Rs. 100 million Rs. 40 million for Digital Lending
Non-Bank Microfinance Company for Investment Finance Services License *	Rs. 50 million Rs. 20 million for Digital Lending
Non-deposit taking NBFCs for Leasing or Discounting or Housing Finance Services license	Rs. 50 million for each form of business Rs. 20 million for Digital Lending
Asset Management Services	Rs.200 million Rs. 50 million for Digital Asset Management Services
Investment Advisory Services	Rs. 30 million Rs. 10 million for Digital Asset Management Services

Note:

*The Non-Bank Micro Finance Companies which do not have share capital shall maintain minimum "Fund and Reserves" (being the excess of assets over liabilities excluding surplus on revaluation of assets and investments) equal to the amount of minimum equity requirement as prescribed in the above table.]

1 Schedule I substituted by SRO 592(I)/2023, dated May 17, 2023. Earlier it was substituted by SRO 1160(I)/2015 dated November 25, 2015.

¹[Schedule- IX**FIT AND PROPER CRITERIA**

[see Rule 3 and Regulations 2(1)(xvii) and 10]

DEFINITIONS

²["Form of Business", for the purpose of this Schedule, shall include form of business as mentioned in Regulation 3 and Pension Fund Scheme Business.

"Key Executive" means key executive of an entity licensed to undertake any form of business and includes, *inter alia*, the persons discharging the following functional responsibilities.]

- a. Any executive, officer acting as second to chief executive officer including chief operating officer or by whatever name called;
- b. any person responsible for heading any specific licensed form of business
- c. chief financial officer, head of accounts or head of finance;
- d. head of internal audit;
- e. head of information technology;
- f. head of credit or risk management;
- g. head of human resource;
- h. head of operations;
- i. head of marketing/sales;
- j. head of research;
- k. head of treasury;
- l. chief investment officer;
- m. head of law, company secretary or compliance officer;
- n. fund manager; and
- o. any other functional responsibility which the Commission may include.

APPLICATION AND SCOPE

³[(1) The Fit and Proper Criteria in relation to a form of business is applicable to the following persons:

- i. promoters and major shareholders;
- ii. Director;
- iii. Chief Executive; and
- iv. Key Executives.]

(2) A proposed director or chief executive shall not assume the charge of office until their appointment has been approved by the Commission.

(3) The application for seeking approval of the Commission under clause (2) shall be submitted along with the requisite information required under Annexure "A" and an Affidavit as specified in Annexure "B".

(4) The appointment of Key Executives does not require the approval of the Commission; however, the person subject to Fit and Proper Criteria shall ensure at the time of appointing a Key Executive that such person qualifies the Fit and Proper Criteria.]

(5) The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:

- (a) Integrity and track record of such person;
- (b) Financial soundness of such person;

1 Schedule IX substituted by SRO 1160(I)/2015 dated November 25, 2015.

2 Substituted for "Key Executive" means key executives of the NBFC, Investment Company and includes, *inter alia*, the persons discharging the following functional responsibilities,-" by SRO 592(I)/2023 dated May 17, 2023.

3 Sub-paragraph (1) to (4) substituted by SRO 592(I)/2023 dated May 17, 2023.

(c) Competence and capability of the person; and

¹[(d) Conflict of interest of such person with the business.]

²[Provided that 5(c) and (d) may not be considered while assessing the fitness & propriety of promoters and major shareholder.

Provided further that in case the sponsor and major shareholder is a body corporate, in addition to the relevant/applicable clauses, corporate behavior of the said body corporate and integrity & track record of the sponsor and ultimate beneficial owners of such corporate body shall be duly considered.

Explanation: For the purpose of this clause, the term "ultimate beneficial owner" shall have the similar meaning as defined under 123A of the Companies Act, 2017.]

³[(6) The Fit and Proper Criteria is perpetual in nature and the person subject to Fit and Proper Criteria shall ensure compliance with the provisions of Fit and Proper Criteria.]

⁴[]

⁵[(8) All persons subject to Fit and Proper Criteria shall report any change with reference to their fitness and propriety to the Company Secretary within three business days of such change taking effect and the Company Secretary subject to Fit and Proper Criteria shall within a period of seven business days from the date of receipt, report the same to the Commission.

⁶[(9) The companies engaged in respective form of business shall monitor whether any change in the status of its chief executive, directors and key executives is contrary to the requirements of the Fit and Proper Criteria. In case of any change in status, results in non-compliance with the Fit and Proper Criteria, the Board of companies engaged in respective form of business shall immediately stop the person from performing his assigned functions, shall inform the Commission and initiate the process for replacement of the individual with a fit and proper individual.]

(10) Any violations or circumvention of the Fit and Proper Criteria shall be dealt with under the provisions of the Ordinance.

ASSESSMENT OF FITNESS AND PROPRIETY

(a) Integrity and Track Record

A person shall not be considered Fit and Proper if he:

(i) has been convicted of an offence involving moral turpitude;

⁷[(ii) has been convicted of mismanagement of investments, financial or business misconduct, fraud etc.

(iii) has been convicted, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;]

1 Clause (d) substituted by SRO 592(I)/2023 dated May 17, 2023.

2 Provisos substituted by SRO 592(I)/2023 dated May 17, 2023.

3 Sub-paragraph (6) substituted by SRO 592(I)/2023 dated May 17, 2023.

4 Clause 7 omitted by SRO 639(I)/2019 dated June 20, 2019.

5 Sub-paragraph (8) substituted by SRO 592(I)/2023 dated May 17, 2023.

6 Sub-paragraph (9) substituted by SRO 592(I)/2023 dated May 17, 2023.

7 Sub-paragraph (ii) & (iii) substituted by SRO 592(I)/2023 dated May 17, 2023.

- (iv) has been actively involved in the management of a company or firm whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices ^{1[:]}
 - ²[Provided that in case of non-executive nominee directors representing institutional interest and who otherwise do not have any personal interest, the Commission may, after seeking explanation and if satisfied, after reasons to be recorded in writing, relax this requirement on case to case basis subject to such conditions as it may deem fit.]
- (v) is ineligible, under the Ordinance or any other legislation or regulation, from acting as a director or serving in a managerial capacity of an NBFC or a company;
- (vi) has entered into a plea bargain arrangement with the National Accountability Bureau ^{3[:]}
 - ⁴[]
- ⁵[(vii) in case of promoters or major shareholder, does not have the requisite disclosed and verifiable financial resources.]
- ⁶[(viii) has been convicted in criminal breach of trust, fraud, offences of terrorism financing or money laundering including predicate offences as provided in the Anti-Money Laundering (AML) Act, 2010, laws make thereunder, or any other AML/ CFT (Countering Financing of Terrorism) requirements notified by the Commission, and is a proscribed persons, either convicted or not, "as mentioned in the notifications issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions or intimation from National Counter Terrorism Authority/ Law Enforcement Agencies/ Home Departments of Provinces/ Ministry of Interior]

(b) Financial soundness

In determining a person's financial soundness, the following shall be considered:

- (i) whether such person's financial statements or record including wealth statements or income tax returns or assessment orders are available;
- (ii) whether the person has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;
- ⁷[(iii) whether any instance of overdue or past due payment to a financial institution, irrespective of amount, is appearing in the overdue column of latest CIS report of the person and of the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc.]

Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment;

Provided further that the following exceptions may be granted by the Commission for the purpose of this sub-clause in case where:-

- (a) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIS report; and

1 Substituted for the semi-colon by SRO 581(I)/2021 dated May 20, 2021.

2 Proviso inserted by SRO 581(I)/2021 dated May 20, 2021.

3 Colon inserted by SRO 581(I)/2021 dated May 20, 2021.

4 Proviso omitted by SRO 592(I)/2023 dated May 17, 2023. Earlier it was inserted by SRO 581(I)/2021 dated May 20, 2021.

5 Sub-paragraph (vii) substituted by SRO 592(I)/2023 dated May 17, 2023.

6 Clause (viii) inserted by SRO 592(I)/2023, dated May 17, 2023. Earlier a different clause (viii) was omitted SRO 581(I)/2021 dated May 20, 2021.

7 Sub-clause (iii) substituted by SRO 434(I)/2016 dated May 20, 2016.

- (b) No overdue payment appearing in the overdue column in the subsequent latest CIB report;]
- (iv) whether the person has applied to be adjudicated as an insolvent and his application is pending;
- (v) whether the person is an un-discharged insolvent; and
- (vi) whether the person has been declared a defaulter by a stock exchange.

(c) Competence and Capability

In determining a person's competence and capability the following shall be considered:

- (i) the directors should be individuals having management or business experience of at least five years at a senior level;
¹[Provided that this condition shall not apply in case of sponsor directors, however, conditions prescribed in Schedule I of the NBFC Rules, 2003 shall apply.]
- ²[(ii) the directors shall have experience and knowledge in any related profession such as banking, accounting, law, internal audit or information technology etc.]
- (iii) the chief executive should have a minimum experience of seven to ten years in a senior management position, preferably in the regulated financial services sector;
- (iv) the chief executive should have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position; and
- ³[(iva) where the Commission is not satisfied on sufficiency of the suitability criteria, it may conduct an interview of the chief executive to assess his/her suitability for the position.]
- (v) the key executives must be qualified professionals possessing relevant experience and certification relating to the job or assignment.

(d) Conflict of interest

⁴[The directors or chief executive shall not:]

- ⁵[(i) be a director in any entity licensed to undertake any other similar form of business engaged in a similar activity in Pakistan.]
⁶[
⁷Provided further that this condition shall not apply to chief executive of Non-Bank Micro Finance Companies up till June 30, 2017 and shall not apply to directors of Non-Bank Micro Finance Companies up till December 31, 2017;]
- (ii) be a director, chief executive, chief financial officer, chief internal auditor, research analyst or a trader (by whatever name or designation called) in a stock brokerage house or in any company or entity owned and controlled by a member of a stock exchange; and

1 Proviso substituted by SRO 581(I)/2021, dated May 20, 2021. Earlier it was inserted by SRO 639(I)/2019 dated June 20, 2019.

2 Clause (ii) substituted by SRO 592(I)/2023, dated May 17, 2023.

3 Sub-clause (iva) inserted by SRO 581(I)/2021, dated May 20, 2021.

4 Substituted for "The directors or chief executive of NBFC and Investment Company shall not:" by SRO 592(I)/2023, dated May 17, 2023.

5 Clause (i) substituted by SRO 592(I)/2023, dated May 17, 2023.

6 Proviso omitted by SRO 639(I)/2019 dated June 20, 2019.

7 Proviso inserted by SRO 789(I)/2016 dated August 23, 2016.

- (iii) be a member of a stock exchange engaged in the business of brokerage or is a spouse of such member or in control of more than 20% shareholding, directly or indirectly through his close relatives.

¹[Provided that the condition given in point (ii) and (iii) above, shall not apply to the Non-deposit taking lending NBFCs. In case of Key Executives, the person subject to Fit and Proper Criteria must ensure that no Key Executive shall head more than one functional area that give rise to conflict of interest within the organization. For example, the departments of audit and accounts shall not be headed by the same person. Further, a key executive shall not hold directorship in his or her personal capacity:

- (a) in a business concern which is also a client of the person subject to fit and Proper Criteria; and
- (b) in any other financial institution.]

In case of Key Executives, the NBFCs and Investment Company must ensure that no Key Executive shall head more than one functional area that give rise to conflict of interest within the organization. For example, the departments of audit and accounts shall not be headed by the same person. Further, a key executive shall not hold directorship in his or her personal capacity:

- (a) in a business concern which is also a client of the NBFC, Investment Company and
- (b) in any other financial institution.]

²[Annexure A

³[(a) Information to be provided by promoters, major shareholders (other than a body corporate), proposed directors and proposed chief executive

1.	Personal and Professional Details:
	a. Name: (former name if any):
	b. C.N.I.C # / Passport # (In case of foreign nationals) –(attach copy)
	c. Contact details:
	i) Address:
	ii) Mobile:
	iii) E-mail:
	d. Present occupation:
	e. Details of Academic and Professional Qualifications: Board of Directors of NBFC engaged in respective form of business shall ensure verification of credentials and degrees of the Chief Executive
	f. Trainings
	g. Experience and Other Directorships: Position and other Directorships held during the last ten years (along with name and address of company/institution/body where appointment/directorship held, nature of the company/institution/body and dates of appointment/directorship).
2.	Status of directorship Shareholder <input type="checkbox"/> Nominee <input type="checkbox"/> Name of the shareholders/ Group of shareholders he is representing Nature of directorship Executive <input type="checkbox"/> Non-executive <input type="checkbox"/> Independent <input type="checkbox"/> Non-independent <input type="checkbox"/>

1 Proviso substituted by SRO 592(I)/2023, dated May 17, 2023.

2 Annexure A substituted by SRO 1160(I)/2015 dated November 25, 2015.

3 Clause (a) substituted by SRO 592(I)/2023, dated May 17, 2023.

3.	In the case of appointment of directors the date of board of directors' meeting in which the appointment of proposed director was approved. (Attach copy of the minutes of the meeting of the board of directors. If the director is elected, then attach a copy of the minutes of the general meeting of the company.)
4.	Names of persons on the board of the NBFC subject to Fit and Proper criteria who are related to the applicant.

Signature _____

*use additional sheets if required]

¹[(b) Information to be provided by a body corporate as promoters and major shareholders:

1. Financial statements for the last three years;
2. Physical Address of business places;
3. Shareholding details including details of ultimate beneficial owners:
Explanation. – For the purpose of this clause, the term “ultimate beneficial owner” shall have the similar meaning as defined under 123A (Explanation) of the Companies Act, 2017.
4. Any substantial adverse verdicts against the Company from any Court of Law during the last ten years
5. Details of associated companies and subsidiaries;
6. Details of any inquiry, investigation conducted by any other regulatory or professional body or government agency during the last five years; and
7. Any other information as may be required by the Commission.]

²[Annexure B**Affidavit****Before the Securities and Exchange Commission of Pakistan**

(On Stamp Paper of Appropriate Value)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ do hereby state on solemn affirmation as under:-

1. That I am eligible for the position of _____ according to the Fit and Proper Criteria for the position of _____, annexed to the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
2. That I hereby confirm that the statements made, undertakings provided and the information given by me including that required under Schedule IX is correct and that there are no facts which have been concealed;
3. That I have no objection if the Securities and Exchange Commission of Pakistan requests or obtains information about me from any third party;
4. That I undertake to bring to the attention of the Securities Exchange Commission of Pakistan any matter which may potentially affect my status for the position of _____ as per the Fit and Proper Criteria annexed to the Non-Banking Finance Companies and Notified Entities Regulations, 2008;

1 Clause (b) substituted by SRO 592(I)/2023, dated May 17, 2023.

2 Annexure-B substituted by SRO 1160(I)/2015 dated November 25, 2015.

5. That all the documents provided to Securities Exchange Commission of Pakistan are true copies of the originals and I have compared the copies with their respective originals and certify them to be true copies thereof;
6. That I have not availed any write off from any financial institution during the last five years;
7. That I have not defaulted against any Finance obtained from any financial institution during the last five years;
8. That I have not been placed on Exit Control List (ECL) during the last five years;
9. That I have not been convicted from any Court of Law or any plea bargain with National Accountability Bureau (NAB) during the last ten years;
10. I hereby confirm that the companies, firms, sole proprietorship etc. where I am a chief executive, director (other than nominee director), major shareholder, owner or partner etc. has no overdue loan payment and instalment outstanding towards banks or other financial institutions;
11. I have not been associated with any illegal banking business, deposit taking or financial dealings;
12. Neither I nor companies in which I am a director or major shareholder has defaulted in paying taxes as on the date of application;
13. I have not been a sponsor, director or chief executive of a defaulting cooperative finance society or finance company;
14. I have never been convicted of fraud or breach of trust or of an offence involving moral turpitude or removed from service for misconduct;
15. I have neither been adjudged an insolvent nor has defaulted in making payments, to my creditors;
16. My net-worth is not less than twice the amount to be subscribed by me personally (not applicable to a nominee director);
17. I do solemnly declare that no investigations have been initiated against me by any Law Enforcement Agencies.]

¹[]

1 Annexure-C omitted by SRO 592(I)/2023, dated May 17, 2023. Earlier it was inserted by SRO 1160(I)/2015 dated November 25, 2015.

COMPENDIUM
OF
CORPORATE LAWS

¹[SCHEDULE – X

[see Regulation 25]

(a) For Housing Finance and Financing to Small Enterprises

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
OAEM	Where installment, mark-up, interest, profit or principal is overdue by 90 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	
Substandard.	Where installment, mark-up, interest, profit or principal is overdue by 180 days or more from the due date.	As above	Provision of 25% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Doubtful.	Where installment, mark-up, interest, profit or principal is overdue by one year or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally

¹ Schedule X substituted by SRO 592(I)/2023, dated May 17, 2023. Earlier it was substituted by SRO 1160(I)/2015 dated November 25, 2015.

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
			held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Loss.	Where installment, mark-up, interest, profit or principal is overdue by one and half year in case of small enterprise finance and two years in case of Housing Finance or more from the due date. (b) Where financial instruments discounted are not paid or adjusted within 180 days of the due date.	As above. As above.	Provision of 100% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.

(b) For Micro Finance Portfolio

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
OAEM (Other Assets Especially Mentioned)	Where installment, mark-up, interest, profit or principal is overdue by 30 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	No provision is required
Sub-standard	Where installment, mark-up, interest, profit or principal is overdue by 60 days	Unrealized mark-up, interest or profit to be put in Suspense Account	Provision of 25% of the difference resulting from the outstanding balance

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
	or more from the due date.	and not to be credited to Income Account except when realized in cash.	of principal against the Finance less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Doubtful	Where installment, mark-up, interest, profit or principal is overdue by 90 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	Provision of 50% of the difference resulting from the outstanding balance of principal against the Finance less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Loss	Where installment, mark-up, interest, profit or principal is overdue by 180 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	Provision of 100% of the difference resulting from the outstanding balance of principal against the Finance less the amount of Liquid Assets realizable without recourse to a

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
			Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.

Note: Classified finance facilities, loans or advances that have been guaranteed by the Government would not require provisioning; however, markup, interest or profit on such accounts shall be taken to suspense account instead of income account.

(c). For all Financing Facilities Other than Micro Finance, Housing Finance and Financing to “small enterprises”

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
Substandard	Where installment, mark-up, interest, profit or principal is overdue by 90 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	Provision of 25% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Doubtful.	Where installment, mark-up, interest, profit or principal is overdue by 180 days or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal against the facility less the

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
			amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Loss.	Where installment, mark-up, interest, profit or principal is overdue by one year or more from the due date. (b) Where financial instruments discounted are not paid or adjusted within 180 days of the due date.	As above. As above.	Provision of 100% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.

Note: Moreover, in case the exposure is covered against guarantee issued by an NBFC engaged exclusively in the business of issuance of guarantees and the NBFC continues to make regular payments as per agreed repayment schedule on behalf of the borrower post guarantee call, no classification or provisioning shall be required.]

¹[SCHEDULE – XI**[see Regulation 25]****Uniform criteria for determining the value of assets held as collateral**

- (a) Only Liquid Assets, leased assets, pledged stocks, plant & machinery with exclusive/first pari passu charge and property having registered or equitable mortgage (where NOC for creating further charge has not been issued by NBFC) shall be considered for taking benefit for provisioning. The aforesaid assets having pari-passu charge shall be considered on proportionate basis of the outstanding amount;
- (b) Hypothecated assets and assets with second charge or floating charge shall not be considered;
- (c) Valuations of leased assets, pledged stocks, plant & machinery with exclusive/first pari passu charge and mortgaged properties shall be carried out by an independent professional evaluator listed on the panel of evaluators maintained by the Pakistan Banks' Association;
- (d) The evaluators while assigning any values to the leased assets, pledged stocks and mortgaged properties held as collateral, shall take into account all relevant factors affecting the salability of such assets including any difficulty in obtaining their possession, their location, their condition and the prevailing economic conditions in the relevant sector, business or industry. The realizable value of mortgaged, pledged and leased assets determined by the evaluators must take into account the amount that can be realized from the asset if sold in a forced or distressed sale condition. The evaluators shall in their report explain the assumptions, calculations, formula and method adopted in determination of the realizable values;
- (e) The realizable values of leased assets, pledged stocks and mortgaged properties determined by the evaluators shall be subject to verification by the external auditors, who may reject cases of valuation, which in their opinion -
 - (i) do not appear to have been professionally carried out and values determined are unreasonable, or
 - (ii) are not backed by valid documentation of mortgage, pledge or leased assets and are not supported by legal opinion wherever required.
- (f) The categories of liquid assets, pledged stock, leased assets and mortgaged property to be considered for valuation along with discounting factors to be applied would be as under (Apart from the following, no other assets shall be taken into consideration):
 - (i) Liquid Assets:

Valuation of Liquid Assets shall be determined by the NBFC itself and verified by the external auditors. However, in the case of pledged shares of listed companies, value should be taken at market value as per active list of Stock Exchange(s) on the balance sheet date. Moreover, valuation of shares pledged against Financing shall be considered only if these have been placed Central Depository Company of Pakistan (CDC), otherwise these will not be admissible for deduction as liquid assets while determining required provisions.

¹Schedule XI substituted by SRO 592(I)/2023, dated May 17, 2023. Earlier it was inserted by SRO 1160(I)/2015 dated November 25, 2015.

- (ii) Leased assets, plant & machinery with exclusive/first pari passu charge and mortgaged properties:

The value of the leased assets, plant & machinery with exclusive/first pari passu charge and mortgaged properties to be considered for provisioning purpose shall be the FSV and the FSV once determined, shall remain valid for three years from the date of the valuation during which period the leased plant & machinery with exclusive/first pari passu charge and mortgaged assets will not be revalued for provisioning purpose. Also, the adjustment factors of 80%, 70% and 50% in case of leased and mortgaged assets and 30%, 20% and 10% for plant & machinery with exclusive/first pari passu charge shall be applied on the value so determined for the purpose of determining provisioning requirement in 1st, 2nd and 3rd year of valuation, respectively. Thereafter, the assets shall be revalued and the adjustment factor of 50% in case of leased and mortgaged assets and 10% in case of plant & machinery with exclusive/first pari passu charge shall be applied for all subsequent years.

The FSV of leased and mortgaged assets shall be restricted to fresh revaluation or previous value, whichever is less. In case of NBFCs, licensed by the Commission to undertake housing finance services, FSV once determined, shall remain valid for a period of ten years from the date of valuation and an adjustment factor of 70% shall be applied on the value so determined for the purpose of determining provisioning requirement in respect of housing finance for the said period.

Except for a Housing Finance Company, if a valuation is older than three years, a fresh re-valuation shall be carried out failing which the valuation shall be taken as nil.

- (iii) Pledged stocks

The value of the pledged stocks of perishable and non-perishable goods to be considered for provisioning purpose shall be the FSV. In case of pledged stocks, FSV provided by evaluators should not be more than six months old at each balance sheet date. The goods should be perfectly pledged, the operation of the godown(s) or warehouse(s) should be in the control of the NBFC and regular valid insurance for the benefit of the NBFC, premium payment receipts and other documents should be available. In case of perishable goods, the evaluator should also give the approximate date when these are expected to be of no value. The NBFC shall receive monthly stock statements and conduct quarterly inspections of the pledged goods.

- (g). Non-performing Finance against which security or in case of lease, additional security is not available, or where mortgaged, pledged or leased assets have not been valued and verified by external auditors, such Finance shall continue to be classified and provided for according to the time-based criteria prescribed in Schedule X.]

INSURANCE ORDINANCE, 2000

CONTENTS

(Arrangement of Sections)

Section	Title/Description	Page No.
PART I PRELIMINARY		
1.	Short title, extent and commencement.....	664
2.	Definitions	664
3.	Division of insurance business into life and non-life	675
4.	Classes of life and non-life business	676
PART II PROVISIONS APPLICABLE TO INSURERS		
5.	Persons eligible to transact insurance business.....	679
6.	Registration of insurers	679
7.	Commission may register insurer upon satisfaction	681
8.	Inspection and supply of copies filed with Commission.....	682
9.	Duration and revocation of registration	683
10.	Notification of grant or revocation of registration.....	683
11.	Conditions imposed on registered insurers	683
12.	Criteria for sound and prudent management.....	684
13.	Restriction on issue of certain life policies.....	685
PART III STATUTORY FUNDS OF AND OTHER SPECIAL REQUIREMENTS FOR LIFE INSURANCE COMPANIES		
14.	Statutory and other funds of life insurance companies.....	686
15.	[Section 15 to 27 are not included in syllabus]	
PART IV REQUIREMENTS AS TO CAPITAL AND STATUTORY DEPOSITS		
28.	Requirements as to capital.....	687
29.	[Section 29 to 34 are not included in syllabus]	
PART V SOLVENCY REQUIREMENTS		
35.	Net admissible assets of life insurers	688
36.	Insurers of non-life insurance business to have assets in excess of minimum solvency requirement	689
37.	[Section 37 to 44 are not included in syllabus]	
PART VI REINSURANCE ARRANGEMENTS		
45.	Books and records	690
46.	Accounting and reporting	690
47.	Compliance with companies laws relating to accounts, reports, etc.....	692
48.	Audit.....	693
	[Sections 49 to 172 are not included in syllabus].	

INSURANCE ORDINANCE, 2000

[Selective Portion only]

AN ORDINANCE

To regulate the business of the insurance industry to ensure the protection of the interests of insurance policy holders and to promote sound development of the insurance industry and for matters connected therewith and incidental thereto;

WHEREAS, it is expedient to repeal and re-enact the law relating to the business of insurance;

AND WHEREAS the National Assembly and the Senate stand suspended in pursuance of Proclamation of Emergency of the fourteenth day of October, 1999, and the Provisional Constitution Order No. 1 of 1999;

AND WHEREAS the President is satisfied that circumstances exist which render it necessary to take immediate action;

NOW, THEREFORE, in pursuance of the proclamation of Emergency of the fourteenth day of October, 1999, and Provisional Constitution Order No. 1 of 1999, as well as Order No. 9 of 1999, and in exercise of all powers enabling him in that behalf, the President of the Islamic Republic of Pakistan is pleased to make and promulgate the following Ordinance:-

PART I PRELIMINARY

1. Short title, extent and commencement.- (1) This Ordinance may be called the Insurance Ordinance, 2000.

- (2) It extends to the whole of Pakistan.
- (3) It shall come into force at once.

2. Definitions.- In this Ordinance, unless there is anything repugnant in the subject or context,-

- (i) "actuary" means a person possessing such actuarial qualifications as may be prescribed;
- (ii) "appointed actuary" means the actuary required to be appointed by a life insurer pursuant to the provisions of section 26 of this Ordinance;
- (iii) "approved securities" means Government securities, and any other security charged on the revenues of the Federal Government or of a Provincial Government, or guaranteed fully as regards principal and profit or return (however called or designated) by the Federal Government or a Provincial Government; and any debenture or other security for money issued under the authority of any Act of the Federal Legislature or any Provincial Legislature by or on behalf of the trustees of the port of Karachi; any security issued under the authority of any Act of Parliament or of a Provincial Assembly; and any security specified as

- an approved security for the purpose of this Ordinance by the Federal Government by notification in the official Gazette;
- (iv) "approved auditor" means an auditor approved by the Commission for the purpose of performing the functions assigned to auditors under this Ordinance;
 - (v) "auditor" means a person qualified under the provisions of section 254 of the Companies Ordinance, 1984 (XLVII of 1984), to act as an auditor of companies;
 - (vi) "authorised person" means, in the case of a company, a director, including the chief executive, (by whatever name called), or in the case of insurers being bodies corporate incorporated outside Pakistan and continuing business as such after the commencement of this Ordinance, the closest comparable equivalent thereto, under the laws of the place of incorporation of such foreign body corporate;
 - (vii) "banking company" has the meaning assigned to the term in clause (a) of section 2 of the Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997 (XV of 1997);
 - (viii) "base rate" means the effective annual rate implied by the most recent repurchase rate that is published from time to time in a circular issued by the Securities Department of the State Bank of Pakistan for six months Pakistan Treasury Bills, or, if such rate is not available, the most recent repurchase rate for six months Short Term Federal Bonds, or, if neither of such rates is available, the most recent repurchase rate for any other short term paper issued by the Federal Government of an approximately similar tenor, whether in addition to or in substitution for any of the foregoing;
 - (ix) "Board" means the Policy Board established under section 12 of the SECP Act;
 - (x) "borrower" has the meaning assigned to the term in clause (c) of section 2 of the Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997 (XV of 1997);
 - (xi) "certified" in relation to any copy or translation of a document required to be furnished by or on behalf of an insurer means certified by an authorised person on behalf of such insurer to be a true copy or a correct translation, as the case may be;
 - (xii) "class of business" means a classification of insurance business having similar characteristics, into which life insurance or non-life insurance may be divided;
 - (xiii) "Commission" means the Securities and Exchange Commission of Pakistan constituted under section 3 of the SECP Act;
 - (xiv) "company" has the meaning assigned to it in clause (7) of sub-section (1) of section 2 of the Companies Ordinance, 1984 and includes an existing company as defined in clause (15) of sub- section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);

- (xv) "continuous disability contract" means a contract under which a benefit is payable in the event of: (i) the death, by a cause specified in the contract, of the person whose life is insured (the "insured"); or (ii) injury to, or disability of, the insured as a result of accident or sickness; or (iii) the insured being found to have a specified medical condition or disease;
- (xvi) "Court" means the principal civil Court of original jurisdiction in a District, and includes a High Court in exercise of its ordinary civil jurisdiction; and in relation to Part IX and Part XVIII, shall have the meaning as in section 7 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xvii) "customer" has the meaning assigned to the term in clause (d) of section 2 of the Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997 (XV of 1997);
- (xviii) "direct", in relation to the business of insurance, means insurance other than reinsurance;
- (xix) "domestic insurance policy" means a contract of insurance that provides insurance cover in respect of loss of or damage to a building used primarily and principally as a residence for the policy holder, for persons with whom the policy holder has a family or personal relationship, or for both the policy holder and such persons, or loss of or damage to the contents of such a building, or both;
- (xx) "duly attested" means attested in the manner required for financial or future obligations by Article 17 of the Qanun-e-Shahadat Order, 1984 (P.O. 10 of 1984);
- (xxi) "electronic media" includes the internet, radio, television, tapes, cassettes, all forms of electronic recording media including computer diskettes and CD-ROMs;
- (xxii) "encumbrance" in relation to any property, movable or immovable, means any mortgage, charge (fixed or floating), hypothecation, pledge, assignment or transfer by way of security, or any other form of security or ownership interest less than absolute legal and beneficial ownership;
- (xxiii) "eligible person" means a person specified in clauses (a) and (b) of subsection (1) of section 5;
- (xxiv) "finance" has the meaning assigned to the term in clause (e) of section 2 of the Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997 (XV of 1997);
- (xxv) "Government securities" means Government securities as defined in the Securities Act, 1920 (X of 1920);
- (xxvi) "group" in relation to contracts of life insurance, including health insurance, means contracts having a term not dependent on the termination or continuation of human life, under which the benefits are payable to a member of a group defined in the contract on the happening to that member during the term of the contract of a contingency defined in the contract, not being a contingency which is bound to happen;

- (xxvii) "insurance" means the business of entering into and carrying out policies or contracts, by whatever name called, whereby, in consideration of a premium received, a person promises to make payment to another person contingent upon the happening of an event, specified in the contract, on the happening of which the second-named person suffers loss, and includes reinsurance and retrocession: Provided that a contract of life insurance shall be deemed to be a contract of insurance notwithstanding that it may not comply with the definition set out in this clause;
- (xxviii) "insurance broker" means a person carrying on the business of insurance broking;
- (xxix) "insurance broking" means the arrangement of insurance for reward by a person other than an agent of an insurance company;
- (xxx) "Insurance Ombudsman" means the officer appointed by the Federal Government under section 125;
- (xxxi) "insurer" means: (i) any company or other body corporate carrying on the business of insurance, which is a company or other body corporate incorporated under any law for the time being in force in Pakistan; and (ii) any body corporate incorporated under the law of any jurisdiction outside Pakistan carrying on insurance business which carries on that business in Pakistan.
- (xxxii) "investment contract" means a contract of insurance, providing for benefits to be paid on death or on a specified date or dates before death where the benefits paid are calculated by reference to either a running account or units under the contract whether or not the minimum value of that account or those units is guaranteed and providing for the account to be increased during the currency of the contract;
- (xxxiii) "investment-linked" in relation to life insurance means investment contracts, the principal object of which is the provision of benefits calculated by reference to units, the value of which is related to the market value of a specified class or group of assets of the party by whom the benefits are to be provided;
- (xxxiv) "lender" means a person inside or outside Pakistan carrying on the business of advancing money by way of loans or finance and includes a banking company;
- (xxxv) "listed company" means a company, a body corporate or corporation (including a body corporate or corporation incorporated outside Pakistan) or other body whose securities are allowed to be traded on a stock exchange (inside or outside Pakistan);
- (xxxvi) "loan" has the meaning assigned to the term in clause (f) of section 2 of the Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997 (XV of 1997);
- (xxxvii) "managing agent" has the meaning ascribed to that term in section 206 of the Companies Ordinance, 1984 (XLVII of 1984);

- (xxxviii) "member of the family" in relation to any person, means the husband or a wife, the dependent father, mother, brother or sister, or a minor son or unmarried daughter of that person;
- (xxxix) "mutual insurance company" means an insurer, being a company incorporated under the law of Pakistan or any country or state other than Pakistan, which has no share capital and of which, by its constitution, only and all policy holders are members;
- (xli) "National Insurance Corporation" means the corporation established under the National Insurance Corporation Act, 1976;
- (xli) "officer" has the meaning assigned to that expression in clause (24) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);
- (xlvi) "Pakistan Insurance Corporation" means the corporation established under the Pakistan Insurance Corporation Act, 1952 (XXXVIII of 1952);
- (xliii) "participating", in reference to life insurance business, means contracts of life insurance, other than investment-linked contracts, health contracts, group life contracts and group health contracts, under the terms and conditions of which the policy holder has an entitlement to participate in distributions by the life insurer of profits or surpluses;
Explanation: a benefit paid under a policy is not a distribution of profit or surplus if the benefit is determined according to the terms and conditions of the contract and is not subject to the exercise of discretion by the insurer;
- (xliv) "permanent capital fund" means a fund that is established in the records of a life insurance company not having a share capital, and which contains that part of the assets and liabilities of a life insurer which is attributed to it and is not attributed to any statutory fund maintained by that life insurer;
- (xlvi) "policy" means a contract of insurance;
- (xlv) "policy holder" means the person to whom a policy is issued or, in the case of a policy of life insurance, the person to whom the whole of the interest of the policy holder in the policy is assigned once and for all, but does not include an assignee thereof whose interest in the policy is defeasible or is for the time being subject to any condition;
- (xlvii) "policyholder liability", in relation to life insurance, means: (i) a liability that has arisen under a policy of life insurance; or (ii) a liability that, subject to the terms and conditions of a policy, will arise on the happening of an event, or at a time, specified in the policy;
- (xlviii) "prescribed" means prescribed by rules made under section 167;
- (xlix) "private motor property damage policy" means a contract of insurance that provides insurance cover in respect of loss of or damage to a motor vehicle or of the contents of a motor vehicle used primarily and principally as a means of private transport by the policy holder, by

- persons with whom the policy holder has a family or personal relationship, or by both the policy holder and such persons;
- (I) "private company" has the meaning assigned to it in clause (28) of subsection (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);
 - (ii) "public company" has the meaning assigned to that expression in clause (30) of subsection (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984), or an existing company which is not a private company or a subsidiary of a private company;
 - (iii) "reinsurance" means a contract of insurance under which the event, specified in the contract, contingent upon the happening of which, payment is promised to be made to the policy holder thereunder, is payment by the policy holder of a claim or claims made against that policy holder under another contract or contracts of insurance issued by that policy holder;
 - (iv) "regulations" means regulations made under this Ordinance.
 - (v) "repealed Act" means the Insurance Act, 1938 (IV of 1938);
 - (vi) "retrocession" means a contract of reinsurance under which the event, specified in the contract, contingent upon the happening of which, payment is promised to be made to the policy holder thereunder, is payment by the policy holder of a claim or claims made under another contract or contracts of reinsurance issued by that policy holder;
 - (vii) "rules" means rules made under this Ordinance.
 - (viii) "scheduled bank" has the meaning assigned to it in clause (m) of section 2 of the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
 - (ix) "SECP Act" means the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
 - (x) "shareholders' fund" means a fund that is established in the records of a life insurance company and which contains that part of the assets and liabilities of a life insurer which is attributed to it and is not attributed to any statutory fund maintained by that life insurer;
 - (xi) "State Life Insurance Corporation" means the corporation established under Article 11 of the Life Insurance (Nationalization) Order, 1972 (P.O. 10 of 1972);
 - (xii) "statutory fund" means a fund that is established in the records of a life insurer and which relates solely to the life insurance business of that life insurer or a particular part of that life insurance business.
 - (xiii) "subsidiary" or "subsidiary company" has the meaning assigned to it in clause (38) of sub-section (1) of section 2 of the Companies Ordinance, 1984 (XLVII of 1984);
 - (xiv) "surveyor" means a person (by whatever name called) who examines the goods, property or any interests insured under a contract of non-life

insurance to express an independent opinion as to the cause, extent, location and amount of any loss incurred or claimed to be incurred under that contract;

- (Ixiv) "Takaful" means a scheme based on mutual assistance in compliance with the provisions of Islamic shariah, and which provides for mutual financial aid and assistance to the participants in case of occurrence of certain contingencies and whereby the participants mutually agree to contribute to the common fund for that purpose;
- (Ixv) "Tribunal" means the Tribunal constituted under section 121 of this Ordinance; and (Ixvi) "unit", except in section 32, means a notional share in the net value of a specified class or group of assets of a statutory fund of an insurer carrying on life insurance business, the value of which is to be used as a basis for determination of the benefits payable under an investment linked contract.

3. Division of insurance business into life and non-life.- (1) For the purposes of this Ordinance insurance business is divided into life insurance business and non-life insurance business.

(2) Subject to sub-sections (3), (4) and (5), the effecting and carrying out of any or all of the following type of contracts shall constitute the carrying on of life insurance business; namely:-

- (a) a contract of insurance that provides for the payment of money on the death of a person or on the happening of a contingency dependent on the termination or continuance of human life;
- (b) a contract of insurance that is subject to payment of premiums for a term dependent on the termination or continuance of human life;
- (c) a contract of insurance that provides for the payment of an annuity for a term dependent on the continuance of human life;
- (d) a contract that provides for the payment of an annuity for a term not dependent on the continuance of human life but exceeding the period of one year;
- (e) a contract providing an indemnity for medical expenses;
- (f) a continuous disability income contract;
- (g) an investment contract; and (h) such contracts as may be prescribed.

(3) Notwithstanding anything in this Ordinance to the contrary, the effecting and carrying out of a contract whose principal object is one of life insurance business, but which contains related and subsidiary provisions of a non-life insurance nature, shall be taken to constitute the carrying on of life insurance business.

(4) Notwithstanding anything in this Ordinance to the contrary, the effecting and carrying out of a contract that provides for the payment of money on the death of a person shall not constitute the carrying on of life insurance if the contract is effected and carried out by an insurer who is registered to carry on non-life insurance business; and both of the following conditions exist: (a) by the

terms of the contract, the duration of the contract is to be not more than one year; and (b) payment is only to be made in the event of death by accident.

(5) Notwithstanding anything in this Ordinance to the contrary, the effecting and carrying out of a contract that provides for the payment of money in the event of a person suffering loss, other than death, attributable to accident, sickness or infirmity shall not constitute the carrying on of life insurance if the contract is effected and carried out by an insurer who is registered to carry on non-life insurance business; and by the terms of the contract, the duration of the contract is to be not more than one year.

(6) All contracts of insurance which are not, in accordance with the provisions of the foregoing sub-sections, classified as life insurance contracts, shall be classified as nonlife insurance contracts.

4. Classes of life and non-life business.- (1)For the purposes of this Ordinance, the following shall be the classes of business into which life insurance business is divided:

- (a) Class 1 being ordinary life business;
- (b) Class 2 being capital redemption business;
- (c) Class 3 being pension fund business; and (d) Class 4 being accident and health business.

(2) For the purposes of sub-section (1) –

- (a) “ordinary life business” means effecting and carrying out contracts of life insurance other than contracts included in Class 2, Class 3 or Class 4;
- (b) “capital redemption business” means effecting and carrying out capital redemption contracts;
- (c) “pension fund business” means effecting and carrying out contracts of life insurance that are maintained for the purposes of a pension or retirement scheme and are owned by trustees under the scheme; and
- (d) “accident and health business” means effecting and carrying out contracts of insurance providing fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both, against risks of the policy holder or a person for whose benefit the contract was made –
 - (i) sustaining injury as a result of an accident;
 - (ii) becoming incapacitated in consequence of an accident or disease; or
 - (iii) suffering loss, including medical expenses, attributable to accident, sickness or infirmity

(3) For the purposes of this Ordinance, the following shall be the classes of business into which non-life insurance business is divided:

- (a) for direct and facultative reinsurance business;
 - (i) Class 1 being fire and property damage business;
 - (ii) Class 2 being marine, aviation and transport business;

- (iii) Class 3 being motor third party compulsory business;
 - (iv) Class 4 being liability business;
 - (v) Class 5 being workers' compensation business;
 - (vi) Class 6 being credit and suretyship business;
 - (vii) Class 7 being accident and health business; and
 - (viii) Class 8 being agriculture insurance including crop insurance;
 - (ix) Class 9 being miscellaneous business;
- (b) for treaty reinsurance business:
- (i) Class 9 being proportional treaty business; and
 - (ii) Class 10 being non-proportional treaty business.
- (4) For the purposes of sub-section (3).-
- (a) "fire and property damage business" means effecting and carrying out contracts of insurance against loss to the policy holder arising from loss of or damage to property, other than as contained in class 2;
 - (b) "marine, aviation and transport business" means effecting and carrying out contracts of insurance against loss to the policy holder arising from:
 - (i) loss of or damage to, or arising out of or in connection with the use of:
 - (a) means of transport, including motor vehicles and railway rolling stock used on land, vessels used on the sea or on inland waters, and aircraft; or
 - (b) the machinery, tackle, furniture or equipment of those means of transport;
 - including third party risks and carrier's liability but excluding risks contained in class 3 or class 5; or
 - (ii) loss of or damage to merchandise, baggage and all other goods in transit, irrespective of the form of transport;
 - (c) "motor third party compulsory business" means effecting and carrying out contracts of insurance against loss to the policy holder arising from liabilities incurred to third parties arising out of or in connection with the use of motor vehicles on land, as specified in the Motor Vehicles Act, 1939 (IV of 1939);
 - (d) "liability business" means effecting and carrying out contracts of insurance against loss to the policy holder arising from liabilities incurred to third parties, other than in respect of risks specified in class 2, class 3 or class 5;
 - (e) "workers' compensation business" means effecting and carrying out contracts of insurance against loss to the policy holder arising from liabilities incurred to workers arising out of or in connection with the employment of the workers by the insured persons;
 - (f) "credit and suretyship business" means effecting and carrying out: (i) contracts of insurance against loss to the policy holder arising from failure,

whether through insolvency or otherwise, of debtors to pay debts when they fall due; or (ii) contracts of insurance against loss to the policy holder arising from his having to perform contracts of guarantee entered into by him; or (iii) contracts for fidelity bonds, performance bonds, administration bonds, bail bonds, custom bonds or similar contracts of guarantee;

- (g) "accident and health business" means effecting and carrying out contracts of insurance, the duration of which under the contract is not more than one year, providing fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both, against risks of the policy holder or a person for whose benefit the contract was made;

- (i) sustaining injury as a result of an accident;
- (ii) dying as a result of an accident;
- (iii) becoming incapacitated in consequence of a disease; or
- (iv) suffering loss, including medical expenses, attributable to sickness or infirmity;

but excluding contracts of a type included in class 5;

- (h) "agriculture insurance" means effecting and carrying out contracts of insurance against loss to the policyholder arising from loss of or damage to agriculture related property including crops;

- (i) "miscellaneous business" means effecting and carrying out contracts of insurance of types not included in any other class;

- (j) "proportional treaty business" means effecting and carrying out of contracts of treaty reinsurance, whether obligatory or otherwise, of such a nature that a proportion of premium or of a separately identified part of premium on insurance contracts which are the subject matter of the treaty is payable to the reinsurer by the cedant and an identical proportion of claims or of a separately identified part of claims on those contracts is payable to the cedant by the reinsurer, and including without limitation treaties of quota-share and surplus classifications; and

- (k) "non-proportional treaty business" means effecting and carrying out of contracts of treaty reinsurance, not being contracts of a type included in Class 9.

(5) The Commission may, by rules, prescribe sub-classes of business into which any of those set out in sub-section (1) and sub-section (3) may be divided.

(6) The Federal Government may, by rules, prescribe any class of business set out in subsection (1) or sub-section (3), or sub-class of business prescribed under sub-section (5), as a restricted class or sub-class as the case may be.

PART II

PROVISIONS APPLICABLE TO INSURERS

5. Persons eligible to transact insurance business.- (1) After the commencement date no person other than: (a) a public company; or (b) a body corporate incorporated under the laws of Pakistan (not being a private company or the subsidiary of a private company); shall start any insurance business in Pakistan.

(2) After the commencement date no person other than an eligible person or the branch of a body corporate incorporated in any jurisdiction outside Pakistan, which, immediately before the commencement of this Ordinance, was registered to carry on and was carrying on such business in Pakistan, shall, after the expiry of one year from such commencement, continue such business.

(3) An insurer, being a body corporate incorporated in a jurisdiction outside Pakistan and registered to carry on and carrying on insurance business in Pakistan at the commencement of this Ordinance, may, within six months of such commencement take steps to transfer the business of such an insurer to a new public company pursuant to a scheme of arrangement under the provisions of sections 284 to 287 of the Companies Ordinance, 1984 and the applicable provisions of this Ordinance, and all such provisions shall apply *mutatis mutandis* as if the business in Pakistan of such an insurer is being carried on by a public company incorporated in Pakistan.

6. Registration of insurers.- (1) No eligible person shall, after the commencement of this Ordinance, begin or, after the expiry of six months from the commencement date, continue, to carry on any insurance business in Pakistan, unless such eligible person has obtained from the Commission a certificate of registration to carry on insurance business under this Ordinance, and that registration has not been revoked.

(2) A certificate of registration issued to an insurer under section 3 or section 3A of the repealed Act shall be deemed, for the purposes of this section, to constitute registration under this Ordinance, during the period until the expiry of such existing registration or one year from the commencement date for this section whichever is earlier; and National Insurance Corporation, Pakistan Insurance Corporation and State Life Insurance Corporation shall be deemed, for the purposes of this section, to have been so registered, such registration to continue until one year from the commencement date.

(3) During the period of six months from the commencement date, the Commission may on the application of an insurer registered under the repealed Act as at the commencement date extend, for the purposes of this section, the validity of the certificate of registration held by the insurer for a period not exceeding six months from the date on which that certificate of registration would otherwise have expired.

(4) An eligible person required to register under this Ordinance, may make an application to the Commission for registration as a person authorized to carry on life insurance business or non-life insurance business as the case may be.

(5) An application for registration shall be made in writing, in either the English or the Urdu language and shall be signed by authorised persons on behalf of an eligible person.

(6) An application for registration shall contain such information and shall be accompanied by such documents, reports, certificates and other matters as may be prescribed.

(7) An application for registration made by an insurer carrying on insurance business at the commencement date shall include a plan for the achievement of compliance by the insurer with the paid-up capital and solvency levels set out in Part IV and Part V of this Ordinance by the dates set out in those Parts.

(8) An application for registration as a person authorised to carry on life insurance business shall in all cases include or be accompanied by:

- (a) a statement of the rates, advantages, terms and conditions of life insurance policies proposed to be offered by the applicant, including without limitation where the policy acquires a surrender value, the basis on which the surrender value is determined, and including without limitation in the case of investment-linked policies a description of:
 - (i) the investments to which the policy is linked;
 - (ii) the basis on which the benefits payable under the policy are determined;
 - (iii) the frequency with which and basis by which the unit values are determined; and the values attributed to units at the time of purchase and sale;
 - (iv) the basis by which values are attributed to units at the time of and for the purpose of purchase and sale;
 - (v) the basis on which expenses attributed to the policy are determined; and
 - (vi) the basis on which charges for mortality attributed to the policy are determined;
- (b) a business plan setting out the expected premium income, expenses and results of the applicant for a period of not less than ten years from the date at which authorisation is proposed to be obtained;
- (c) a copy of any written, electronic or other material proposed to be issued by the applicant for mass communication or for communication with a policy holder or prospective policy holder, in respect of life insurance policies proposed to be offered by the applicant;
- (d) a statement by the appointed actuary that the terms and conditions of the life insurance contracts proposed to be entered into are sound and workable; and

- (e) a statement by the appointed actuary that the business plan has been prepared according to principles which appear to him to be reasonable and sound.

(9) Where an applicant has made an application under this section for registration and, before registration is granted or refused, a change occurs in the particulars specified in the application or in the matters contained in a document required to accompany the application, the applicant shall, within 14 days after the occurrence of the change, give to the Commission notice in writing signed by any two authorised persons and specifying particulars of the change.

(10) An applicant shall not:- (a) make an application under this section; or (b) give to the Commission a notice under sub-section (9); that is false or misleading in a material particular.

7. Commission may register insurer upon satisfaction.- (1) Where an application for registration is received by the Commission under section 6, the Commission may, subject to sub-section (2) and sub-section (3), register the insurer as authorised to carry on life insurance business or authorised to carry on non-life insurance business as the case may be, if the Commission is satisfied that:

- (a) the provisions of this Ordinance relating to minimum paid up share capital requirements have been complied with;
- (b) the provisions of this Ordinance relating to minimum statutory deposits have been complied with;
- (c) the provisions of this Ordinance relating to minimum solvency requirements have been complied with;
- (d) the provisions of this Ordinance relating to the effecting of reinsurance arrangements have been complied with;
- (e) the applicant is, and is likely to continue to be, able to meet its liabilities;
- (f) the applicant meets, and is likely to continue to meet, criteria for sound and prudent management including without limitation those set out in section 12;
- (g) the applicant has appointed an auditor recognised by the Commission as appropriately qualified to audit the business of life or non-life insurance as the case may be;
- (h) the applicant has, if it proposes to carry on life insurance business, appointed an actuary as its appointed actuary, and the Commission does not disapprove that appointment;
- (i) the applicant is, and is likely to continue to be, able to comply with such other of the provisions of this Ordinance as are applicable to it; and
- (j) on the basis of the information provided by the application and any other information received by the Commission, the application ought to be granted.

(2) The Commission shall not grant a certificate of registration if the granting of that certificate would not be in accordance with policy decisions made by the Federal Government.

(3) The Commission shall not grant registration to any applicant where the grant of such registration would result in an insurer carrying on both life insurance and non-life insurance business.

(4) Where the Commission is not satisfied with respect to all or any of the matters referred to in sub-section (1), it shall refuse an application.

(5) Within thirty days of receipt of an application for registration, or such longer period as may be prescribed, the Commission shall, in writing, notify the applicant that the application has been granted or refused, as the case may be; except that:

- (a) if the Commission so notifies the applicant in writing before the expiry of the period of thirty days referred to in this sub-section, the period of thirty days shall be extended to ninety days or such longer period as may be prescribed; and
- (b) if the application is deficient in any technical particular, and the Commission so notifies the applicant before the expiry of the period of thirty days referred to in this subsection, the application for registration shall not, for the purposes of this sub-section, be treated as received until the applicant has amended the deficiency so notified.

(6) The Commission may, on granting registration, specify any class, classes, sub-class or sub-classes of business prescribed as restricted under sub-section (6) of section 4 as a class, classes, sub-class or sub-classes of business which the insurer is not authorised to carry on.

(7) The Commission may at any time require a registered insurer or an insurer deemed under this Ordinance to be registered, to comply with such conditions, not inconsistent with the provisions of this Ordinance, as the Commission may specify in writing: Provided that conditions imposed under this sub-section shall be imposed only where the Commission believes on reasonable grounds that such conditions are desirable for the protection of the policy holders and potential policy holders of the insurer and such conditions shall not be imposed in such a manner as to restrict unreasonably the commercial liberty of any insurer as against other insurers or such as to impose an unreasonable burden upon any insurer;

Provided also that conditions shall not be imposed under this subsection without giving an insurer to whom the conditions would apply not less than thirty days' written notice of intention to impose such conditions, or without giving such insurer an opportunity to be heard.

8. Inspection and supply of copies filed with Commission.- Any person may on payment of the prescribed fee inspect such of the documents filed by an insurer with the Commission under section 6 as may be prescribed, and may obtain a copy of any such document or part thereof on payment in advance at the prescribed rate for the making of the copy.

9. Duration and revocation of registration.-(1)..Registration under this Ordinance to carry on insurance business shall continue until it is revoked.

(2) Where the Commission is requested in writing by an insurer to revoke the registration of that insurer to carry on insurance business, the Commission may by a written instrument revoke that registration.

(3) Registration under this Ordinance to carry on insurance business shall not be revoked unless the Commission is satisfied that adequate provision has been made for the irrevocable transfer to a registered insurer of all insurance liabilities incurred by the insurer seeking revocation of registration under the preceding sub-section.

(4) Nothing in this section shall prevent the Commission from exercising the powers available to it under section 63 to direct a registered insurer to cease entering into new insurance contracts.

10. Notification of grant or revocation of registration.-(1) Where registration under the preceding provisions of this Part is granted or revoked, the Commission shall cause notice of the grant (including any limitations as to classes of business which may be underwritten) or revocation of registration to be published in the Gazette.

(2) Where registration under the preceding provisions of this Part is granted, the Commission shall issue to the insurer a written certificate of registration, which certificate shall be surrendered to the Commission on revocation of registration.

(3) The Commission may, on payment of the prescribed fee, issue a duplicate certificate of registration to replace a certificate of registration to replace a certificate lost, destroyed or mutilated, or in any other case where it is of opinion that the issue of a duplicate certificate is necessary.

11. Conditions imposed on registered insurers.-(1) An insurer registered under this Ordinance shall at all times ensure that:

- (a) the provisions of this Ordinance relating to minimum paid-up share capital requirements are complied with;
- (b) the provisions of this Ordinance relating to minimum statutory deposits have been complied with;
- (c) the provisions of this Ordinance relating to minimum solvency requirements are complied with;
- (d) the provisions of this Ordinance relating to the obtaining of reinsurance arrangements are complied with;
- (e) the insurer is, and is likely to continue to be, able to meet its liabilities;
- (f) the insurer meets, and is likely to continue to meet, criteria for sound and prudent management including without limitation those set out in section 12;
- (g) the insurer has appointed an auditor recognised by the Commission as appropriately qualified to audit the business of life or non-life insurance as the case may be; and (h) the insurer is, and is likely to continue to be, able

to comply with such other of the provisions of this Ordinance as are applicable to it.

(2) An insurer registered under this Ordinance shall be deemed to have undertaken to abide by the decisions of any small disputes resolution committee constituted under section 117.

(3) An insurer registered under this Ordinance shall pay to the Commission, on or before the fifteenth day of January in every calendar year, an annual supervision fee of the greatest of:

- (a) Rs. 100,000;
- (b) one rupee per thousand of gross direct premium written in Pakistan during the calendar year preceding the calendar year ended on the previous 31st day of December; or
- (c) such amount as may be prescribed.

12. Criteria for sound and prudent management.- (1) For the purposes of this Ordinance, the following shall, without limitation, be recognised as criteria for sound and prudent management of an insurer or applicant for registration as a person authorised to carry on insurance business:

- (a) the business of the insurer or applicant is carried on with integrity, due care and the professional skills appropriate to the nature and scale of its activities;
- (b) each director and officer or (in the case of an applicant which is a body corporate incorporated outside Pakistan) the principal officer in Pakistan of the insurer or applicant is a fit and proper person to hold that position;
- (c) the insurer or applicant is directed and managed by a sufficient number of persons who are fit and proper persons to hold the positions which they hold;
- (d) the insurer or applicant maintains adequate accounting and other records of its business; and
- (e) the insurer or applicant maintains adequate systems of control of its business and records.

Explanation: A person is a fit and proper person who possesses such experience and qualifications as are appropriate for the duties for which he is responsible, and conducts those duties with due diligence and skill. A person is not a fit and proper person to hold the position of Chairman, or of Chief Executive or principal officer in Pakistan, of an insurance company if that person does not have experience or qualifications of direct relevance to the conduct of insurance operations. A person is not a fit and proper person if the association of that person with the insurer is or is likely, for whatever reason, to be detrimental to the interest of the insurer or of the policy holders, or is otherwise undesirable.

(2) Accounting and other records shall not be regarded as adequate for the purposes of clause (d) of sub-section (1) unless they are such as: (a) to enable the business of the insurer or applicant to be prudently managed; and (b) to enable the insurer or applicant to comply with the obligations imposed on it by or under this Ordinance.

(3) In determining whether any systems of control are adequate for the purposes of clause (e) of sub-section (1), the Commission shall have regard to the functions and responsibilities for those systems which are held by the persons who are responsible for the direction and management of the insurer or applicant and to whom clause (b) of subsection (1) applies.

(4) The insurer or applicant shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the interests of policy holders and potential policy holders.

(5) The insurer or applicant shall not be regarded as conducting its business in a sound and prudent manner if it: (a) fails to satisfy an obligation to which it is subject by virtue of this Ordinance; or (b) fails to supervise the activities of a subsidiary with due care and diligence and without detriment to the insurer's or applicant's business.

(6) No insurer shall appoint a managing agent for the conduct of its business.

13. Restriction on issue of certain life policies.-(1)..No insurer shall offer any policy or contract in respect of life insurance business other than those described in the prescribed documents filed with the Commission under sub-section (6) or sub-section (8) of section 6 or an amendment to such prescribed documents filed with the Commission under subsection (9) of section 6, unless the insurer has, not less than thirty days prior to such offer, furnished to the Commission in respect of such contracts the particulars and materials specified in sub-section (8) of section 6.

(2) The Commission may, within thirty days of such submission, require the insurer in writing to make such changes in the particulars and materials as the Commission may direct, and where the Commission does so direct the insurer shall not be taken to have complied with sub-section (1) until the insurer has complied with the direction of the Commission.

PART III
STATUTORY FUNDS OF AND OTHER SPECIAL
REQUIREMENTS FOR LIFE INSURANCE COMPANIES

14. Statutory and other funds of life insurance companies.- (1) An insurer carrying on the business of life insurance shall at all times maintain at least one statutory fund in respect of its life insurance business.

(2) An insurer that carries on life insurance business consisting of the provision of investment-linked benefits shall maintain one or more statutory funds exclusively for that business.

(3) An insurer that carries on life insurance business consisting of the provision of capital redemption business shall maintain one or more statutory funds exclusively for that business.

(4) An insurer that carries on life insurance business consisting of the provision of pension fund business shall maintain one or more statutory funds exclusively for that business.

(5) An insurer that carries on life insurance business consisting of the provision of accident and health insurance business shall maintain one or more statutory funds exclusively for that business.

(6) An insurer that carries on life insurance business outside Pakistan shall maintain one or more statutory funds exclusively in respect of that business.

(7) An insurer that carries on life insurance business of such class or subclass as may be prescribed by the Commission for the purposes of this subsection shall maintain one or more statutory funds exclusively in respect of that business.

(8) Statutory funds may not be divided or amalgamated without the approval of the Commission.

(9) The Commission may direct a life insurer to amalgamate or transfer a life statutory fund where the Commission believes on reasonable grounds that amalgamation or transfer is required for the protection of the interests of policy holders.

(10) An insurer having a share capital and carrying on life insurance business shall maintain a shareholders' fund.

(11) An insurer not having a share capital and carrying on life insurance business, shall maintain in its records a permanent capital fund.

(12) In this Ordinance, a reference to the shareholders' fund shall be deemed to include a reference to the permanent capital fund, and provisions which are applicable to the shareholders' fund shall apply *mutate mutandis* to the permanent capital fund.

PART IV

REQUIREMENTS AS TO CAPITAL AND STATUTORY DEPOSITS

28. Requirements as to capital.-(1) An insurer registered under this Ordinance to carry on insurance business shall have a paid-up capital of not less than the required minimum amount.

(2) For the purposes of this section, the required minimum amount is:

- (a) one hundred and fifty million rupees, or such higher amount as may be prescribed by the Federal Government, for an insurer carrying on life insurance business; and
- (b) eighty million rupees, or such higher amount as may be prescribed by the Federal Government, for an insurer carrying on non-life insurance business;

Provided that in respect of clause (a), for an insurer authorized to carry on life insurance business on the commencement date the required minimum amount shall not be less than one hundred million rupees by 31st December 2002 and one hundred and fifty million rupees or such higher amount as may be prescribed by 31st December 2004.

Provided further that in respect of clause (b), for an insurer authorised to carry on non-life insurance business on the commencement date the required minimum amount shall not be less than fifty million rupees by 31st December 2002 and eighty million rupees or such higher amount as may be prescribed by 31st December 2004.

Provided further that in respect of both clause (a) and clause (b), for the period until 31st December 2002, for an insurer authorised to carry on insurance business on the commencement date the required minimum amount shall be that set out in section 6 of the repealed Act.

(3) An insurer, not having a share capital, shall not be required to comply with this section.

PART V SOLVENCY REQUIREMENTS

35. Net admissible assets of life insurers.- (1) A life insurer shall at all times maintain in its shareholders' fund a surplus of admissible assets in Pakistan over liabilities in Pakistan of not less than the required minimum amount.

(2) For the purposes of the preceding sub-section, the required minimum amount is seventy-five million rupees or such higher amount as may be prescribed: Provided that for the period from the commencement date and until 31st December 2004, in respect of an insurer which is authorised to carry on insurance business on the commencement date, this sub-section shall apply as if the amount of seventy-five million rupees specified therein shall be substituted by the amount of thirty million rupees.

(3) A life insurer shall, in each statutory fund maintained by it for the conduct of business other than investment-linked business, maintain at all times a surplus of admissible assets in Pakistan over liabilities in Pakistan, other than policyholder liabilities, equal to or greater than the amount of policyholder liabilities calculated in accordance with such principles as may be prescribed by the Commission.

(4) A life insurer shall, in each statutory fund maintained by it for the conduct of investment-linked business, maintain at all times a surplus of admissible assets in Pakistan over liabilities in Pakistan, other than policyholder liabilities, equal to or greater than a sum calculated in accordance with such principles as may be prescribed by the Commission.

(5) A life insurer shall, in each statutory fund maintained by it, maintain at all times, in each currency in which the policy liabilities of that statutory fund are denominated, a surplus of admissible assets denominated in such currency over liabilities including policyholder liabilities denominated in such currency, in an amount to be determined in accordance with such provisions in this respect as the Commission shall prescribe.

(6) Where a life insurer has issued policies the benefits under which are payable in a currency other than Pakistan Rupees, securities denominated in that currency and issued and guaranteed as to principal and profit or return (however called or designated) by the Government of the country in whose currency such benefits are expressed, shall be deemed for the purposes of this section to be admissible assets of a statutory fund to which such policies are referable.

(7) The Federal Government may prescribe a percentage or percentages of the assets of the shareholders' fund of a life insurer, or of a statutory fund of a life insurer, other than a statutory fund which contains only investment-linked policies, which shall be invested in Government securities, or in a combination of Government securities and other approved securities.

(8) The aggregate of percentages prescribed under sub-section (7) shall not exceed forty per cent.

36. Insurers of non-life insurance business to have assets in excess of minimum solvency requirement.- (1) An insurer registered under this Ordinance to carry on nonlife insurance business shall at all times have admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement.

(2) An insurer incorporated in Pakistan and registered under this Ordinance to carry on non-life insurance shall at all times have admissible assets in excess of its liabilities of an amount greater than or equal to the minimum solvency requirement.

(3) For the purposes of this section, the minimum solvency requirement is the greatest of:

- (a) such required minimum amount as may be prescribed by the Commission;
- (b) such percentage as may be prescribed by the Commission of its earned premium revenue in the preceding twelve months, net of reinsurance expense subject to a maximum deduction for reinsurance of fifty per cent of the gross figure; and
- (c) such percentage as may be prescribed by the Commission of the sum of its liability for unexpired risk and its liability for outstanding claims, net of reinsurance subject to a maximum deduction for reinsurance in each case of fifty per cent of the gross figure: Provided that in the case of an insurer incorporated in a jurisdiction outside Pakistan the amounts set out in clauses (b) and (c) of this subsection shall be calculated with reference to the earned premium revenue, unexpired risk liability and outstanding claims liability and related reinsurance balances of that insurer in respect of its insurance business in Pakistan only.

(4) The Commission may direct an insurer not to deal with any specified asset for any specified period of time in order to ensure compliance by the insurer with the provisions of this Part.

PART VII
ACCOUNTS AND AUDIT

45. Books and records.- (1) Every insurer, in respect of all insurance business transacted by him, and in the case of an insurer incorporated in a jurisdiction outside Pakistan in respect of the insurance business transacted by the insurer in Pakistan, shall maintain proper books and records.

(2) Books, accounts and records in respect of insurance business transacted in Pakistan shall be maintained in Pakistan and in either the English or the Urdu language.

(3) For the purposes of this Ordinance, proper books and records shall include without limitation:

- (a) a register or record of policies, in which shall be entered, in respect of every policy issued by the insurer, the name and address of the policy holder, the date when the policy was effected and a record of any transfer, assignment or nomination of which the insurer has notice;
- (b) a register or record of claims, in which shall be entered every claim made together with the date of the claim, the name and address of the claimant and the date on which the claim was discharged, or, in the case of a claim which is rejected, the date of rejection and the grounds therefor; and
- (c) such other books and records as may from time to time be prescribed.

(4) For the purposes of this Ordinance, the expression "books" includes –

- (a) a register;
- (b) accounts or accounting records, however compiled, recorded or stored;
- (c) a document; and
- (d) any other record of information.

(5) A book that is required by this Ordinance or the Companies Ordinance, 1984 to be kept or prepared by an insurer may be kept or prepared:

- (a) by making entries in a bound or looseleaf book;
- (b) by recording or storing the matters concerned by means of a mechanical, electronic or other device; or (c) in any other manner approved by the Commission.

Provided that the matters recorded or stored are capable, at any time, of being reproduced in a written form or a reproduction of those matters is kept in a written form approved by the Commission.

(6) An insurer shall take all reasonable precautions, including such precautions, if any, as may be prescribed, for guarding against damage to, destruction of or falsification of or in, and for discovery of falsification of or in, any book or part of a book required to be kept or prepared by an insurer.

46. Accounting and reporting.- (1) Every insurer shall at the expiration of each year prepare and deliver to the Commission with reference to that year annual statutory accounts comprising the following statements duly audited by an approved auditor:

- (a) in the case of a life insurer,-

- (i) a statement of assets and liabilities for each statutory fund operated by the life insurer and the shareholders' fund;
- (ii) a statement of profits and losses for the shareholders' fund;
- (iii) a statement of cash flows for each statutory fund operated by the life insurer and the shareholders' fund;
- (iv) a revenue account for each statutory fund operated by the life insurer;
- (v) a statement of premiums for each statutory fund operated by the life insurer;
- (vi) a statement of claims for each statutory fund operated by the life insurer;
- (vii) a statement of expenses for each statutory fund operated by the life insurer;
- (viii) a statement of investment income for each statutory fund operated by the life insurer;
- (ix) such other statements as may be prescribed by the Federal Government;

each in such form as may be prescribed by the Commission and prepared in accordance with such regulations as are issued by the Commission from time to time in this behalf;

- (b) in the case of a non-life insurer,

- (i) a statement of assets and liabilities;
- (ii) a statement of profits and losses;
- (iii) a statement of cash flows;
- (iv) a statement of premiums;
- (v) a statement of claims;
- (vi) a statement of expenses;
- (vii) a statement of investment income;
- (viii) a statement of claims analysis;
- (ix) a statement of exposures; and (x) such other statements as may be prescribed by the Federal Government;

each in such form as may be prescribed by the Commission and prepared in accordance with such regulations as are issued by the Commission from time to time in this behalf.

(2) Every insurer shall furnish, to the Commission, following the last day of December, March, June and September in each year, a statement of assets and liabilities in the form and prepared in accordance with the regulations prescribed under the preceding subsection made up as of that date and such statement shall be certified by a principal officer of the insurer.

Provided that an actuarial valuation of policyholder liabilities as at the date to which such statement is made up is not required by virtue of this subsection alone, and that the regulations prescribed under this sub-section shall provide for the determination of the value which is to be attributed to policyholder liabilities for the purposes of this sub-section.

(3) In the case of an insurer registered to conduct life insurance business, such statement shall be furnished separately in respect of each statutory fund maintained by the life insurer and in respect of the shareholders' fund.

(4) The statements referred to in the foregoing sub-sections shall be prepared in respect of all insurance business transacted by an insurer except that in the case of an insurer incorporated in a jurisdiction outside Pakistan, the statement shall be prepared in respect of the insurance business transacted by the insurer in Pakistan.

(5) In the case of a life insurer having in force policies which are investment linked, the statement referred to in sub-section (2) shall be accompanied by a statement, signed in the case of a company by any two directors and the principal officer of the company, and in the case of an insurer incorporated in a jurisdiction outside Pakistan, by its principal officer in Pakistan and any two directors (or the closest comparable officer equivalent thereto), containing the following particulars in respect of its investment-linked business:

- (a) the assets underlying the units linked to policies in force;
- (b) the values assigned to each such asset;
- (c) the valuation placed on the units; and (d) the amount of any provisions made in determining the valuation.

(6) The statements referred to in sub-section (1) shall be signed, in the case of a company, by the chairman, if any, and two directors and the principal officer of the company, or in the case of an insurer incorporated in a jurisdiction outside Pakistan, by its principal officer in Pakistan and any two directors (or the closest comparable officer equivalent thereto) and shall be accompanied by a statement containing the names and descriptions of the persons in charge of the management of the business during the period to which such accounts and statements refer; by a report by such persons on the affairs of the business during that period; and a statement by such persons signed by the same persons who have signed the accounts that

- (a) in their opinion the annual statutory accounts of the insurer set out in the forms attached to the statement have been drawn up in accordance with the Ordinance and any rules made thereunder;
- (b) the insurer has at all times in the year complied with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements; and
- (c) as at the date of the statement, the insurer continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to paid-up capital, solvency and reinsurance arrangements.

47. Compliance with companies laws relating to accounts, reports, etc.- (1)
Every insurer being a company shall deliver to the Commission in such manner as may be prescribed such additional copies as may be prescribed of all accounts, documents, reports and returns filed under the Companies Ordinance, 1984 at the same time as they are required to be filed thereunder.

(2) An insurer incorporated in a jurisdiction outside Pakistan registered as an insurer shall comply with all applicable requirements of Part XIV of the Companies

Ordinance, 1984 and shall provide to the Commission in such manner as may be prescribed such additional copies as may be prescribed of all accounts, documents, reports and returns filed thereunder at the same time as they are required to be filed under the Companies Ordinance, 1984 (XLVII of 1984);

(3) In addition to the requirements of the foregoing sub-section, an insurer which is an insurer incorporated in a jurisdiction outside Pakistan, shall also provide to the Commission, not later than thirty days from such date on which such insurer is required to provide such information to any governmental or independent regulatory authority in accordance with the laws of the jurisdiction of its incorporation or other applicable law in the country in which it has its corporate seat or principal place of business, a copy of the annual accounts prepared under the laws of the place of its incorporation and a copy of any public document which shows or purports to show the annual profit or state of affairs of the insurer in respect of its business in Pakistan.

(4) Any materials required to be provided under the provisions of subsections (2) and (3), if not in either the English or the Urdu language, shall be accompanied by certified copies (in such number as may be required under the Companies Ordinance, 1984 or as may otherwise be prescribed by the Commission) of an English translation thereof.

48. Audit.- (1) Every insurer shall appoint an auditor who shall be:

- (a) approved by the Commission as qualified to perform audits of insurance companies; and
- (b) authorised under the Companies Ordinance to perform audits of public companies.

(2) The auditor shall in respect of the statements required to be provided pursuant to subsection (1) of section 46 express an opinion as to whether:

- (a) the statements accurately reflect the books and records of the company;
- (b) the company has maintained proper books and records;
- (c) the statements present fairly the state of affairs of the company as at the balance date and the result of the company for the financial year ended on that date;
- (d) in the case of a life insurer, the apportionment required to be performed under section 17 has been performed in accordance with the advice of the appointed actuary; and
- (e) the statements have been prepared in accordance with this Ordinance.

(3) The opinion required to be expressed by an auditor under sub-section (2) shall be expressed in writing and a copy of the opinion shall be attached by the insurer to the statements to which it relates, when those statements are delivered to the Commission.

(4) The auditor shall in the audit of all such accounts and statements have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed on, auditors of companies by sections 255, 256, 257 and 260 of the Companies Ordinance, 1984.

**THE BANKING COMPANIES
ORDINANCE, 1962**

[Part I, II as per ICAP paper syllabus]

CONTENTS
(Arrangement of Sections)

Section	Title/Description	Page No.
PART I PRELIMINARY		
1.	Short title, extent and commencement.....	691
2.	Application of other laws not barred	691
3.	[Sections 3, 3A & 4 are not included in syllabus.]	
5.	Definitions	691
6.	Ordinance to override memorandum, articles, etc.....	694
PART - II BUSINESS OF BANKING COMPANIES		
7.	[Sections 7 & 8 are not included in syllabus.]	
9.	Prohibition of trading	695
10.	[Section 10 is not included in syllabus.]	
11.	Prohibition of employment of managing agents and restrictions on certain forms of employment.....	695
12.	[Section 12 is not included in syllabus.]	
13.	Requirement as to minimum paid-up capital and reserves	696
14.	Regulation of paid-up capital, subscribed capital and authorized capital and voting rights of share-holders.....	697
15.	Election of new directors	700
15A.	Appointment of director by the State Bank	700
15B.	Restriction on term of office of directors.....	700
15C.	Vacation of Office.....	700
16.	Restriction on commission, brokerage, discount, etc. on sale of shares	701
17.	Prohibition of charge on unpaid capital	701
18.	Prohibition of floating charge on assets.....	701
19.	Restrictions as to payment of dividend.....	701
20.	[Sections 20 is not included in syllabus.]	
21.	Reserve Fund.....	702
22.	Cash Reserve	702
23.	[Section 23 is not included in syllabus.]	
24.	Restrictions on loans and advance	703
25.	[Sections 25 to 28 are not included in syllabus.]	
29.	Maintenance of liquid assets	703
30.	[Sections 30 to 33B are not included in syllabus.]	

Section	Title/Description	Page No.
34.	Accounts and balance-sheet.....	704
35.	Audit.....	705
36.	Submission of returns	706
37.	Copies of Balance Sheet and Accounts to be sent to Registrar	706
38.	Display of audited balance sheet by banking companies incorporated outside Pakistan.....	706
39.	[Sections 39 to 95 are not included in syllabus.]	

COMPENDIUM
OF
CORPORATE LAWS

THE BANKING COMPANIES ORDINANCE, 1962

ORDINANCE No. LVII OF 1962

An ordinance to consolidate and amend the law relating to banking companies.

Dated: 7th June, 1962

Whereas it is expedient to consolidate and amend the law relating to banking companies;

Now, therefore, in pursuance of the Proclamation of the seventh day of October, 1958, and in exercise of all powers enabling him in that behalf, the President is pleased to make and promulgate the following Ordinance: –

PART I PRELIMINARY

1. Short title, extent and commencement.— (1) This Ordinance may be called the Banking Companies Ordinance, 1962.

- (2) It extends to the whole of Pakistan.
- (3) It shall come into force at once.

2. Application of other laws not barred.— The provisions of this Ordinance shall be in addition to, and not, save as hereinafter expressly provided, in derogation of, the Companies Ordinance, 1984 (XLVII of 1984), and any other law for the time being in force.

5. Definitions.— In this Ordinance, unless there is anything repugnant in the subject or context,—

¹[(a) “approved securities” means ²[] securities in which a trustee may invest money under clause (a), clause (b), clause (bb), clause (c) or clause (d) of section 20 of the Trust Act, 1882 (II of 1882), and for the purpose of—

- (i) sub-section (3) of section 13, includes such other securities as the Federal Government may, by notification in the official Gazette, declare to be approved securities for the purpose of that subsection; and
- (ii) sub-section (1) of section 29, includes such types of Pakistan rupee obligations of the Federal Government or a Provincial Government or of a Corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the official gazette, declare, to the extent determined from time to time, to be approved securities for the purpose of that subsection;

1 Clause (a) substituted by Banking Companies (Third Amendment) Ordinance, 1980.

2 Words “the shares of the Bankers Equity Limited or” omitted by the Banking Companies (Amendment) Ordinance, 2002.

- (b) "banking means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise;
- (c) "banking company" means any company which transacts the business of banking in Pakistan ¹[and includes their branches and subsidiaries functioning outside Pakistan of banking companies incorporated in Pakistan];
- Explanation.—** Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the merely for the purpose of financing its business as such manufacturer or trader shall not be deemed to transact the business of banking within the meaning of this clause;
- (d) "branch" or "branch office", in relation to a banking company, means any branch or branch office, whether called a pay office or sub-pay office or by any other name, at which deposits are received, cheques cashed or moneys lent, and for the purposes of section 40 includes any place of business where any other form of business referred to in sub-section (1) of section 7 is transacted;
- ²[(dd) "creditor" includes persons from whom deposits have been received on the basis of participation in profit and loss and a banking company or financial institution from which financial accommodation or facility has been received on the basis of participation in profit and loss, mark-up in price, hire-purchase, lease, or otherwise;]
- (e) "company" means any company which may be wound up under the Companies Ordinance, 1984 (XLVII of 1984) ³[and includes a branch of a foreign banking company doing banking business in Pakistan under a licence issued by the State Bank in this behalf];
- ⁴[(ee) "debtor" includes a person to whom, or a banking company or financial institution to which, finance as defined in the Banking Tribunals Ordinance 1984, has been provided];
- (f) "demand liabilities" means liabilities which must be met on demand, and "time liabilities" means liabilities which are not demand liabilities;
- ⁵[(ff) "family members" in relation to a person means his spouse, dependent lineal ascendants and descendants and dependent brothers and sisters];
- ⁶[(ffa) "foreign banking company" means a banking company, not incorporated in Pakistan, which has a branch or branches doing banking business in Pakistan under a licence issued by State Bank in this behalf.]
- (g) "gold" includes gold in the form of coin, whether legal tender or not, or in the form of bullion or ingot, whether refined or not;

1 Words inserted by Finance Act, 2007, dated 30 June 2007.

2 Clauses (dd) and (ee) inserted, by the Banking Companies (Third Amendment) Ordinance, 1980.

3 Words inserted by Finance Act, 2007, dated 30 June 2007.

4 Clause (ee) substituted by the Banking and Financial Services (Amendment of Laws) Ordinance, 1984. Earlier it was inserted, by the Banking Companies (Third Amendment) Ordinance, 1980.

5 Clause (ff) inserted by Banking Companies (Amendment) Act, 1972.

6 Clause (ffa) inserted by Finance Act, 2007, dated 30 June, 2007.

- ¹[(gg) “loans, advances, and credit” includes “finance” as defined in the Banking Tribunals Ordinance, 1984;]
- (h) “managing director”, in relation to a banking company, means a director who, by virtue of an agreement with the banking company or of a resolution passed by the banking company in general meeting or by its Board of Directors or, by virtue of its memorandum or articles of association, is entrusted with the management of the whole, or substantially the whole of the affairs of the company, and includes a director occupying the position of a managing director, by whatever name called;
- (i) “prescribed” means prescribed by rules made under this Ordinance;
- (j) “private company” has the same meaning as in the Companies Ordinance, 1984 (XLVII of 1984);
- (k) “registrar” has the same meaning as in the Companies Ordinance, 1984 (XLVII of 1984);
- (l) “scheduled bank” has the same meaning as in the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
- (m) “secured loan or advance” means a loan or advance made on the security of assets the market value of which is not at any time less than the amount of such loan or advance, and “unsecured loan or advance” means a loan or advance not so secured, or that part of it which is not so secured;
- ²[(mm) “securities” includes securities as defined in the Capital Issues (Continuance of Control) Act, 1947 (XXIX of 1947);]
- (n) “State Bank” means the State Bank of Pakistan ³[;]
- ⁴[(o) “substantial interest” in an undertaking shall be deemed to be possessed by a person if he or any of his family members is the owner, director or officer of or has control over the undertaking or if he or any of his family members holds shares carrying not less than twenty per cent of the voting power in such undertaking;]

Explanation.— For the purpose of this clause,—

- (i) “control” in relation to an undertaking, means the power to exercise a controlling influence over the management or the policies of the undertaking, and, in relation to shares, means the power to exercise a controlling influence over the voting power attached to such shares;
- (ii) “person” includes a Hindu undivided family, a firm, an association or body of individuals, whether incorporated or not, a company and every other juridical person; and

1 Clause (gg) substituted by Banking and Financial Services (Amendment of Laws) Ordinance, 1984.

2 Clause (mm) inserted by Banking Companies (Third Amendment) Ordinance, 1980.

3 Substituted for the Full-stop by the Banking Companies (Amendment) Act, 1972.

4 Clause (o) inserted by the Banking Companies (Amendment) Act, 1972.

(iii) "undertaking" means any concern, institution, establishment or enterprise engaged in the production, supply or distribution of goods, or in the provision or control of any services relating to the provision of board, lodging, transport, entertainment or amusement, or of facilities in connection with the supply of electrical or other energy, or to the purveying of news, insurance or investment.

6. Ordinance to override memorandum, articles, etc.— Save as otherwise expressly provided in this Ordinance,

- (a) the provisions of this Ordinance shall have effect notwithstanding anything to the contrary contained in the memorandum or articles of a banking company, or in any agreement executed by it, or in any resolution passed by the banking company in general meeting or by its Board of Directors, whether the same be registered, executed or passed, as the case may be, before or after the commencement of this Ordinance; and
- (b) any provision contained in the memorandum, articles, agreement or resolution aforesaid shall, to the extent to which it is repugnant to the provisions of this Ordinance, become or be void, as the case may be,

PART - II
BUSINESS OF BANKING COMPANIES

¹[**9. Prohibition of trading.**—Except as authorised under section 7, no banking company shall directly or indirectly deal in the buying or selling or bartering of goods or engage in any trade or buy, sell or barter goods for others, otherwise than in connection with bills of exchange received for collection or negotiation.

Explanation.—For the purpose of this section, “goods” means every kind of movable property, other than actionable claims, stocks, shares, money, bullion and species, and all instruments referred to in clause (a) of sub-section (1) of Section 7.]

11. Prohibition of employment of managing agents and restrictions on certain forms of employment.— (1) No banking company—

- (a) shall employ or be managed by a managing agent; or
- (b) shall employ or continue the employment of any person—
 - (i) who is, or at any time has been, adjudicated insolvent or has suspended payment, or has compounded with his creditors, or who is, or has been, convicted by a criminal court of an offence involving moral turpitude; and
 - (ii) whose remuneration or part of whose remuneration takes the form of commission or a share in the profits of the company:

Provided that nothing contained in sub-clause (ii) shall apply to the payment by a banking company of—

- (a) any bonus in pursuance of a settlement or award arrived at or made under any law relating to industrial disputes or in accordance with any scheme framed by such banking company or in accordance with the usual-practice prevailing in banking business; or
- (b) any commission to any broker (including guarantee broker), cashier-contractor, clearing and forwarding agent, auctioneer or any other person, employed by the banking company under a contract otherwise than as a regular member of the staff of the company;
- (c) shall be managed by any person—
 - (i) who is a director of any other company not being a subsidiary company of the banking company or a company registered under section 26 of the Companies Ordinance, 1984 (XLVII of 1984), except with the previous approval of the State Bank; or
 - (ii) who is engaged in any other business or vocation; or
 - (iii) who has a contract with the company for its management for a period exceeding five years at any one time:

¹ Section 9 substituted by the Banking Companies (Third Amendment) Ordinance, 1980.

Provide that any contract with the company for its management may be renewed or extended for a further period not exceeding five years at a time if and so often as the directors so decide:

Provided further that nothing in this clause shall apply to a director, other than the managing director, of a banking company by reason only of his being such director.

(2) Where a person holding the office of a chairman or director or manager or chief executive officer (by whatever name called) of a banking company is, or has been found any tribunal or other authority (other than a criminal court) to have contravened the by provision of any law and the State Bank is satisfied that the contravention is of such a nature that the association of such person with the banking company is or will be detrimental to the interest of the banking company or its depositors or otherwise undesirable, the State Bank may make an order that person shall cease to hold the office with effect from such date as may be specified therein and thereupon, that office shall, with effect from the said date, become vacant.

(3) Any order made under sub-section (2) in respect of any person may also provide that he shall not, without the previous permission of the State Bank in writing, in any way, directly or indirectly, be concerned with, or take part in the management of, the banking company or any other banking company for such period not exceeding five years as may be specified in the order.

(4) No order under sub-section (2) shall be made in respect of any person unless he has been given an opportunity of making a representation to the State Bank against the proposed order:

Provided that it shall not be necessary to give any such opportunity if, in the opinion of the State Bank, any delay would be detrimental to the interests of the banking company or its depositors.

(5) Any decision or order of the State Bank made under this section shall be final for all purposes.

[13. Requirement as to minimum paid-up capital and reserves.]— (1) Subject to sub-section (2) no banking company shall—

- (a) commence business unless it has such minimum paid-up capital as may be determined by the State Bank; or
- (b) carry on business unless the aggregate of its paid-up capital and unencumbered general reserves is of such minimum value within such period as may be generally determined by the State Bank from time to time for banking companies in general or for a banking company in particular:

(2) No banking company incorporated outside Pakistan shall be deemed to have complied with the provisions of sub-section (1) unless it deposits and keeps deposits with the State Bank an amount by transfer of funds from outside Pakistan or in the form of assets acquired out of remittable profits made by it

¹ Section 13 substituted by the Ordinance No. XLVIII of 2000. Earlier it was substituted by the Banking Companies (Amendment) Act, 1972.

from deposits in Pakistan which is not less than what is required to be maintained under sub-section (1), in any one or more of the following forms, namely:-

- (i) interest-free deposit in cash in Pakistan rupees;
- (ii) interest free deposit in a freely convertible approved foreign exchange within the meaning of the State Bank of Pakistan Act, 1956 (XXXIII of 1956), specified by the State Bank in respect of such banking company; and
- (iii) deposit of un-encumbered approved securities.

(3) Without prejudice to the provisions of section 83, the State Bank may be order in writing, required any banking company which has failed to comply with the provisions of clause (b) of sub-section (1) within the period determined and notified under that clause to deposit with the State Bank such amount not exceeding the amount by which the aggregate value of the capital and unencumbered general reserves of such banking company falls short of the minimum amount of the aggregate of the capital and unencumbered general reserves required to be maintained by such banking company pursuant to clause (b) of such-section (1) on such terms and conditions as the State Bank may determined and every banking company which is so required shall be bound to comply with the order.

(4) Any amount deposited and kept deposited with the State Bank under the Su-section (2) by any banking company incorporate outside Pakistan shall, in the event of the banking company ceasing for any reason to carry on banking business in Pakistan, be an asset of the banking company on which the claims of all the creditors of the banking company in Pakistan shall be first charge.

(5) If any dispute arises in computing the aggregate value of the capital and unencumbered general reserves of any banking company, a determined thereof by the State Bank shall be final.

Explanation.— For the purposes of this section, (a) the expression "value" means the real or exchangeable value or, if the real or exchangeable value; and (b) the expression "capital and unencumbered general reserves" means paid-up capital and such other items as may be notified in this regard by the State Bank from time to time.]

14. Regulation of paid-up capital, subscribed capital and authorized capital and voting rights of share-holders.— (1) No banking company incorporated in Pakistan shall carry on business in Pakistan unless it satisfies the following conditions, namely:-

- (i) that the subscribed capital of the company is not less than one half of the authorized capital and paid-up capital is not less than one half of the subscribed capital and that if the capital is increased it complies with the conditions prescribed in this clause within such period not exceeding two years as the State Bank may allow;

- (ii) that the capital of the company consists of ordinary shares ¹[and perpetual non-cumulative preference shares] only;
- (iii) that, subject to the provisions contained in clause (iv), the voting rights of any one shareholder are strictly proportionate to the contribution made by him to the paid-up capital of the company;
- (iv) that the voting rights of any one shareholder, except those of the ²[Federal Government] or a Provincial Government do not exceed five per cent of the total voting rights of all the shareholders.

(2) Notwithstanding anything contained in any law for the time being in force or in any contract or instrument no suit or other proceeding shall be maintained against any person registered as the holder of a share in a banking company on the ground that the title to the said share vests in a person other than the registered holder:

Provided that nothing contained in this sub-section shall bar a suit or other Proceeding—

- (a) by a transferee of the share on the ground that he has obtained from the registered holder a transfer of the share in accordance with any law relating to such transfer; or
- (b) on behalf of a minor or a lunatic on the ground that the registered holder holds the share on behalf of the minor or lunatic.

(3) Every chairman, managing director or chief executive officer by whatever name called of a banking company shall furnish to the State Bank through that banking company returns containing full particulars of the extent and value of his holding of shares, whether directly or indirectly, in the banking company and of any change in the extent of such holding or any variation in the rights attaching thereto and such other information relating to those shares as the State Bank may, by order, require and in such form and at such time as may be specified in the order.

³[(4) The State Bank, if satisfied, may require any banking company, by an order in writing stating reasons, to increase its paid up capital by such amount and within such period as may be specified in the order and the State Bank shall exercise the power reasonably, fairly and justly.

(5) Notwithstanding any provision contained in any other law for the time being in force,—

- (a) if the State Bank has determined that a person is holding or is a beneficial owner of five percent or more shares of a banking company without prior approval of the State Bank or a person that acquired shareholding with prior approval of the State Bank subsequently fails to meet the fit and proper test as the State Bank may, by an order in writing stating reasons, require such person to reduce, divest or

1 Words inserted by Finance Act, 2007, dated June 30, 2007.

2 Substituted by the Banking Companies (Amendment) Act, 1972 (Act No. XXX of 1972) (Effective date of amendment is 13-10-1972).

3 Sub-sections (4) & (5) inserted by the Banking Companies (Amendment) Act, 2011 dated April 2, 2011.

transfer to a fit and proper person, his shareholding in the banking company within such reasonable period and in such manner as may be specified in the order;

- (b) where a person holding five percent or more shares of a banking company is or is likely to be detrimental to the interest of the banking company or its depositors, the State Bank may, by an order in writing stating reasons, require such person to divest his shareholding to a fit and proper person. The State Bank shall exercise the power reasonably, fairly and justly; and
- (c) no order under clause (a) or clause (b) shall be made unless the person concerned has been given reasonable opportunity of making a representation to the State Bank against the proposed order;

If the State Bank is of opinion that any delay would be detrimental to the public interest or the interest of the banking company or its depositors, the State Bank may, at the time of giving the opportunity aforesaid or at any time thereafter and pending the consideration of the representation aforesaid, if any, may make an appropriate interim order, and conduct the proceedings in a reasonably expeditious manner.

The interim order may include prohibition of—

- (i) transfer of, or the carrying out of the agreement or arrangement to transfer such shares;
 - (ii) the exercise of voting rights in respect of such shares;
 - (iii) the payment of cash or stock dividends in respect of such shares; and
 - (iv) the issue of further shares to the concerned shareholder;
- (d) where directions given under clause (a) or clause (b) is not complied with, the State Bank may dispose of such shares either through stock exchange or public auction. The sale proceeds of such shares, after deduction of any expenses incurred by the State Bank, shall be paid to the respective shareholders within a period of three months. If necessary, the State Bank may require—
 - (i) issuance of duplicate shares in place of the original shares; and
 - (ii) the Central Depository Company to make appropriate changes in their records; and
 - (e) any person aggrieved by the decision of the State Bank under clauses (a), (b) and (d), may prefer appeal to the Central Board of Directors of the State Bank but pending decision of the proceedings, the shareholder shall not derive any benefit including dividends, right shares, voting rights, etc. from his shareholding without express permission of the Central Board.

Explanation.—The expression “beneficial ownership” shall include the explanation given in section 224 of the Companies Ordinance, 1984 (XLVII of 1984).]

15. Election of new directors.—(1) The State Bank may, by order, require any banking company to call a general meeting of the shareholders of the company within such time, not less than two months from the date of the order, as may be specified therein or within such further time as the State Bank may allow in this behalf, to elect in accordance with the voting rights permissible under this Ordinance fresh directors, and the banking company shall be bound to comply with the order.

(2) Every director elected under sub-section (1) shall hold office until the date up to which his predecessor would have held office, if the election had not been held.

(3) Any election duly held under this section shall not be called in question in any court.

[15A. Appointment of director by the State Bank.]—Notwithstanding anything contained in the Companies Ordinance, 1984 (XLVII of 1984), or in the memorandum or articles of association of any banking company, the State Bank may appoint not more than one person to be a director of a banking company, whether or not he holds any qualification shares.

15B. Restriction on term of office of directors.—(1) A director of a banking company, not being its chief executive, by whatever name called, or a director nominated under section 15A, shall not hold office for more than six consecutive years.

Explanation.—In computing the period of six consecutive years for the purpose of this sub-section, any break of less than three years in the continuity of office shall be disregarded.

(2) A director of a banking company vacating office in pursuance of sub-section (1) shall not be eligible for re-election as a director of that banking company unless a period of three years has elapsed since the date on which he so vacated his office:

Provided that a director who has to so vacate his office may continue in his office for a period of not more than six months from the commencement of the Banking Companies (Amendment) Act, 1972, or until a new director is elected or co-opted in his place whichever is earlier.

15C. Vacation of Office.—A director of a banking company shall vacate his office if in relation to the banking company he has failed to pay any advance or loan or any instalment thereof or interest thereon or any amount due on any guarantee, or to do or perform any act agreed to or undertaken in writing to be done or performed by him, and such failure continues for a period of one month after notice in writing has been served on him by the banking company calling upon him to make the payment or to do or perform the act.]

¹ Sections 15A, 15B & 15C inserted by the Bank Companies (Amendment) Act 1972. Effective date of amendment is 13-10-1972.

16. Restriction on commission, brokerage, discount, etc. on sale of shares.—Notwithstanding anything to the contrary in sections 105 and 105A of the Companies Ordinance, 1984 (XLVII of 1984), no banking company shall pay out directly or indirectly by way of commission, brokerage, discount or remuneration in any form in respect of any shares issued by it, any amount exceeding in the aggregate two and one-half per cent of the paid-up value of the said shares.

17. Prohibition of charge on unpaid capital.—No banking company shall create any charge upon any unpaid capital of the company and such charge, if created, shall be invalid.

18. Prohibition of floating charge on assets.—(1) Notwithstanding anything contained in section 7 no banking company shall create a floating charge on the undertaking or any property of the company or any part thereof, unless the creation of such floating charge is certified in writing by the State Bank as not being detrimental to the interest of the depositors of such company.

(2) Any such charge created without obtaining the certificate of the State Bank shall be invalid.

(3) Any banking company aggrieved by the refusal of a certificate under subsection (1) may, within ninety days from the date on which such refusal is communicated to it, appeal to the Federal Government.

(4) The decision of the Government where an appeal has been preferred to it under sub-section (3) or of the State Bank where no such appeal has been preferred shall be final.

19. Restrictions as to payment of dividend.—(1) No banking company shall pay any dividend on its shares until all its capitalised expense (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.

(2) Notwithstanding anything to the contrary contained in sub-section (1) or in the Companies Ordinance, 1984 (XLVII of 1984), a banking company may pay dividends on its shares without writing off—

- (i) the depreciation, if any, in the value of its investment in approved securities in any case where such depreciation has not actually been capitalised or otherwise accounted for as a loss;
- (ii) the depreciation, if any, in the value of its investments in shares, debentures or bonds (others than approved securities) in any case where adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company;
- (iii) the bad debts, if any, in any case where adequate provision for such debts had been made to the satisfaction of the auditor of the banking company.

¹[(3) Notwithstanding anything in sub-section (1) or in the Companies Ordinance, 1984 (XLVII of 1984), if a banking company meets the minimum

¹ Sub-section (3) inserted by Finance Act, 2007, dated June 30, 2007.

capital requirement and capital adequacy ratio as specified by State Bank from time to time, and has also accounted for the portion of capitalized expenses, goodwill, etc., for the year to the satisfaction of the auditor of the banking company, it shall also be eligible for payment of dividend out of profits of the banking company for the said year.]

¹[(4) If the State Bank is satisfied that conditions are not favourable for such payment, or the financial position of a banking company so warrants, it may, by order in writing stating reasons, restrict or prohibit any banking company from paying dividends to its shareholders for such period as may be specified in the order and the State Bank shall exercise the power reasonably, fairly and justly.

(5) No order shall be made unless that banking company concerned has been given an opportunity of making a representation to the State Bank and where the State Bank is of the opinion that any delay would be detrimental to the public interest or the interest of the banking company or its depositors, the State Bank may, at the time of giving the opportunity aforesaid or at any time thereafter and pending the consideration of the representation aforesaid, if any, make an appreciate interim order.]

21. Reserve Fund.— ²[(1) Every banking company incorporated in Pakistan shall create a reserve fund to which shall be credited—

- (a) if the amount in such fund together with the amount in the share premium account is less than the paid-up capital of the banking company, a sum equivalent to not less than twenty per cent of the balance of profit of each year as disclosed in the profit and loss account prepared under section 34 and before any dividend is declared; and
- (b) if the amount in such fund together with the amount in the share premium account is equal to or exceeds the paid-up capital of the banking company, a sum equivalent to not less than ten per cent of the balance of profit disclosed as aforesaid and before any dividend is declared.]

(2) Where a banking company appropriates any sum or sums from the reserve fund or the share premium account, it shall, within twenty-one days from the date of such appropriation, report the fact to the State Bank explaining the circumstances relating to such appropriation:

Provided that the State Bank may, in any particular case, extend the said period of twenty-one days by such period as it thinks fit or condone any delay in the making of such report.

22. Cash Reserve.— Every banking company, not being a schedule bank, shall maintain by way of cash reserve in cash with itself, or in current account opened with the State Bank or its agent or partly in cash with itself and partly in such account or accounts a sum equivalent to at least two per cent of its time liabilities in Pakistan and five per cent of its demand liabilities in Pakistan and shall submit to the State Bank before the fifteenth day of every month a return showing the

¹ Sub-sections (4) & (5) inserted by the Banking Companies (Amendment) Act, 2011, dated April 2, 2011.

² Substituted for sub-section (1) by the Banking Companies (Amendment) Act, 1972.

amount so held on ¹[Thursday] of each week of the preceding month with particulars of its time and demand liabilities in Pakistan on each such ¹[Thursday] or if any such ¹[Thursday] is a public holiday under the Negotiable Instruments Act, 1881 (XXVI of 1881), at the close of business on the preceding working day.

²[]

³**[24. Restrictions on loans and advance.]**—(1) No banking company shall—

- (a) make any loans or advances against the security of its own shares; or
- (b) grant unsecured loans or advances to, or make loans and advances on the guarantee of.—
 - (i) any of its directors;
 - (ii) any of the family members of any of its directors;
 - (iii) any firm or private company in which the banking company or any of the persons referred to in sub-clause (i) or sub-clause (ii) is interested as director, proprietor or partner; or
 - (iv) any public limited company in which the banking company or any of the persons as aforesaid is substantially interested.

(2) No banking company shall make loans or advances to any of its directors or to individuals, firms or companies in which it or any of its directors is interested as partner, director or guarantor, as the case may be, without the approval of the majority of the directors of that banking company, excluding the director concerned.]

29. Maintenance of liquid assets.—(1) Every banking company ⁴[and every financial institution specified in section 3A] shall maintain in Pakistan in cash, gold or unencumbered approved securities valued at a price not exceeding ⁵[the lower of the cost or] the current market price an amount which shall not at the close of business on any day be less than ⁶[such percentage] of the total of its time and demand liabilities in Pakistan, ⁷[as may be notified by the State Bank from time to time] ⁸[:]

Provided that the State Bank may separately specify for banking companies or financial institutions the applicable percentage either in general or in relation to any class of banking companies or any class of financial institutions or to any bank or financial institution in particular.

Explanation.—For the purpose of this section, “unencumbered approved securities” of a banking company ⁹[or financial institution] shall include its approved securities lodged with another institution for an advance or any other credit arrangement to the extent to which such securities have not been drawn against or

1 Word substituted for “Friday” by the Banking Companies (Amendment) Ordinance 1978 and shall be deemed to have been so substituted on the first day of July 1977.

2 Explanation omitted by Banking Companies (Amendment) Ordinance, 1984.

3 Section 24 substituted by the Banking Companies (Amendment) Act, 1972 (30 of 192).

4 The words etc. inserted by Banking Companies (Amendment) Ordinance 1993, dated 05.10.1993.

5 The words inserted by Banking Companies (Amendment) Ordinance 1993, dated 05.10.1993.

6 Substituted for the words “twenty per cent” by Banking Companies (Amendment) Ordinance 1993, dated 05.10.1993.

7 Words inserted by the Ordinance No. LIV of 1995, dated 13.05.1995.

8 Substituted for the full stop by the Banking Companies (Amendment) Act, 1965.

9 Words inserted by Banking Companies (Amendment) Ordinance 1993, dated 05.10.1993.

availed of ¹[and the liabilities shall not include the paid up capital or the reserves or any credit balance in the profit and loss account of the Banking company or, as the case may be, the financial institution or any such liabilities as may be notified by the State Bank for the purposes of this section].

(2) In computing the amount provided for in sub-section (1), any deposit required under the ²[sub-section (2)] of section 13 to be made with the State Bank by a banking company incorporated outside Pakistan and any balances maintained in Pakistan by a banking company in current account with the State Bank or its agent or both, ³[or in profit and loss sharing term deposit account with the State Bank,] including in the case of a scheduled bank the balance required to be so maintained under sub-section (1) of section 36 of the State Bank of Pakistan Act, 1956 (XXXIII of 1956), shall be deemed to be cash maintained.

(3) Every banking company shall, before the close of the month succeeding the month to which the return relates, furnish to the State Bank a monthly return in the prescribed form and manner showing particulars of the company's assets maintained in accordance with this section and its time and demand liabilities in Pakistan at the close of business on each ⁴[Thursday] during the month, or if any ⁴[Thursday] is a public holiday under the Negotiable Instruments Act, 1881 (XXVI of 1881), at the close of business on the preceding working day.

⁵[(4) The cash deposited by a banking company or a financial institution under sub-section (1) and by a scheduled bank under the State Bank of Pakistan Act, 1956 (XXXIII of 1956) shall be deemed to be part of the assets of the banking company but shall not be subject to any encumbrance, nor shall it be available for the discharge of any liability of the banking company or financial institution other than the order of liquidation made by the High Court under this Ordinance, nor shall the said cash deposit be available to attachments in execution of any decree or recoverable under Order of any authority under any law for the time being in force, except any claim of the State Bank.]

34. Accounts and balance-sheet.—(1) At the expiration of each calendar year every banking company incorporated in Pakistan, in respect of all business transacted by it, and every banking company incorporated outside Pakistan, in respect of all business transact through its branches in Pakistan, shall prepare with reference to that year a balance-sheet and profit and loss account as on the last working day of the year in the forms set out in the Second Schedule or as near thereto as circumstances admit.

(2) The balance sheet and profit and loss account shall be signed.—

(a) in the case of a banking company incorporated in Pakistan, by the manager or the principal officer of the company and where there are more than three directors of the company, by at least three of those

1 Words inserted by Banking Companies (Amendment) Ordinance 1996, dated 02.11.1996.

2 Words and bracket substituted by Ordinance No. XLVIII of 2000, dated 12 September 2000.

3 Words etc. inserted by the Banking Companies (Third Amendment) Ordinance; 1980.

4 Substituted for the word "Friday" by the Banking Companies (Amendment) Ordinance, 1978 and shall be deemed to have been so substituted on the first day of July 1977.

5 Sub-section (4) inserted by the Banking companies (Amendment) Act, 2011, dated April 2, 2011.

directors, or where there are not more than three directors, by all the directors, and

- (b) in the case of a banking company incorporated outside Pakistan by the manager or agent of the principal office of the company in Pakistan and by another officer next in seniority to the manager or agent.

(3) Notwithstanding that the balance sheet of a banking company is under subsection (1) required to be prepared in a form other than the form marked 'F' in the Third Schedule to the Companies Ordinance, 1984 (XLVII of 1984), the requirements of that Act relating to the balance sheet and profit and loss account of a company shall, in so far as they are not inconsistent with this Ordinance, apply to the balance-sheet of profit and loss account, as the case may be, of a banking company.

¹[(4) The State Bank may, after giving not less than fifteen days notice of its intention so to do, from time to time by a notification in the official Gazette, amend the forms set out in the Second Schedule.]

²[**35. Audit.**—(1) The balance sheet and profit and loss account prepared in accordance with section 34 shall be audited by a person who is duly qualified, under the Chartered Accountants Ordinance, 1961 (X of 1961), or any other law for the time being in force, to be an auditor of companies and is borne on the panel of auditors maintained by the State Bank for the purposes of audit of banking companies. ³/The State Bank shall classify the panel of auditors, so maintained, in different categories for different banking companies keeping in view the scope and size of such banking companies.]

(2) An auditor shall hold office for a period of three years and shall not be removed from office before the expiry of that period except with the prior approval of the State Bank.

⁴[(3) If the State Bank is not satisfied with the performance of the auditor of a banking company or the auditor has not fulfilled any of the requirements laid down in this section the State Bank, after giving the auditor an opportunity of being heard, may—

- (a) revoke the appointment of external auditors of the banking company;
- (b) downgrade the category of the auditor in the panel of the auditors; and
- (c) remove the auditor from the panel of the auditors for a maximum period of five years.

(4) The auditors shall report all the matters of material significance to State Bank and reporting of such information and material shall not constitute breach of confidentiality under any law for the time being in force.]

(5) The State Bank may, from time to time, lay down guidelines for the audit of banking companies and the auditors shall be bound to follow those guidelines.

1 Sub-section (4) of section 34 substituted by the Banking Companies (Third Amdt.) Ordinance, 1980.

2 Section 35 substituted by the Banking Companies (Amdt) Act, 1972.

3 Words etc. inserted by the Finance Act, 2007, dated 30 June 2007

4 Sub-section (3) and (4) inserted and sub-sections (3), (4) and (5) re-numbered by the Finance Act, 2007.

(6) Subject to the provisions of sub-section (2), the auditor shall have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed on, auditors of companies by section 145 of the Companies Ordinance, 1984 (XLVII of 1984).

(7) In addition to the matters which, under the aforesaid Act and the guidelines laid down by the State Bank under sub-section (3), the auditor is required to state in his report, he shall also state—

- (a) whether or not the information and explanations required by him have been found to be satisfactory;
- (b) whether or not the transactions of the banking company which have come to his notice have been within the powers of the banking company;
- (c) whether or not the returns received from branch offices of the banking company have been found adequate for the purposes of his audit;
- (d) whether the profit and loss account shows a true balance of profit and loss for the period covered by such account; and
- (e) any other matter which he considers should be brought to the notice of the shareholders of the banking company.

36. Submission of returns.— The accounts and balance-sheet referred to in section 34 together with the auditor's report as passed in the Annual General Meeting shall be furnished as returns to the State Bank within three months of the close of the period to which they relate:

Provided that the State Bank may in special circumstances extend the said period of three months for the furnishing of such returns by a further period not exceeding three months.

37. Copies of Balance Sheet and Accounts to be sent to Registrar.— Where a banking company in any year furnishes its balance sheet and accounts in accordance with the provisions of section 36 it may, or when it is a private company, shall, at the same time send to the registrar three copies of such balance sheet and accounts and of the auditor's report, and where such copies are so sent, it shall not be necessary for the company, to file copies of the balance sheet and accounts with the registrar as required by sub-section (1) of section 134 of the Companies Act, 1913 (VII of 1913), and such copies so sent shall be chargeable with the same fees and shall be dealt with in all respects as if they were filed in accordance with that section.

38. Display of audited balance sheet by banking companies incorporated outside Pakistan.— Every banking company incorporated outside Pakistan shall, not later than the first Monday in August of any year in which it carries on business, display in a conspicuous place in its principal office and in every branch office in Pakistan, a copy of its last audited balance sheet and profit and loss account prepared under section 34 and shall keep it so displayed until replaced by a copy of the subsequent balance sheet and profit and loss account so prepared and every such banking company shall in addition display in like manner copies of its complete audited balance sheet and profit and loss account relating to its banking business as soon as they are available and shall keep the copies so displayed until copies of such subsequent accounts are available.

THE PAYMENT SYSTEMS AND ELECTRONIC FUND TRANSFERS ACT, 2007

*An Act to provide regulatory framework for
payment systems and electronic fund transfers*

WHEREAS it is necessary to supervise and regulate Payment Systems and Electronic Fund Transfers in Pakistan and to provide standards for protection of the consumer and to determine respective rights and liabilities of the financial institutions and other Service Providers, their consumers and participants;

It is hereby enacted as follows:

CHAPTER I PRELIMINARY

2. Definitions.- (1) In this Act, unless there is anything repugnant in the subject or context,

- (a) "Accepted Card" means a card, code or other means of access to a Consumer's Account for the purpose of initiating Electronic Fund Transfers;
- (b) "Access Code" includes pin, password or code, which provides a means of access to a Consumer's Account for the purpose of initiating an Electronic Fund Transfer;
- (c) "Account" means a current deposit, saving deposit, or any other account maintained by a consumer in a Financial Institution in which credits and debits may be effected by virtue of Electronic Fund Transfers;
- (d) "Authorized" means authorized by the State Bank for the purposes of this Act;
- (e) "Automated Teller Machine (ATM) Card" means any card for use at any ATM to initiate Electronic Fund Transfers.
- (f) "Authorized Party" means a bank, a Financial Institution, a Clearing House, a Service Provider or any person authorized by the State Bank to transact business under this Act in Pakistan;
- (g) "Automated Teller Machine (ATM) Operator" means any person or a Financial Institution operating any ATM at which consumers initiate Electronic Fund Transfers;
- (h) "Bank" means a banking company as defined in section 5 of the Banking Companies Ordinance, 1962 (LVII of 1962);
- (i) "Book Entry Government Securities" means any securities issued by the Government under any written law transferable by a book entry on a register or otherwise;

- (j) "Business Day" means any day on which offices of consumers, Financial Institutions, operators or Service Providers involved in Electronic Fund Transfer are open to the public;
- (k) "Card" means any card including an ATM card, Electronic Fund Transfer point of sale card, debit card, credit card or stored value card, used by a Consumer to effect an Electronic Fund Transfer;
- (l) "Cheque in the Electronic Form" means a cheque which contains the exact image of a paper cheque in electronic form and is generated, written and signed in a secure system ensuring minimum safety standards as may be prescribed by the State Bank;
- (m) "Clearing House" means corporation, company, association, partnership, agency or other entity that provides clearing or settlement services for a Payment System;
- (n) "Consumer" means any person who or which avails the facility of Electronic Fund Transfer;
- (o) "Debit Instrument" means a Card, Access Code, or other device other than a cheque, draft or similar paper instrument, by the use of which a person may initiate an Electronic Fund Transfer;
- (p) "Designated Payment Instrument" means a Payment Instrument designated by the State Bank as Payment Instrument under section 12.
- (q) "Designated Payment System" means a Payment System designated by the State Bank under section 4 to be a Designated Payment System for the purposes of this Act;
- (r) "Electronic" has the same meaning as assigned to it by the Electronic Transactions Ordinance, 2002 (LI of 2002);
- (s) "Electronic Fund or Electronic Money" means money transferred through an Electronic Terminal, ATM, telephone instrument, computer, magnetic medium or any other electronic device so as to order, instruct or authorize a banking company, a Financial Institution or any other company or person to debit or credit an account and includes monetary value as represented by a claim on the issuer which is stored in an electronic device or Payment Instrument, issued on receipt of funds of an amount not less in value than the monetary value issued, accepted as means of payment by undertakings other than the issuer and includes electronic store of monetary value on a electronic device that may be used for making payments or as may be prescribed by the State Bank;
- (t) "Electronic Fund Transfer" means any transfer of funds, other than a transaction originated by cheque, draft or similar paper instrument, which is initiated through an Electronic Terminal, telephonic instrument, pointof sale Terminal, stored value card Terminal, debit card, ATM, computer magnetic tape or any other electronic device so as to order, instruct, or authorize a Financial Institution to debit or credit an Account;

- (u) "Electronic Money Institution" means an undertaking, that issues means of payment in the form of Electronic Money and is duly authorized to do so;
- (v) "Electronic Payment System" means implementation of Payment System Electronically;
- (w) "Electronic Terminal" means an electronic device, operated by a consumer, through which a consumer may initiate an Electronic Fund Transfer;
- (x) "Financial Institution" means a financial institution as defined in the Financial Institutions (Recovery of Finances) Ordinance, 2001(XLVI of 2001) and includes a banking company or any other Electronic Money Institution or person, authorized by the State Bank in this behalf, that directly or indirectly holds an account belonging to a consumer.
- (y) "Government" means the Federal Government or any Provincial Government;
- (z) "Netting" means the conversion into one net claim or one net obligation of claims and obligations resulting from transfer orders which a participant either issues to, or receives from, one or more other participants with the result that only a net claim can be demanded or a net obligation be owed;
- (za) "Operator" means any financial or other institution or any person, authorized by the State Bank to operate any Designated Payment System;
- (zb) "Participant" means a party to an arrangement that establishes a Payment System;
- (zc) "Payment Instrument" means any instrument, whether tangible or intangible, that enables a person to obtain money, goods or services or to otherwise make payment; but excludes Payment Instruments prescribed in Negotiable Instrument Act, 1881(XXVI of 1881);
- (zd) "Payment System" interalia means a system relating to payment instruments, or transfer, clearing, payment settlement, supervision, regulation or infrastructure thereof and includes clearing, settlement or transfer of Book Entry Government Securities;
- (ze) "Person" includes a legal person or a body of persons whether incorporated or not.
- (zf) "Preauthorized Electronic Fund Transfer" means an Electronic Fund Transfer Authorized in advance;
- (zg) "Prescribed" means prescribed by rules, circulars, directions, orders or byelaws.

- (zh) "Real Time Gross Settlement System" means a Payment System which can effect final settlement of funds, payment obligations and Book Entry Government Securities and instruments on a continuous basis during such operating hours of a processing day as the State Bank may determine on a transactionbytransactionbasis;
- (zi) "Service Provider" includes an operator or any other Electronic Fund Transfer Service Provider.
- (zj) "State Bank" means the State Bank of Pakistan established under section 3 of the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
- (zk) "System Risk" means the risk that relates to the inability of a participant to meet its obligations in the Payment System as they become due or a disruption to the Payment System that could, for whatever reason, cause other participants in the Payment System to be unable to meet their obligations as they become due; and
- (zl) "Truncated Cheque" means a cheque which is truncated in a securesystem, during the course of a clearing cycle, by an Authorized Party, whether paying or receiving payment, immediately on capture of a scanned image, substituting physical movement of the cheque in the original form, and includes a cheque in the electronic form.

CHAPTER II Payment Systems and Their Operation

4. Designation of Payment System.- (1) The State Bank may, if it finds it to be necessary in the public interest, by a written order designate a Payment System as a Designated Payment System.

(2) The State Bank may, in considering whether to designate a Payment System as a Designated Payment System, inspect the premises, equipment, machinery, apparatus, books or other documents, or accounts and transactions relating to the Payment System.

5. Revocation of Designation of Payment System.- (1) The State Bank may revoke the designation of a Designated Payment System if it is satisfied that –

- (i) the Designated Payment System has ceased to operate effectively as a Payment System;
- (ii) the operator of the designated system has knowingly furnished information or documents to the State Bank in connection with the designation of the Payment System which is or are false or misleading in any material particular;
- (iii) the operator or settlement institution of the Designated Payment System is in the course of being wound up or otherwise dissolved, whether in Pakistan or elsewhere;
- (iv) any of the terms and conditions of the designation or requirements of this Act has been contravened; or

(v) the State Bank considers that it is in the public interest to revoke the designation.

(2) The State Bank shall not revoke a designation without giving the operator of the Designated Payment System an opportunity to be heard.

Provided that the State Bank may, if an immediate systemic risk is involved, suspend the designation of a Payment System without notice pending the final order.

8. Disqualification of Staff.- (1) No person shall be appointed to serve in any capacity by an operator of a Designated Payment System if –

- (i) such person has been adjudged a bankrupt, or has suspended payments, or has compounded a debt with his creditors, whether in or outside Pakistan, within ten years prior to the date of the appointment; or
- (ii) such person has been convicted of an offence under this Act or committed any other offence involving moral turpitude or such an offence has been compounded against him.

(2) Any person being the chairman, director, chief executive, by whatever name called, or official liquidator, or an officer of a designated payment system mismanages the affairs of the payment system or misuses his position for gaining direct or indirect benefit for himself or any of his family members or any other person, shall be disqualified to serve in any capacity in a designated payment system.

CHAPTER III Payment Instruments

14. Prohibition of Issuance of Payment Instruments.- (1) The State Bank may, by a written order, prohibit any person from issuing or using any Payment Instrument if, in its opinion –

- (i) the issuing or use of the Payment Instrument is detrimental to the reliable, safe, efficient and smooth operation of the Payment Systems of Pakistan or monetary policy of the State Bank;
- (ii) the prohibition is in the interest of the public; or
- (iii) the Payment Instrument has been issued with an object to entice or defraud the public.
- (iv) the Person has, in the opinion of the State Bank, failed to comply with the requirements of this Act.

(2) The State Bank may, in considering whether to prohibit any Person from issuing or using any Payment Instrument, inspect the premises, equipment, machinery, apparatus, books or other documents, or accounts and transactions of the issuer of the Payment Instrument.

(3) Any Person causing or attempting to cause obstruction to an officer or representative of the State Bank in inspection of the premises or equipment shall, upon complaint made to a court having jurisdiction, be liable to punishment which

may extend to three years imprisonment of either description or with fine which may extend to five million rupees or with both.

(4) The State Bank shall before passing an order under this section, give such Person a reasonable opportunity to make representation before it.

Provided that State Bank may, in appropriate cases, without notice direct a Person to immediately stop issuing a Payment Instrument, pending the final order.

CHAPTER IV **Clearing and Other Obligations**

18. Clearing Houses, Audit and Inspection.- (1) The State Bank may nominate one or more Clearing Houses to provide clearing or settlement services for a Payment System on such terms and conditions as may be determined by it.

(2) The State Bank may, for the purposes of carrying out its functions under this Act, conduct audits and inspections of Clearing Houses, and the Clearing House shall, as required, assist the State Bank to the extent necessary to enable it to carry out an audit or inspection.

(3) Auditors for carrying out the purposes provided for in subsection (1) shall be appointed with prior approval in writing of the State Bank.

COMPETITION ACT, 2010

CONTENTS

(Arrangement of Sections)

Section	Title/Description	Page No.
1. Short title, extent, application and commencement.....		714
2. Definitions		714
CHAPTER-II		
PROHIBITION OF ABUSE OP DOMINANT POSITION, CERTAIN AGREEMENTS, DECEPTIVE MARKETING PRACTICES AND APPROVAL OP MERGERS		
3. Abuse of dominant position		716
4. Prohibited agreements		716
5. Individual exemption.....		717
6. Cancellation etc., of individual exemptions.....		717
7. Block exemption.....		718
8. Block exemption procedure.....		718
9. The criteria for individual and block exemptions.....		718
10. Deceptive marketing practices		718
11. Approval of mergers		719

COMPENDIUM
OF
CORPORATE LAWS

COMPETITION ACT, 2010

No. F. 22(30)/2009-Legis, dated October 13, 2010.- The following Act of Majlis-e-Shoora (Parliament) received the assent of the President on the 06th October, 2010 and is hereby published for general information:-

ACT No. XIX OF 2010

An Act to provide for free competition in all spheres of commercial and economic activity to enhance economic efficiency and to protect consumers from anti competitive behaviour.

WHEREAS, it is expedient to make provisions to ensure free competition in all" spheres of commercial and economic activity to enhance economic efficiency and to protect consumers from anti-competitive behaviour and to provide for the establishment of the Competition Commission of Pakistan to maintain and enhance competition; and for matters connected therewith or incidental thereto;

It is hereby enacted as follows:-

CHAPTER-I PRELIMINARY

1. Short title, extent, application and commencement.- (1). This Act may be called the Competition Act, 2010.

(2) It extends to the whole of Pakistan..

(3) It shall apply to all undertakings and all actions or matters that take place in Pakistan and distort competition within Pakistan.

(4) It shall come into force at once.

2. Definitions.- (1) In this Act, unless there is anything repugnant in the subject or context,-

- (a) "acquisition" means any change of control of an undertaking by way of acquisition of shares, assets or any other means;
- (b) "agreement" includes any arrangement, understanding or practice, whether or not it is in writing or intended to be legally enforceable;
- (c) "Chairman" means the Chairman of the Commission and includes the Acting Chairman;
- (d) "Commission" means the Competition Commission of Pakistan established under section 12;
- (e) "dominant position" of one undertaking or several undertakings in a relevant market shall be deemed to exist if such undertaking or undertakings have the ability to behave to an appreciable extent independently of competitors, customers, consumers and suppliers and the position of an undertaking shall be presumed to be dominant if its share of the relevant market exceeds forty per cent;
- (f) "goods" includes any item, raw material, product or by-product which is sold for consideration;

- (g) "Member" means a member of the Commission;
- (h) "merger" means the merger, acquisition, amalgamation, combination or joining of two or more undertakings or part thereof into an existing undertaking or to form a new undertaking; and expression "merge" means to merge, acquire, amalgamate, combine or join, as the context may require;
- (i) "Minister" means the Federal Minister for Finance and, in his absence, the Adviser to the Prime Minister on Finance;
- (j) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984);
- (k) "relevant market" means the market which shall be determined by the Commission with reference to a product market and a geographic market and a product market comprises all those products or services which are regarded as interchangeable or Substitutable by the consumers by reason of the products' characteristics, prices and intended uses. A geographic market comprises the area in which the undertakings concerned are involved in the supply of products or services and in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighboring geographic areas because, in particular, the conditions of competition are appreciably different in those areas;
- (l) "retailer", in relation to the sale of any goods, means a person who sells the goods to any other person other than for re-sale;
- (m) "regulations" means the regulations made by the Commission under this Act;
- (n) "rules" means the rules made by the Federal Government under this Act;
- (o) "service" means a service of any description whether industrial, trade, professional or otherwise;
- (p) "Tribunal" means Competition Appellate Tribunal under section 43 of the Act;
- (q) "undertaking" means any natural or legal person, governmental body including a regulatory authority, body corporate, partnership, association, trust or other entity in any way engaged, directly or indirectly, in the production, supply, distribution of goods or provision or control of services and shall include an association of undertakings; and
- (r) "wholesaler", in relation to the sale of any goods, means a person who purchases goods and sells them to any other person for re-sale.

(2) The words and expressions used but not defined in this Act shall have same meanings respectively assigned to them in the Ordinance.

CHAPTER-II

PROHIBITION OF ABUSE OF DOMINANT POSITION, CERTAIN AGREEMENTS, DECEPTIVE MARKETING PRACTICES AND APPROVAL OF MERGERS

3. Abuse of dominant position.- (1) No person shall abuse dominant position.

(2) An abuse of dominant position shall be deemed to have been brought about, maintained or continued if it consists of practices which prevent, restrict, reduce or distort competition in the relevant market.

(3) The expression "practices" referred to in sub-section (2) shall include, but are not limited to-

- (a) limiting production, sales and unreasonable increases in price or other unfair trading conditions;
- (b) price discrimination by charging different prices for the same goods or services from different customers in the absence of objective justifications that may justify different prices;
- (c) tie-ins, where the sale of goods or service is made conditional on the purchase of other goods or services;
- (d) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations which by their nature or according to commercial usage, have no connection with the subject of the contracts;
- (e) applying dissimilar conditions to equivalent transactions on other parties, placing them at a competitive disadvantage;
- (f) predatory pricing driving competitors out of a market, prevent new entry, and monopolize the market;
- (g) boycotting or excluding any other undertaking from the production, distribution or sale of any goods or the provision of any service; or
- (h) refusing to deal.

4. Prohibited agreements.- (1) No undertaking or association of undertakings shall enter into any agreement or, in the case of an association of undertakings, shall make a decision in respect of the production, supply, distribution, acquisition or control of goods or the provision of services which have the object or effect of preventing, restricting or reducing competition within the relevant market unless exempted under section 5.

(2) Such agreements include, but are not limited to-

- (a) the fixing the purchase or selling price or imposing any other restrictive trading conditions with regard to the sale or distribution of any goods or the provision of any service;
- (b) dividing or sharing of markets for goods or services, whether by territories, by volume of sales or purchases, by type of goods or services sold or by any other means;

- (c) fixing or setting the quantity of production, distribution or sale with regard to any goods or the manner or means of providing any services;
- (d) limiting technical development or investment with regard to the production, distribution or sale of any goods or the provision of any service; or
- (e) collusive tendering or bidding for sale, purchase or procurement of any goods or service;
- (f) applying dissimilar conditions to equivalent transactions with other trading parties, thereby placing them at a disadvantage; and
- (g) make the conclusion of contracts subject to acceptance, by the other parties of supplementary obligations which, by their nature or according to commercial usage, have no connection with the subject of such contracts.

(3) Any agreement entered into in contravention of the provision in sub-section (1) shall be void.

5. Individual exemption.- (1) The Commission may grant an exemption from section 4 with respect to a particular practice or agreement, if a request for an exemption has been made to it by a party to the agreement or practice and the agreement is one to which section 9 applies.

(2) The exemption under sub-section (1) may be granted subject to such conditions as the Commission considers it appropriate to impose and has effect for such period as the Commission considers appropriate.

(3) That period must be specified in the grant of the exemption.

(4) An individual exemption may be granted so as to have effect from a date earlier than that on which it is granted.

(5) On an application, made in such a way as may be specified by rules made under section 55, the Commission may extend the period for which an exemption has effect; but, if the rules so provide, the Commission may do so only in specified circumstances.

6. Cancellation etc., of individual exemptions.- (1) If the Commission has reasonable grounds for believing that there has been a material change of circumstances since it granted an individual exemption, it may by notice in writing-

- (a) cancel the exemption;
- (b) vary or remove any condition or obligation; or
- (c) impose one or more additional conditions or obligations.

(2) If the Commission has reasonable suspicion that the information on which it based its decision to grant an individual exemption was incomplete, false or misleading in a material particular, the Commission may by notice in writing take any of the steps mentioned in sub-section (1).

(3) Breach of a condition has the effect of cancelling the exemption.

(4) Failure to comply with an obligation allows the Commission, by notice in writing to take any of the steps mentioned in sub-section (1).

(5) The Commission may act under this section on its own initiative or on complaint made by any person.

7. Block exemption.-(1) If agreements which fall within a particular category of agreements are, in the opinion of the Commission, likely to be agreements to which section 9 applies, the Commission may make a block exemption order giving exemption to such agreements.

(2) A block exemption order may impose conditions or obligations subject to which a block exemption is to have effect.

(3) A block exemption order may provide-

- (a) that breach of a condition imposed by the order has the effect of canceling the block exemption in respect of an agreement;
- (b) that if there is a failure to comply with an obligation imposed by the order, the Commission may, by notice in writing, cancel the block exemption in respect of the agreement;
- (c) that if the Commission considers that a particular agreement is not one to which section 9 applies, the Commission may cancel the block exemption in respect of that agreement.

(4) A block exemption order may provide that the order is to cease to have effect at the end of a period specified in the block exemption order.

8. Block exemption procedure.-(1) Before making a block exemption order, the Commission must-

- (a) publish details of its proposed order in such a way as the Commission thinks most suitable for bringing it to the attention of those likely to be affected; and
- (b) consider any representations about it which are made to the Commission.

(2) A block exemption order may provide for a block exemption to have effect from a date earlier than that on which the order is made.

9. The criteria for individual and block exemptions.-(1) The Commission may grant individual or block exemption in respect of an agreement which substantially contributes to-

- (a) improving production or distribution;
- (b) promoting technical or economic progress, while allowing consumers a fair share of the resulting benefit; or
- (c) the benefits of that clearly outweigh the adverse effect of absence or lessening of competition.

(2) The onus of claiming an exemption under this Act shall lie on the undertaking seeking the exemption.

10. Deceptive marketing practices.-(1) No undertaking shall enter into deceptive marketing practices.

- (2) The deceptive marketing practices shall be deemed; to, have been resorted to or continued if an undertaking resorts to-
- (a) the distribution of false or misleading information that is capable of harming the business interests of another undertaking;
 - (b) the distribution of false or misleading information to consumers, including the distribution of information lacking a reasonable basis, related to the price, character, method or place of production, properties, suitability for use, or quality of goods;
 - (3) false or misleading comparison of goods in the process of advertising; or
 - (4) fraudulent use of another's trademark, firm name, or product labeling or packaging.

11. Approval of mergers.- (1) No undertaking shall enter into a merger which substantially lessens competition by creating or strengthening a dominant position in the relevant market.

(2) Notwithstanding the provisions contained in the Act where an undertaking, intends to acquire the shares or assets of another undertaking, or two or more undertakings intend to merge the whole or part of their businesses, and meet the pre-merger notification thresholds stipulated in regulations prescribed by the Commission, such undertaking or undertakings shall apply for clearance from the Commission of the intended merger.

(3) The concerned undertakings shall submit a pre-merger application to the Commission as soon as they agree in principle or sign a non-binding letter of intent to proceed with the merger.

(4) Application referred to in sub-section (3) shall be in the form and accompanied by a processing fee as may be prescribed by the Commission. The concerned undertakings shall not proceed with the intended merger until they have received clearance from the Commission.

(5) The Commission shall by way of an order referred to in section 31, decide on whether the intended merger meets the thresholds and the presumption of dominance as determined in section 3. Such order shall be made within thirty days of receipt of the application.

(6) If so determined, the Commission shall initiate a second phase review and for that purpose the Commission may require the concerned undertakings to provide such information as it considers necessary to enable the Commission to make the necessary determination.

(7) Failure to make a determination within the prescribed period of thirty days for the first phase review shall mean that the Commission has no objection to the intended merger.

(8) On initiation of the second phase review the Commission shall, within ninety days of receipt of the requested information under sub-section (6), review the merger to assess whether it substantially lessens competition by creating or strengthening a dominant position in the relevant market, and shall give its decision

on the proposed transaction. In case concerned undertakings fail to provide the information requested, the Commission may reject the application.

(9) Failure to render a decision within ninety days, shall be deemed to mean that the Commission has no objection to the intended merger.

(10) If after the second phase review, the Commission determines that the intended merger substantially lessens competition by creating or strengthening a dominant position, it may nonetheless approve the transaction, if it is shown that-

- (a) it contributes substantially to the efficiency of the production or distribution of goods or to the provision of services;
- (b) such efficiency could not reasonably have been achieved by a less restrictive means of competition;
- (c) the benefits of such efficiency clearly outweigh the adverse effect of the absence or lessening of competition; or
- (d) it is the least anti-competitive option for the failing undertaking's assets, when one of the undertakings is faced with actual or imminent financial failure;

Provided that the burden of proof shall lie with the undertaking seeking the approval.

(11) In case the Commission determines that the transaction under review does not qualify the criteria specified in sub-section (10), the Commission may;

- (a) prohibit the consummation of the transaction;
- (b) approve such transaction subject to the conditions laid by the Commission in its order;
- (c) approve such transaction on the condition that the said undertakings enter into legally enforceable agreements specified by the Commission in its order.

(12) Where an undertaking has consummated the merger without complying with the provisions of sub-section (1) to. sub-section (4), the Commission shall, after giving the undertaking an opportunity of being heard, make appropriate orders under section 31.

(13) Where the Commission has granted approval subject to conditions, the Commission may, within one year, review the order of approval of merger on its own or on the application of the undertakings concerned on the ground that it is satisfied that the circumstances of the relevant market or the undertakings have so changed as to warrant review of the conditions imposed.

(14) If the Commission determines that the approval was based on false or misleading information submitted by the undertaking, or the conditions prescribed in the relevant order of the Commission have not been fully complied with, the Commission may after affording the undertakings concerned an opportunity of being heard-

- (a) undo such merger or acquisition; or
- (b) prescribe modifications or additions in the original order.

ANTI-MONEY LAUNDERING ACT, 2010

CONTENTS

(Arrangement of Sections)

Section	Title/Description	Page No.
1.	Short title, extract and commencement.....	723
2.	Definitions	723
3.	Offence of money laundering	727
4.	Punishment for money laundering.....	727
5.	National Executive Committee	728
6.	Financial Monitoring Unit.....	730
6A.	AML/CFT regulatory authority	731
6B.	International cooperation by regulators	732
6C.	Oversight body for SRBs.....	732
7.	Procedure and manner of furnishing information by reporting entities	732
7A.	Conducting CDD	733
7B.	Reliance on third parties	734
7C.	Record keeping	734
7D.	Inability to complete CDD and tipping off	734
7E.	Anonymous business relationships and transactions.....	734
7F.	Risk understanding	734
7G.	Compliance program.....	734
7H.	Policies and procedures.....	735
7I.	Sanctions for reporting entities.....	735
7J.	Appeal to concerned AML/CFT regulatory authority	735
8.	Attachment of property involved in money laundering.....	735
9.	Investigation	736
9A.	Application of investigation techniques	737
10.	Vesting of property in Federal Government	738
11.	Management of forfeited properties	738
12.	No civil or criminal proceedings against reporting entities in certain cases	738
13.	Power of survey	738
14.	Search and seizure	739
15.	Search of Persons.....	740
16.	[Omitted]	741
17.	Retention of property.....	741
18.	Retention of records.....	741

Section	Title/Description	Page No.
19.	Presumption as to records or property in certain cases	742
20.	Jurisdiction	742
21.	Offences to be non-cognizable and non-bailable	743
22.	Application of Code of Criminal Procedure, 1898 (Act V of 1898) to proceedings before Courts.....	743
23.	Appeal to High Court.....	744
24.	Appointment of investigating officers and their powers	744
25.	Authorities to assist.....	745
26.	Agreements with foreign countries	745
27.	Letter of request to a contracting State etc	746
28.	Assistance to a contracting State in certain cases	746
29.	Reciprocal arrangements for processes and assistance for transfer of accused persons...746	
30.	Attachment, seizure and forfeiture etc., of property in a contracting State or Pakistan	747
31.	Procedure in respect of letter of request	748
32.	Punishment for vexatious survey and search.....	748
33.	Liability for failure to file Suspicious Transaction Report and for providing false information748	
34.	Disclosure of information.....	749
35.	Bar of jurisdiction.....	749
36.	Notices, etc. not to be invalid on certain grounds.....	749
37.	Offences by companies.....	750
38.	Continuity of proceedings in the event of death or insolvency	750
39.	Act to have overriding effect.....	751
40.	Members etc., to be public servants.....	751
41.	Act not to apply to fiscal offences.....	751
42.	Power to amend the Schedule	751
43.	Power to make rules	751
44.	Power to make regulations.....	751
45.	Power to remove difficulties	752
46.	Validation of actions, etc	752
SCHEDULE I		753
SCHEDULE II		759
SCHEDULE III		759
SCHEDULE IV		759

ANTI-MONEY LAUNDERING ACT, 2010

No. 9(4)/2010-Legis.- Islamabad the 27th March 2010.— The following Act of Majlis-e-Shoora (Parliament) received the assent of the President on 26th March, 2010, is hereby published for general information:—

Act No. VII of 2010

An Act to provide for prevention of money laundering

WHEREAS it is expedient to provide for prevention of money laundering, combating financing of terrorism and forfeiture of property derived from, or involved in, money laundering or financing of terrorism and for matters connected therewith or incidental thereto;

It is hereby enacted as follows:—

1. Short title, extract and commencement.— (1) This Act may be called the Anti-Money Laundering Act, 2010.

- (2) It extends to the whole of Pakistan.
- (3) It shall come into force at once.

¹[2. Definitions.]— In this Act, unless there is anything repugnant in the subject or context,—

- (i) “AML/CFT” means anti money laundering and counter financing of terrorism;
- (ii) “AML/CFT regulatory authority” means the regulator or SRB as defined under section 6A;
- (iii) “attachment” means prohibition of transfer, conversion, disposition or movement of property by an order issued under section 8;
- (iv) “beneficial owner” means,—
 - (i) natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is being conducted; or
 - (ii) natural person who exercises ultimate effective control over a legal person or legal arrangement;
- (v) “business relationship” means professional or commercial relationship between a reporting entity and a customer to conduct transaction, activity or to provide service or product;
- (vi) “CDD” means customer due diligence and the obligations set out in section 7A;
- (vii) “company” means anybody corporate and includes a firm or other association of individuals;
- (viii) “competent authorities” means the regulators, oversight bodies for SRBs, the Financial Monitoring Unit and the investigating or prosecuting agencies as defined in this Act;
- (ix) “corporate group” means group that consists of a parent entity exercising control or management on branch or subsidiary that are subject to AML/CFT policies and procedures at the group level;
- (x) “Court” means the Court specified under section 20;

¹ Section 2 substituted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

- (xi) "CTR" means report on currency transactions exceeding such amount as may be specified by the National Executive Committee by notification in the official Gazette;
- (xii) "designated non-financial businesses and professions" or "DNFBPs" means the following persons, namely:--
 - (a) real estate agents, including builders and real estate developers, when performing the prescribed activities in the prescribed circumstances and manner;
 - (b) dealers in precious metals and precious stones, including jewelers and gem dealers, when performing the prescribed activities in the prescribed circumstances and manner;
 - (c) lawyers, notaries, accountants and other legal professionals who carryout monetary transactions for their clients concerning the following activities:--
 - (I) managing, operating, buying and selling of real estate, legal persons and legal arrangements and preparing documents therefor;
 - (II) managing of client money, securities or other assets;
 - (III) managing bank, savings or securities accounts; or
 - (IV) organizing contributions for the creation, operation or management of companies;
 - (d) trust and company service providers, when they carry out monetary transactions or services for a client concerning the following activities:--
 - (I) acting as a formation agent of legal persons;
 - (II) acting as or arranging for another person to act as a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;
 - (III) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement;
 - (IV) acting as or arranging for another person to act as a trustee of a trust or performing the equivalent function for another form of legal arrangement; and
 - (V) acting as or arranging for another person to act as a nominee shareholder for another person; and
 - (e) such other designated non-financial businesses and professions as may be notified by the Federal Government;
- (xiii) "Director General" means the Director General of FMU appointed under sub-section (3) of section 6;

- (xiv) "financial institution" includes any person carrying on any one or more of the following activities, namely:--
 - (a) acceptance of deposits and other repayable funds from the public;
 - (b) lending in whatsoever form;
 - (c) financial leasing;
 - (d) money or value transfer;
 - (e) issuing and managing means of payments including but not limited to credit and debt cards, cheques, traveller's cheques, money orders, bank drafts and electronic money;
 - (f) financial guarantees and commitments; and
 - (g) trading in--
 - (i) money market instruments;
 - (ii) foreign exchange;
 - (iii) exchange, interest rate and index instruments;
 - (iv) transferable securities;
 - (v) commodity futures trading;
 - (vi) participation in shares issues and the provision of services related to such issues;
 - (vii) individual and collective portfolio management;
 - (viii) safekeeping and administration of cash or liquid securities on behalf of other persons;
 - (ix) investing, administering or managing funds or money on behalf of other persons;
 - (x) insurance business transactions;
 - (xi) money and currency changing; and
 - (xii) carrying out business as intermediary;
- (xv) "FMU" means the Financial Monitoring Unit established under section 6;
- (xvi) "foreign serious offence" means an offence,--
 - (a) against the law of a foreign state stated in a certificate issued by, or on behalf of, the government of that foreign state; and
 - (b) which, had it occurred in Pakistan, would have constituted a predicate offence;
- (xvii) "investigating officer" means the officer nominated or appointed under section 24;
- (xviii) "investigating or prosecuting agency" means the National Accountability Bureau (NAB), Federal Investigating Agency (FIA), Anti-Narcotics Force (ANF), Directorate General (Intelligence and Investigation – Customs) Federal Board of Revenue, Directorate General (Intelligence and Investigation Inland Revenue) Federal Board of Revenue, Provincial Counter Terrorism Departments or any other law

- enforcement agency as may be notified by the Federal Government for the investigation or prosecution of an offence under this Act;
- (xix) "legal arrangements" means trusts, *waqfs* or other similar legal arrangements as may be defined in any other law;
- (xx) "legal person" means companies, associations foundations, partnerships, societies and any other legal person as may be defined in any other law;
- (xxi) "National Executive Committee" means the National Executive Committee constituted under section 5;
- (xxii) "occasional transactions" means any transaction conducted by a reporting entity for a customer with whom the reporting entity does not have a business relationship;
- (xxiii) "offence of money laundering" has the meaning as defined in section 3;
- (xxiv) "oversight body for SRB" means a body appointed by the Federal Government by notification in the official Gazette to monitor the compliance of an SRB with respect to the provisions of this Act;
- (xxv) "person" means any natural or legal person;
- (xxvi) "predicate offence" means an offence specified in Schedule-I of this Act;
- (xxvii) "prescribed" means prescribed by rules or regulations made under this Act;
- (xxviii) "proceeds of crime" means any property derived or obtained directly or indirectly by any person from the commission of a predicate offence or a foreign serious offence;
- (xxix) "proliferation financing" means the financing of proliferation of weapons of mass destruction;
- (xxx) "property" means property or assets of any description, whether corporeal or incorporeal, movable or immovable, tangible or intangible and includes deeds and instruments evidencing title to, or interest in, such property or assets, including cash and monetary instruments, wherever located;
- (xxxi) "property involved in money laundering" means, regardless of who holds or has held the property, proceeds of crime, property derived or obtained directly or indirectly from the offence of money laundering and property used or intended to be used in commission of the offence of money laundering, a predicate offence or a foreign serious offence;
- (xxxii) "record" includes the records maintained in the form of books or stored in a computer or any electronic device, or such other form as may be prescribed;
- (xxxiii) "regulator" means a regulator as mentioned in clause 1 of Schedule-IV;
- (xxxiv) "reporting entity" means financial institutions and DNFBPs and any other person notified by the Federal Government in the official Gazette;

- (xxxv) "risk" means the risk of money laundering or the risk of financing of terrorism;
- (xxxvi) "SBP" means the State Bank of Pakistan established under the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
- (xxxvii) "Schedule" means schedule to this Act;
- (xxxviii) "SECP" means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (xxxix) "SRB" means a self-regulatory body as mentioned in clause 2 of Schedule-IV;
- (xli) "STR" or "Suspicious Transaction Report" means the report on suspicious transaction as provided under section 7;
- (xlii) "TFS" or "targeted financial sanctions" means the freezing and prohibition obligations in relation to the property of the designated or proscribed persons under the United National (Security Council) Act, 1948 (XIV of 1948) or the Anti-terrorism Act, 1997 (XXVII of 1997) and any rules or regulations made thereunder; and
- (xliii) "transfer" means sale, lease, purchase, mortgage, pledge, gift, loan or any other form of transfer of right, title, possession or lien.]

3. Offence of money laundering.- (1) A person shall be guilty of offence of money laundering, if the person:-

- (a) acquires, converts, possesses, uses or transfers property, knowing or having reason to believe that such property is proceeds of crime;
- (b) conceals or disguises the true nature, origin, location, disposition, movement or ownership of property, knowing or having reason to believe that such property is proceeds of crime;
- (c) holds or possesses on behalf of any other person any property knowing or having reason to believe that such property is proceeds of crime; or
- (d) participates in, associates, conspires to commit, attempts to commit, aids, abets, facilitates, or counsels the commission of the acts specified in clauses (a), (b) and (c).

¹[Explanation-I].- The knowledge, intent or purpose required as an element of an offence set forth in this section may be inferred from factual circumstances in accordance with the Qanun-e-Shahadat, 1984 (P.O. 10 of 1984).

²[Explanation-II].-For the purposes of proving an offence under this section, the conviction of an accused for the respective predicate offence shall not be required.]

³**[4. Punishment for money laundering.**- (1) Whoever commits the offence of money laundering shall be punished with rigorous imprisonment for a term which shall not be less than one year but may extend upto ten years and

1 Substituted for "Explanation" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Explanation-II inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Section 4 substituted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

shall also be liable to fine which may extend upto twenty-five million rupees and shall also be liable to forfeiture of property involved in money laundering or property of corresponding value.

(2) The fine under sub-section (1) may extend upto one hundred million rupees in case of a legal person. Any director, officer or employee of such legal person who is also found guilty under this section shall also be punishable as provided under sub-section (1).]

¹[5. National Executive Committee.]—(1) Within thirty days of the commencement of this Act, the Federal Government shall, by notification in the official Gazette, constitute a committee to be known as the National Executive Committee which shall consist of the members as mentioned in Schedule-II.

(2) The National Executive Committee shall hold its meetings atleast twice a year and shall be responsible to perform the following functions, namely:-

- (a) make recommendations to the Federal Government to make rules for effective implementation of this Act and framing of national policy to combat money laundering and financing of terrorism;
- (b) make recommendations to the Federal Government to make rules for the determination of offences existing in Pakistan that may be considered to be predicate offences for the purpose of this Act;
- (c) make recommendations to the Federal Government on the application of countermeasures as called for by the Financial Action Task Force (FATF) to combat money laundering and financing of terrorism;
- (d) provide guidance and recommendations in making rules and regulations under this Act;
- (e) approve, review and oversee the implementation of a national strategy to fight money laundering and financing of terrorism;
- (f) seek reports from competent authorities as it may require, including an annual report containing overall analysis of the STRs and CTRs, statistics concerning the investigations and prosecutions conducted in relation to the offences of money laundering and the financing of terrorism in Pakistan, statistics of supervisory actions taken by the AML/CFT regulatory authorities according to clause (i) of sub-section (2) of section 6A or by the oversight body for SRB according to section 6C. In this behalf, Secretary of the National Executive Committee may call periodic reports from the AML/CFT regulatory authorities, oversight body for SRB, investigating and prosecuting agencies in such manner as may be specified by him;
- (g) discuss any other issue of national importance relating to money laundering and financing of terrorism; and
- (h) undertake and perform such other functions as assigned to it by the Federal Government, relating to money laundering and financing of terrorism.

¹ Section 5 substituted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

(3) The National Executive Committee may constitute one or more sub-committees to perform such functions as it may deem fit.

(4) The National Executive Committee may delegate or assign its functions to the General Committee or a sub-committee, if deems appropriate.

(5) The Federal Government shall, by notification in the official Gazette, constitute a committee to be known as the General Committee which shall consist of the members as mentioned in Schedule-III.

(6) The General Committee shall assist the National Executive Committee for the purposes of this Act.

(7) The General Committee may invite any person to participate in its meeting as it deems necessary.

(8) The General Committee shall perform the following functions, namely:-

- (a) develop a national strategy to fight money laundering and financing of terrorism;
- (b) issue necessary directions to the investigating or prosecuting agencies, AML/CFT regulatory authorities, FMU and any other authorities appointed by the Federal Government involved in the implementation and administration of this Act, including measures for development and performance review of such agencies and authorities;
- (c) seek reports from the competent authorities as it may require, including an annual report containing overall analysis of the STRs and CTRs, statistics concerning the investigations and prosecutions conducted in relation to the offences of money laundering and the financing of terrorism in Pakistan, statistics of supervisory actions taken by the AML/CFT regulatory authorities according to clause (i) of sub-section (2) of section 6A or by the oversight body for SRB according to section 6C. In this behalf, Secretary of the General Committee may call periodic reports from the AML/CFT regulatory authorities, oversight body for SRB, investigating and prosecuting agencies in such manner as may be specified by the Secretary;
- (d) approve FMU's budgetary proposals for achieving the objects of this Act;
- (e) approve FMU's staffing requirements, pay, allowances, privileges and compensation packages and other matters incidental thereto;
- (f) provide necessary assistance to the National Executive Committee in carrying out its functions and duties under this Act;
- (g) discuss any other issue of national importance relating to money laundering and terrorist financing; and
- (h) undertake and perform such other functions as assigned or delegated to it by the National Executive Committee.

(9) The General Committee may constitute one or more sub-committees to perform such functions as it may deem fit.]

¹[**6. Financial Monitoring Unit.**– (1) The Federal Government shall, by notification in the official Gazette, establish a Financial Monitoring Unit which shall be housed in SBP or at any other place in Pakistan.

(2) The FMU shall have independent decision making authority on day-to-day matters falling within its area of responsibility.

(3) The Federal Government in consultation with SBP shall appoint a Director General who shall be financial sector specialist to head FMU. He shall exercise all powers and perform all functions of the FMU subject to the administrative oversight of the General Committee.

(4) The FMU shall have the following powers and the functions, namely:-

- (a) to receive STRs and CTRs from reporting entities as may be necessary to accomplish the objectives of this Act;
- (b) to analyse the STRs and CTRs and in that respect the FMU may call for record and information from any agency or person in Pakistan related to the transaction in question. All such agencies or persons shall be required to promptly provide the requested record and information;
- (c) to disseminate on a confidential basis, after analyzing the STRs and CTRs and other record, necessary information or material to the concerned investigating or prosecuting agencies for enquiry or other action under this Act or any other applicable law;
- (d) to create and maintain a data base of all STRs and CTRs, related information and such other materials as the Director General determines are relevant to the work of the FMU and in that respect, the FMU is authorized to establish necessary analytic software and computer equipment to effectively search the database, sort and retrieve information and perform real time linkages with databases of other agencies both in and outside Pakistan as may be required from time to time;
- (e) to cooperate with financial intelligence units of other countries and to make reciprocal arrangements in order to share, request and receive information relating to money laundering, predicate offences and financing or terrorism and any other information that may be necessary to accomplish the objectives of this Act;
- (f) to represent Pakistan at all international and regional organizations and groupings of financial intelligence units and other international groups and forums which address the offence of money laundering, financing of terrorism and other related matters;
- (g) to request the investigating or prosecuting agencies any feedback regarding the disseminations made under clause (c) in the form of periodic reports or statistics concerning the investigations and prosecutions of money laundering and financing of terrorism in Pakistan;

¹ Section 6 substituted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

- (h) to make regulations in consultation with the AML/CFT regulatory authorities for ensuring receipt of STRs and CTRs from reporting entities with the approval of the National Executive Committee;
- (i) to enter into arrangements with domestic agencies, authorities, or any reporting entity or any of its officers as may be necessary for getting facilitation in implementation of the provisions of this Act, or the rules or regulations made hereunder; and
- (j) to perform all such functions and exercise all such powers as are necessary for, or ancillary to, the attainment of the objectives of this Act.

(5) On considering STR or CTR, the FMU may, if deems necessary convey matters involving regulatory or administrative action to the concerned regulatory or administrative body for appropriate action.

(6) Subject to the regulations sanctioned by the National Executive Committee in this behalf, the Director General may, if there appear to be reasonable grounds to believe that a property is involved in money laundering, order freezing of such property, for a maximum period of fifteen days, in any manner that he may deem fit in the circumstances.]

¹[6A. AML/CFT regulatory authority.- (1) AML/CFT regulatory authority means the regulators and SRBs as specified in Schedule IV. They shall exercise the powers and perform the functions as set out in this Act and as prescribed thereunder.

(2) AML/CFT regulatory authority shall exercise and perform the following powers and functions with respect to its reporting entities, namely:-

- (a) licensing or registration of reporting entities;
- (b) imposing any conditions to conduct any activities by reporting entities to prevent the offence of money laundering, predicate offence or financing of terrorism;
- (c) issuing regulations, directions and guidelines with respect to sections 7A to 7H;
- (d) issuing regulations, directions and guidelines with respect to financing of proliferation obligations;
- (e) providing feedback to reporting entities for the purpose of compliance with the requirements of sections 7A to 7H and as prescribed thereunder;
- (f) monitoring and supervising, including conducting inspections, for the purpose of determining compliance with the requirements of sections 7(1), 7(3) to 7(6) and 7A to 7H and any rules or regulations made thereunder and with the orders or regulations made thereunder that impose TFS obligations;
- (g) compelling production of information relevant to monitoring compliance with the requirements of sections 7(1), 7(3) to 7(6) and 7A to 7H and

¹ Section 6A inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

- any orders, rules or regulations made thereunder that impose TFS obligations;
- (h) impose sanctions, including monetary and administrative penalties to the extent and in the manners as may be prescribed, upon their respective reporting entity, including its directors and senior management and officers, who violate any requirement in sections 7(1), 7(3) to 7(6) and 7A to 7H and any rules or regulations made thereunder or those who fail to comply with the TFS regulations. Any person aggrieved by the imposition of sanctions under this clause may prefer an appeal in such manner and within such period to such authority as may be prescribed;
 - (i) maintaining statistics of the actions performed in respect of the functions and powers conferred by this Act, in order to report to the National Executive Committee and the General Committee as required; and
 - (j) exercising any other powers and performing any other functions that may otherwise be provided in any other applicable law.

¹[6B. International cooperation by regulators.]—The regulators as specified in clause 1 of Schedule IV shall co-operate with their foreign counterparts and shall make reciprocal arrangements to be reduced in writing to share, request and receive information relating to the requirements of this Act and any regulations made thereunder.]

²[6C. Oversight body for SRBs.]—The Federal Government shall by notification in the official Gazette, appoint an oversight body for the SRBs mentioned in clause 2 of Schedule IV which shall exercise and perform the following powers and functions with respect to their respective SRB, namely:-

- (a) make regulations for the SRB with respect to the provisions of this Act;
- (b) monitor and oversee the SRB in accordance with the provisions of this Act;
- (c) impose sanctions, to the extent and in the manner as may be prescribed, upon their respective SRB who fails to comply with any provision of this Act and any rules or regulations made thereunder; and
- (d) exercise any other powers and perform any other functions as may be notified by the Federal Government in the official Gazette.]

7. Procedure and manner of furnishing information by ³[] reporting entities.- ⁴[(1) Every reporting entity shall file with FMU, to the extent and in the manner prescribed by the FMU, Report of Suspicious Transaction conducted or attempted by, at or through such reporting entity, if it knows, suspects or has reason to suspect that the transaction or a pattern of transactions of which the transaction is a part,-

1 Section 6B inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

2 Section 6C inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

3 Words “the financial institutions or” deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Sub-section (1) substituted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

- (a) involves funds derived from illegal activities or is intended or conducted in order to hide or disguise proceeds of crime;
- (b) is designed to evade any requirements of this ¹[Act];
- (c) has no apparent lawful purpose after examining the available facts, including the background and possible purpose of the transaction; or
- (d) involves financing of terrorism, including funds collected, provided, used or meant for, or otherwise linked or related to, terrorism, terrorist acts or organizations and individuals concerned with terrorism:

Provided that Suspicious Transaction Report shall be filed by the reporting entity with the FMU ²[promptly].]

(2) Any ³[] government agency, autonomous body ⁴[oversight body for SRB, AML/CFT] ⁵[,] regulatory authority ⁶[, domestic or foreign,] may share intelligence or report their suspicions within the meaning of suspicious transaction report or CTR to EMU in normal course of their business and the protection provided under section 12 shall be available to such agency, body or authority.

(3) All CTRs shall, to the extent and in the manner prescribed by the FMU, be filed by the ⁷[] reporting entities with the FMU immediately, but not later than seven working days, after the respective currency transaction.

(4) Every reporting entity shall keep and maintain all record related to ⁸[STRs] and CTRs filed by it for a period of at least ⁹[ten] years after reporting of transaction under sub-section (1), (2) and (3).

(5) The provisions of this section shall have effect notwithstanding any obligation as to secrecy or other restriction on the disclosure of information imposed by any other law or written document.

(6) Notwithstanding anything contained in any other law for the time being in force, any ²[STRs] required to be submitted by any person or entity to any investigating or prosecuting agency shall, on the commencement of this Act, be solely and exclusively, submitted to FMU to the exclusion of all others.

¹⁰[]

¹¹**[7A. Conducting CDD.]**—(1) Every reporting entity shall conduct CDD in the manner as may be prescribed and in accordance with the provisions of this Act in the following matters, namely,—

1 Substituted for the word "section" by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

2 Substituted for the words "immediately, but not later than seven working days after forming that suspicion" by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

3 Word "other" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Words etc. inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

5 Substituted for "or" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

6 Words inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

7 Word "financial institutions or" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

8 Substituted for "Suspicious "[Transaction] Reports" by Anti-Money Laundering (Second Amendment) Act, 2020, dated September 23, 2020. *Substituted for "Transactions" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

9 Substituted for the word "ten" by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

10 Sub-section (7) omitted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020. Earlier it was inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

11 Section 7A to 7J inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

- (a) entering into a business relationship;
- (b) conducting an occasional transaction above the prescribed threshold;
- (c) where there is a suspicion of money laundering or terrorist financing; or
- (d) where there are doubts about the veracity or adequacy of previously obtained data.

(2) Every reporting entity shall—

- (a) identify the customer and verify the customer's identity on the basis of documents, data or information obtained from reliable and independent sources;
- (b) identify the beneficial owner and take reasonable measures to verify the beneficial owner's identity on the basis of documents, data or information obtained from reliable sources and be satisfied that it knows who the beneficial owner is;
- (c) understand and, as appropriate, obtain information on the purpose and intended nature of the business relationship; and
- (d) monitor the business relationship on an ongoing basis.

7B. Reliance on third parties.—A reporting entity may rely on third party to perform CDD in the manner as may be prescribed.]

¹[7C. Record keeping.]—Every reporting entity shall maintain a record of all transactions for a period of at least five years following the completion of the transaction and records of account files, business correspondence, documents of all records obtained through CDD and the results of any analysis undertaken for a period of at least five years following the termination of the business relationship.]

¹[7D. Inability to complete CDD and tipping off.]—(1) Where a reporting entity is unable to complete CDD requirements, it—

- (a) shall not open the account, commence business relations or perform the transaction; or shall terminate the business relationship if any; and
- (b) shall promptly consider filing an STR in relation to the customer.

(2) Where a reporting entity forms a suspicion of money laundering or terrorist financing and reasonably believes that performing the CDD process will tip-off the customer, the reporting entity shall not pursue the CDD process and shall file an STR.]

¹[7E. Anonymous business relationships and transactions.]—No reporting entity shall enter into a business relationship or conduct any transaction with a customer who is anonymous or provides a fictitious name.]

¹[7F. Risk understanding.]—Every reporting entity shall take appropriate steps to identify, assess and understand the risks to which its business is subjected to, in accordance with this Act and as prescribed.]

¹[7G. Compliance program.]—Every reporting entity shall implement compliance management arrangements, including the appointment of a

¹ Section 7A to 7J inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

compliance officer at a management level and training programs, having regard to the money laundering and terrorism financing risks and the size of the business during the course of their activities subject to this Act and as prescribed.]

¹[7H. Policies and procedures.]—Every reporting entity shall implement policies and procedures to ensure their compliance with the provisions of this Act and orders, rules or regulations made thereunder that impose TFS obligations upon reporting entities.]

¹[7I. Sanctions for reporting entities.]—If any reporting entity or natural person contravenes any of the provisions of sections 7(1), 7(3) to 7(6) and 7A to 7H, it may be subjected to sanctions as mentioned under clause (h) of section 6A and as may be prescribed.]

¹[7J. Appeal to concerned AML/CFT regulatory authority.]—(1) Any person aggrieved by the delay or failure of a reporting entity to complete CDD requirements or establish business relationship or conduct any transaction, may file an appeal to the concerned AML/CFT regulatory authority within ninety days.

(2) The concerned AML/CFT regulatory authority shall decide the appeal within sixty days.]

8. Attachment of property involved in money laundering.— (1) ²[An] investigating officer may, on the basis of the report in his possession received from the

concerned investigating ³[or prosecuting] agency, by order in writing, with prior permission of the Court, provisionally attach ⁴[a] property, which he reasonably believes to be ⁴[the property] involved in money laundering for a period not exceeding ⁵[one hundred and eighty] days from the date of the order ⁶[:]

⁷[Provided that the Court may grant further extension for a period up to one hundred and eighty days.]

(2) The investigating officer shall within forty-eight hours immediately after attachment under sub-section (1), forward a cop of the order ⁸[and the report], referred to in that sub-section, to the head of the concerned investigating agency, in a sealed envelope ⁹[].

(3) Every order of attachment made under sub-section (1) shall cease to have effect after the expiry of the period specified in that sub-section or on the date of the finding made under sub-section (2) of section 9 whichever is earlier.

1 Section 7A to 7J inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

2 Substituted for "The" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Words inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Substituted for "proceeds of crime or" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

5 Substituted for the word "ninety" by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

6 Substituted for the full-stop by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

7 Proviso inserted by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

8 Substituted for ", alongwith the material in his possession" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

9 Words ", in the manner as may be prescribed, and the concerned investigating agency, shall keep such order and material for such period as may be prescribed" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015. *Substituted for ", within a period of thirty days from such attachment, file a complaint stating the facts of such attachment before the Court" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

(4) Nothing in this section shall prevent the person interested in the enjoyment of the immovable property attached under sub-section (1) from such enjoyment.

Explanation.- For the purposes of this sub-section, "person interested", in relation to any immovable property, includes all persons claiming or entitled to claim any interest in the property.

(5) The investigating officer who provisionally attaches any property under sub-section (1) shall ³[submit to the Court monthly report on the progress made in the investigation].

9. Investigation.- (1) The Investigating officer shall, not later than seven days from the date of order of attachment made under sub-section (1) of section 8 or, seizure of property under section 14 or section 15, serve a notice of not less than thirty days on the person concerned. The notice shall call upon such person to indicate the sources of his income, earning or assets, out of which or by means of which he has acquired the property attached under sub-section (1) of section 8, or, seized under section 14 or section 15, the evidence on which he relies and other relevant information and particulars, and to show cause why all or any of such properties should not be declared to be the properties involved in money laundering and forfeited to the Federal Government:

Provided that where a notice under this sub-section specifies any property as being held by a person on behalf of any other person, a copy of such notice shall also be served upon such other person:

Provided further that where such property is held jointly by more than one person, such notice shall be served upon all persons holding such property.

(2) The investigating officer shall, after,-
(a) considering the reply, if any, to the notice issued under sub-section (1);
(b) hearing the aggrieved person; and
(c) taking into account all relevant materials placed on record before him; record a finding whether all or any other properties referred to in the notice issued under sub-section (1) are ¹[properties] involved in money laundering:

Provided that if the property is claimed by a person, other than a person to whom the notice had been issued, such person shall also be given an opportunity of being heard to prove that the property is not ¹[a property] involved in money laundering.

(3) Where the investigating officer on the basis of report received from the concerned investigating agency determines under sub-section (2) that ²[a] property is ³[the property] involved in money laundering, he shall, apply to the Court for an order confirming the attachment or the property made under sub-section (1) of section 8 or retention of property or record seized under section 14 or section 15. ⁴[]

1 Words inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Substituted for "any" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Words inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Words, clauses (a) and (b) deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

¹[(3A) The Court may, after giving opportunity of hearing to the persons concerned with the property attached under sub-section (1) of section 8 or retained or seized under section 14 or section 15, pass an order confirming the attachment, retention, seizure or, as the case may be, release of the property. The attachment or retention or seizure of the property shall-

- (a) continue during the pendency of the proceedings relating to any predicate offence or money laundering before a Court; and
- (b) become final if it is proved in the Court that the property is the property involved in money laundering.]

(4) Where the provisional order of attachment made under sub-section (1) of section 8 has been confirmed under sub-section (3²[A]), the investigating officer shall forthwith take possession of the attached property:

Provided that where the property seized is perishable in nature or subject to speedy and natural decay, or when the expense of keeping it in custody is likely to exceed its value, the Court may, on the application of the investigating officer, order immediate sale of the property in any manner deemed appropriate in the circumstances.

(5) Where on conclusion of a trial for any predicate offence ³[and] money laundering, the person concerned is acquitted, the attachment of the property or retention ⁴[or seized of the] property or record under sub-section (3²[A]) and net income, if any, shall cease to have effect.

(6) Where the attachment of any property or retention ³[or seized of the] property or record becomes final under clause (b) of sub-section (3²[A]), the Court shall ⁵[] make an order for forfeiture of such property.

(7) After passing the order of forfeiture under sub-section (6) ⁶[], the Court ⁷[shall] direct the release of all properties other than the properties involved in money laundering to the persons from whom such properties were seized.

⁸**[9A. Application of investigation techniques.]**—(1) The investigating officer may with the permission of the Court, within sixty days of such permission, use techniques including undercover operations, intercepting communications, assessing, computer system and controlled delivery for investigation of offences of money laundering, associated predicate offences and financing of terrorism. The aforementioned period of sixty days may be extended upto further period of sixty days by the Court on a request made to it in writing. The Court may grant extension, if it is satisfied on the basis of situation or reasons given in the written request. The provisions of this sub-section shall be in addition to and not in derogation of any other law for the time being in force.

1 Sub-section (3A) inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Word inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Substituted for the word "or" by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

4 Substituted for "of the seized" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

5 Words ", after giving an opportunity of being heard to the person concerned," deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

6 Words "of section 9" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

7 Substituted for "may" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

8 Section 9A inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

(2) The Federal Government may make rules to regulate the procedure and for execution of order for the purposes of this section.]

10. Vesting of property in Federal Government.- Where an order of forfeiture has been made under sub-section (6) of section 9 in respect of any property of a person, all the rights and title in such property shall vest absolutely in the Federal Government free from all encumbrances:

Provided that where the Court, after giving an opportunity of being heard to any other person interested in the property attached under section 8, or seized under section 14, is of the opinion of that any encumbrance on the property or leasehold interest has been created with a view to defeat the provisions of this Act, it may, by order, declare such encumbrance or lease-hold interest to be ¹[legally] void and thereupon the aforesaid property shall vest in the Federal Government free from such encumbrances or leasehold interest:

Provided further that nothing in this section shall operate to discharge any person from any liability in respect of such encumbrances, which may be enforced against such person ²[].

11. Management of forfeited properties.- (1) The Federal Government may, by order published in the Official Gazette, appoint as many trustees and receivers as it thinks fit to perform the functions of an Administrator.

(2) The Administrator appointed under sub-section (1) shall receive and manage the property in relation to which an order has been made under sub-section (6) of section 9 in such manner and subject to such conditions as may be prescribed.

(3) The Administrator shall also take such measures, as the Federal Government may direct, to dispose of the property which is vested in the Federal Government under section 10:

Provided that, where the property seized is perishable in nature or subject to speedy and natural decay, or when the expense of keeping it in custody is likely to exceed its value, the Administrator may sell it at once after reasonable notice to the Federal Government.

³[12. No civil or criminal proceedings against reporting entities in certain cases.]- Save as otherwise provided in section 7, the reporting entities and their officers including, but not limited to directors, chief executive, chief financial officer, employees, agents of the reporting entity or other authorized officers of a reporting entity shall not be liable to any civil, criminal or disciplinary proceedings against them for furnishing information required under this Act or the rules or regulations made thereunder in good faith.]

13. Power of survey.- (1) Notwithstanding anything contained in any other provisions of this Act, where an investigating officer, on the basis of material in his possession, has reasons to believe that an offence of money laundering has been committed, he may, with the permission of the Court, enter any place,-

(a) within the limits of the area assigned to him; or

1 Word inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Words "by a suit for damages" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Section 12 substituted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

- (b) in respect of which he is authorized for the purposes of this section by such other authority who is assigned the area within which such place is situated,

at which any act constituting the commission of such offence is carried on, and may require any proprietor, employee or any other person who may at that time and place be attending in any manner to, or helping him in, such act so as to,-

- (i) afford him the necessary facility to inspect such record as he may require and which may be available at such place;
- (ii) afford him the necessary facility to check or verify the proceeds of crimes or any transaction related to proceeds of crimes which may be found therein; and
- (iii) furnish such information as he may require as to any matter which may be useful for, or relevant to, any proceedings under this Act.

Explanation.- For the purpose of this sub-section, a place, where an act which constitutes the commission of the offence is carried on, shall also include any other place, whether any activity is carried on therein or not, in which the person carrying on such activity states that any of his records or any part of his property relating to such act are or is kept.

(2) The investigating officer referred to in sub-section (1), shall, after entering any place referred to in that sub-section and within forty-eight hours immediately after completion of survey, forward a copy of the report on survey^{1[]} to the head of the concerned investigating^{2[or prosecuting]} agency in a sealed envelope^{3[]}.

- (3) The investigating officer acting under this section may,-
- (a) place marks of identification on the records inspected by him and make or cause to be made extracts or copies therefrom;
- (b) make an inventory of any property checked or verified by him; and
- (c) record the statement of any person present in the place which may be useful for or relevant to any proceeding under this Act.

14. Search and seizure.- ^{4[(1)]} Subject to sub-section (2), where the investigating officer, on the basis of information in his possession, has reason to believe that any person-

- (a) has committed any act; act which constitutes money laundering;
- (b) is in possession of any property involved in money laundering; or
- (c) is in possession of any record which may be useful for or relevant to proceedings under this Act, he may either himself, or authorize any officer subordinate to him to then, subject to the rules made in this behalf, he may either authorize any officer subordinate to him, or himself to,-

1 Words “, along with the reasons and copies or details of the material in his possession,” deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Word inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Words “and shall keep such record and material in such manner and for such period, as may be prescribed” deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Sub-section (1) substituted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

- (i) enter and search any building, place, vessel, vehicle or aircraft where he has reason to suspect that such record or properties are kept;
 - (ii) break open the lock of any door, box, locker, safe, *almirah* or other receptacles for exercising the powers conferred by clause (i) where the keys thereof are not available;
 - (iii) seize any such record or property found as a result of such search;
 - (iv) place mark of identification on such record or make, or cause to be made, extracts or copies therefrom;
 - (v) make a note of any inventory of such record or property; or
 - (vi) examine any person, who is found to be in possession or control of any such record or property, in respect of all matters relevant for the purposes of any investigation under this Act.]
- (2) The powers to search under sub-section (1) shall be exercisable by the investigating officer with the prior permission of the Court ^{1[:]}
- ²[Provided that where immediate action is required, the powers of search and seizure shall be exercisable with prior permission of senior officer of the concerned investigating or prosecuting agency not below the rank of an officer ofBS-20.]
- (3) The investigating officer shall, within forty-eight hours immediately after search and seizure, forward a copy of the report on search and seizure ^{3[]} to the head of the concerned investigating ⁴[or prosecuting] agency in a sealed envelope ^{5[]}.
- (4) Where the investigating officer, upon information obtained during survey under section 13, is satisfied that any evidence shall be or is likely to be concealed or tampered with, he may, for reasons to be recorded in writing, enter and search the building or place where such evidence is located and seize that evidence.

^{6[]}

15. Search of Persons.- (1) If an investigating officer has reason to believe (the reason for such belief to be recorded in writing) that any person has secreted about the person or anything under his possession, ownership or control, any record or ⁷[property] which may be useful for or relevant to any proceedings under this Act, he may ^{8[]} search that person and seize such record or property which may be useful for or relevant to any proceeding under this Act.

1 Substituted for full stop by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Proviso inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Words “, alongwith the reasons and copies or details of the material in his possession,” deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Word inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

5 Words “and shall keep such record and material in such manner and for such period, as may be prescribed” deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

6 Section 14(5) deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

7 Substituted for “proceeds of crime” by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

8 Words “, with the prior permission of the Court,” deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

(2) The investigating officer shall, within forty-eight hours immediately after search and seizure, forward a copy of the report on search and seizure ¹[] to the head of the concerned investigating ²[or prosecuting] agency in a sealed envelope.

³[]

(6) No female shall be searched by any one except a female.

(7) The investigating officer shall record the statement of the person searched under sub-section (1) ⁴[] in respect of the records or ⁵[property involved in money laundering and] found or seized in the course of the search.

⁶[]

17. Retention of property.- (1) Where any property has been seized under section 14 or section 15 and the investigating officer has, on the basis of material in his possession, reason to believe that such property is required to be retained for the purposes of investigation under section 9 such property may be retained for a period not exceeding ninety days from the time such property was seized:

Provided that the investigating officer shall duly inform the Court about any peculiar nature of the seized property and, where necessary, seek appropriate directions for its proper care during retention.

(2) The investigating officer, immediately after he has passed an order for retention of property for purposes of investigation under section 9, shall forward a copy of the order ⁷[] to the head of the concerned investigating ⁸[or prosecuting] agency, in a sealed envelop, ⁹[].

(3) On the expiry of the period specified under sub-section (1), the property shall be returned to the person from whom such property was seized unless the Court permits retention of such property beyond the said period.

(4) The Court, before authorizing the retention of such property beyond the period specified in sub-section (1), shall satisfy itself that the property is *prima facie* ¹⁰[property] involved in money laundering and the property is required for the purposes of investigation under section 9.

¹¹[]

18. Retention of records.- (1) Where any record has been seized under section 14 or section 15 and the investigating officer has reason to believe that

1 Words " , alongwith the reasons and copies or details of the material in his possession," deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Words "and shall keep such record and material in such manner and for such period as may be prescribed" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Section 15(3) to (5) & (8) deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Words "or sub-section (5)" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

5 Substituted for "proceeds of crime" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

6 Section 16 omitted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

7 Words "along with the copies or details of the material in his possession, referred to in sub- section (1)" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

8 Words inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

9 Words "in the manner as may be prescribed, and the agency shall keep such record and material for such period as may be prescribed" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

10 Words inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

11 Section 17(5) deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

any of such records are required to be retained for an ¹[investigation] under this Act, he may retain such records for a period not exceeding ninety days from the time the record was seized.

(2) The person, from whom records were seized, shall be entitled to obtain copies of records retained under sub-section (1).

(3) On the expiry of the period specified under sub-section (1), the records shall be returned to the person from whom such records were seized unless the Court permits retention of such records beyond the said period.

(4) The Court before authorizing the retention of such records beyond the period mentioned in sub-section (1) shall satisfy itself that the records were required for the purposes of investigation under section 9.

²[]

19. Presumption as to records or property in certain cases.- Where any document of public record is found in the possession or control of any person in the course of a survey or a search ³[under this Act] or where any records have been received from any place outside Pakistan duly authenticated by such authority or person and in such manner as may be prescribed in the course of proceedings under this Act, the Court or the investigating ⁴[or prosecuting] agency, as the case may be, shall-

- (a) presume, that the signature and every other part of such record which purports to be in the hand writing of any particular person or which the Court may reasonably assume to have been signed, by or to be in the hand writing of, any particular person, is in that person's hand writing; and in the case of a record executed or attested, that it was executed or attested by the person by whom it purports to have so executed or attested; and
- (b) admit the document in evidence, notwithstanding that it is not duly stamped, if such document is otherwise admissible in evidence.

20. Jurisdiction.- (1) The Court of Sessions established under the Code of Criminal Procedure, 1898 (V of 1898) shall, within its territorial jurisdiction, exercise jurisdiction to try and adjudicate the offences punishable under this Act and all matters provided in, related to or arising from this Act:

Provided,-

- (a) where the predicate offence is triable by any court other than the Court of Session, the offence of money laundering and all matters connected therewith or incidental thereto shall be tried by the Court trying .the predicate offence; and
- (b) where the predicate offence is triable by any court inferior to the ⁵[Court] of Session, such predicate offence, the offence money

1 Substituted for "inquiry" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Section 18(5) deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Substituted for "relating to any predicate offence" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Words inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

5 Substituted for "court" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

laundering and all matters connected therewith or incidental thereto shall be tried by the Court of Session.

21. Offences to be ¹[cognizable] and non-bailable.- (1) Notwithstanding anything contained in the Code of Criminal Procedure, 1898 (Act V of 1898) and subject to sub-sections (2) and (3),-

- (a) every offence punishable under this Act shall be ¹[cognizable] and non-bailable;
- (b) no person accused of an offence punishable under this Act for a term of imprisonment of more than three years shall be released on bail or on his own bond unless-
 - (i) the Public Prosecutor has been given due notice; and
 - (ii) where the Public Prosecutor opposes the application, the Court is satisfied that there are reasonable grounds for believing that he is not guilty of such offence and that he is not likely to commit any offence while on bail.

(2) The Court shall not take cognizance of any offence punishable under section 4 except upon a complaint in writing made by,-

- (a) the investigating officer; or
- (b) any officer of the Federal Government or a Provincial Government authorized in writing in this behalf by the Federal Government by a general or special order made in this behalf by that Government:

Provided that where the person accused is a ¹[reporting entity], the investigating officer or any other authorized officer, as the case may be shall, before filing such complaint, seek the approval of the concerned ²[AML/CFT regulatory authority] which shall not withhold its decision for a period exceeding sixty days.

(3) The Court shall not take cognizance of any offence punishable under sub-section (1) of section 33 except upon a complaint in writing made by the FMU ³[or investigating or prosecuting agency].

(4) The power and discretion on granting of bail specified in clause (b) of sub-section (1) are in addition to the power and discretion under the Code of Criminal Procedure, 1898 (Act V of 1898), or any other law for the time being in force on granting of bail.

22. Application of Code of Criminal Procedure, 1898 (Act V of 1898) to proceedings before Courts.- (1) The provisions of the Code of Criminal Procedure, 1898 (Act V of 1898) shall, in so far as they are not inconsistent with the provisions of this Act, apply to arrest, bail, bonds, search, seizure, attachment, forfeiture, confiscation, investigation, prosecution and all other proceedings under this Act.

(2) The Federal Government may appoint a person who is an advocate of a High Court to be a Public Prosecutor on such terms and conditions as may be determined by it and any person so appointed shall be competent to conduct

¹ Substituted for "non-cognizable" by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

proceedings under this Act before a Court and, if so directed by the Federal Government, to withdraw such proceedings:

Provided that a person shall not be qualified to be appointed as a Public Prosecutor under this section unless he has been in practice as an Advocate for not less than seven years in the High Court ^{1[:]}

²[Provided that an advocate who has been appointed as prosecutor by the investigating or prosecuting agencies shall be qualified to be appointed as Public Prosecutor under this section notwithstanding the requirements of the first proviso.]

(3) Every person appointed as a Public Prosecutor under this section shall be deemed to be a Public Prosecutor within the meaning of clause (t) of sub-section (1) of section 4 of the Code of Criminal Procedure, 1898 (Act V of 1898), and the provisions of that Code shall have effect accordingly.

(4) When a Prosecutor appointed under sub-section (1), is, for any reason, temporarily unable to conduct proceedings before the Court, the proceedings shall be conducted by such person as may be authorized in this behalf by the Court.

23. Appeal to High Court.- Any person aggrieved by ^{3[]} final decision or order of the Court may prefer an appeal to the High Court within sixty days from the date of communication of the decision or order on any question of law or fact arising out of such decision or order:

Provided that the High Court may, if it is satisfied that the appellant was prevented by sufficient cause from filing the appeal within the said period, allow it to be submitted within a further period not exceeding sixty days.

Explanation.-For the purposes of this section, "High Court" means,-

- (a) the High Court within the jurisdiction of which the aggrieved party ordinarily resides or carries on business or personally works for gain; and
- (b) where the Federal Government is the aggrieved party, the High Court within the jurisdiction of which the respondent, or in a case where there are more than one respondent, any of the respondents, ordinarily resides or carries on business or personally works for gain.

24. Appointment of investigating officers and their powers.- (1) The investigating ⁴[or prosecuting] agencies ^{5[]} may nominate such persons as they think fit to be the investigating officers under this Act from amongst their officers.

(2) The Federal Government may, by special or general order, empower an officer not below BPS-18 of the Federal Government or of a Provincial Government to act as an investigating officer under this Act.

1 Substituted for full stop by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Proviso inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

3 Word "any" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

4 Words inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

5 Words etc., as provided in clause (i) of section 2," deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

(3) Where any person other than a Federal or Provincial Government Officer is appointed as an investigating officer, the Federal Government shall also determine the terms and conditions of his appointment.

(4) Subject to such conditions and limitations as the Federal Government may impose an investigating officer may exercise the powers and discharge the duties conferred or imposed on him under this Act.

¹[25. Assistance to authorities.]—(1) Notwithstanding the provisions of any other law, the officers of the Federal Government, Provincial Governments, local authorities and reporting entities shall provide assistance including but not limited to production of records, documents and information reasonably required by the investigating or prosecuting agency or FMU for the purpose of money laundering predicate offences and financing of terrorism proceedings and investigations in accordance with the provisions this Act.

(2) Whoever willfully fails or refuses to provide the required assistance under sub-section (1) shall be guilty of misconduct and shall be proceeded against by its respective department or organization and a report of such proceedings shall be submitted within reasonable time to the concerned investigating or prosecuting agency or FMU, as the case may be and shall be punished in the case of a natural person, with an imprisonment for a term which may extend up to five years, a fine which may extend to rupees one million or both, or in the case of a legal person, with a fine which may extend to ten million rupees.]

26. Agreements with foreign countries.—(1) The Federal Government may enter into an agreement on reciprocal basis with the Government of any country outside Pakistan for-

- (a) ²[the investigation and prosecution of any offence under this Act or under the corresponding law in force in that country];
- (b) exchange of information for the prevention of any offence under this Act or under the corresponding law in force in that country;
- (c) seeking or providing of assistance or evidence in respect of any offence under this Act or under the corresponding law in force in that country; and
- (d) transfer of property relating to my offence under this Act or under the corresponding law in force in that country.

(2) The agreement in terms of sub-section (1) shall be subject to such conditions, exceptions or qualifications as may be specified in the said agreement:

Provided that the agreement shall not be enforceable if it may, in any manner, be prejudicial to the sovereignty, security, national interest or public order.

(3) In this section and the succeeding sections, unless the context otherwise requires,-

¹ Section 25 substituted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020. Earlier it was substituted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

² Substituted for "enforcing the provisions of this Act" by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

- (a) the expression "contracting State" means any country or place outside Pakistan in respect of which arrangements have been made by the Federal Government with the Government of such country through a treaty or otherwise;
- (b) the expression "identifying" includes establishment of a proof that the property was derived from, or used in, the commission of an offence under section 3; and
- (c) "tracing" means determining the nature, source, disposition, movement, title or ownership of property.

27. Letter of request to a contracting State etc.- (1) Notwithstanding anything contained in this Act or the Code of Criminal Procedure, 1898 (Act V of 1898), if, in the course of an investigation into an offence or other proceedings under this Act, the investigating officer or any officer superior in rank to the investigating officer believes that any evidence is required in connection with investigation into an offence or proceedings under this Act and he is of opinion that such evidence may be available in any place in the contracting State, he may, with the prior permission of the head of that investigation agency, issue a letter of request to a court or an authority in the contracting State competent to deal with such request to-

- (a) examine facts and circumstances of the case; and
- (b) take such steps as he may specify in such letter of request.

(2) The letter of request shall be transmitted in such manner as the Federal Government may specify in this behalf.

(3) Every statement recorded or document or thing received under subsection (1) shall be deemed to be the evidence collected during the course of investigation.

28. Assistance to a contracting State in certain cases.- Where a letter of request is received by the Federal Government from a court or authority in a contracting State requesting for investigation into an offence or proceedings under this Act or under the corresponding law in force in that country, the Federal Government may forward such letter of request to the Court or to the authorized officer or any authority under this Act as it thinks fit for execution of such request in accordance with the provisions of this Act or, in the manner sought by the contracting state so long as doing so would not violate laws of Pakistan or is, in any manner, not prejudicial to the sovereignty, security, national interest or public order.

29. Reciprocal arrangements for processes and assistance for transfer of accused persons.- (1) Where a Court, in relation to the offence of money laundering, desires that,-

- (a) a summons to an accused person;
- (b) a warrant for the arrest of an accused person;
- (c) a summons to any person requiring him to attend and produce a document or other thing or to produce it; or

(d) a search warrant,

issued by it shall be served or executed at any place in any contracting State, it shall send such summons or warrant in duplicate in such form, to such court, judge or magistrate through such authorities as the Federal Government may specify in this behalf and that court, judge or magistrate, as the case may be, shall cause the same to be executed.

(2) Where a Court, in relation to an offence punishable under section 4, has received for service or execution-

(a) a summons to an accused person;

(b) a warrant for the arrest of an accused person;

(c) a summons to any person requiring him to attend and produce a document or other thing, or to produce it; or

(d) a search warrant, issued by a court, judge or magistrate in a contracting State, it shall cause the same to be served or executed as if it were a summons or warrant received by it from another court in the said territories for service or execution within its local jurisdiction; and where-

(i) a warrant of arrest has been executed, the person arrested shall be dealt with in accordance with the procedure specified under section 16;

(ii) search warrant has been executed, the things found in this search shall, so far as possible, be dealt with in accordance the procedure specified under section 14 and 15:

Provided that the provisions of this sub-section shall not have effect if the exercise of power hereunder is, in any manner, likely to prejudice the sovereignty, security, national interest or public order.

(3) Where a person transferred to a contracting State pursuant to sub-section (2) is a prisoner in Pakistan, the Court or the Federal Government may impose such conditions as that Court or Government deems fit.

(4) Where the person transferred to Pakistan pursuant to sub-section (1) is a prisoner in a contracting State, the Court in Pakistan shall ensure that the conditions subject to which the prisoner is transferred to Pakistan are complied with and such prisoner shall be kept in such custody subject to such conditions as the Federal Government may direct in writing.

30. Attachment, seizure and forfeiture etc., of property in a contracting State or Pakistan.-(1) Where the investigating officer has made an order for attachment of any property under section 8 or where the court has made an order confirming such attachment or forfeiture of any property under section 9 and such property is suspected to be in a contracting state, the Court on an application by the investigating officer, may issue a letter of request to a Court or an authority in the contracting state for execution of such order.

(2) Where a letter of request is received by the Federal Government from a court in a contracting State requesting attachment or forfeiture of the property in

Pakistan derived or obtained, directly or indirectly, by any person from the commission of an offence under section 3 committed in that contracting State, the Federal Government may forward such letter of request to the investigating agency, as it thinks fit, for execution in accordance with the provisions of this Act or permit execution of the request in the manner sought by the contracting state so long as doing so would not violate laws of Pakistan or is, in any manner, not prejudicial to the sovereignty, security, national interest or public order.

(3) The Federal Government may, on receipt of a letter of request under section 27 or section 28, direct any investigating agency under this Act to take all steps necessary for tracing and identifying such property.

(4) The steps referred to in sub-section (3) may include any inquiry, investigation or survey in respect of any person, place, property, assets, documents, books of accounts in any ¹[reporting entity] or any other relevant matters.

(5) Any inquiry, investigation, or survey referred to in sub-section (4) shall be carried out by an agency mentioned in sub-section (3) in accordance with such directions issued in accordance with the provisions of this Act.

(6) The provisions of this Act relating to attachment, adjudication, forfeiture vesting of property in the Federal Government, survey, search and seizures shall apply to the property in respect of which letter of request is received from a court or contracting State for attachment or forfeiture of property.

31. Procedure in respect of letter of request.- Every letter of request summons or warrant, received by the Federal Government from, and every letter of request, summons or warrant, to be transmitted to a contracting State under this Act shall be transmitted to a contracting State or, as the case may be, sent to the concerned Court in Pakistan in such form and in such manner as the Federal Government may specify in this behalf.

32. Punishment for vexatious survey and search.- Any investigating officer exercising powers under this Act or any rules made hereunder, who, without prior permission from the Court,-

- (a) surveys or searches, or causes to be surveyed or searched, any building or place; or
- (b) detains or searches or arrests any person,

shall for every such offence be liable on conviction for imprisonment for a term which may extend to two years or fine which may extend to fifty thousand rupees or both.

33. Liability for failure to file ²[STR] and for providing false information.-(I) Whoever willfully fails to comply with the ³[STR] requirement as provided in section 7 or give false information shall be liable for imprisonment for

1 Substituted for the words "bank or financial institution" by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

2 Substituted for "Suspicious Transaction Reporting" by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

3 Substituted for "suspicious transaction reporting" by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

a term which may extend to ¹[five] years or with fine which may extend to ²[five] hundred thousand rupees or both.

(2) In the case of the conviction of a reporting entity, the concerned ³[AML/CFT regulatory authority] may also revoke its license or registration or take such other administrative action, as it may deem appropriate.

34. Disclosure of information.- ⁴[(1) The directors, officers, employees and agents of any reporting entity or intermediary which report in an STR or CTR pursuant to this law or any other authority, are prohibited from disclosing, directly or indirectly, to any person that the transaction has been reported unless there are disclosure agreements for corporate groups in accordance with regulations made hereunder.]

(2) A violation of the sub-section (1) is a criminal offence and shall be punishable by a maximum term of ⁵[five] years imprisonment or a fine which may extend to ⁶[two million] rupees or both.

(3) Any confidential information furnished by a ⁷[reporting entities], or any other person under or pursuant to the provisions of this Act, shall ⁸[] be kept confidential by the EMU, investigation agency or officer as the case may be.

35. Bar of jurisdiction.- (1) No suit shall be brought in any Court to set aside or modify any proceeding taken or order made under this Act and no prosecution, suit or other proceedings shall lie against the Federal Government, or any officer of the Government, or FMU, its officers or any agency controlled or supervised by the Government, or members of the National Executive Committee or General Committee, for anything done or intended to be done in good faith under this Act.

(2) No Court shall have jurisdiction to entertain any suit or proceedings in respect of any matter which the investigating officer and Committee or the Court is empowered by or under this Act to determine and no injunction shall be granted by any court or other authority in respect of any action taken or to be taken in pursuance of any power conferred by or under this Act.

36. Notices, etc. not to be invalid on certain grounds.- No notice, summons, order, document or other proceeding, furnished or made or issued or taken or purported to have been furnished or made or issued or taken in pursuance of any of the provisions of this Act shall be invalid, or shall be deemed to be invalid merely by reason of any mistake, defect or omission in such notice, summons, order, documents or other proceedings if such notice, summons, order, document or other proceeding is in substance and effect in conformity with or according to the intent and purpose of this Act.

1 Substituted for the word "three" by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

2 Substituted for the word "one" by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

3 Substituted for "regulatory authority" by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

4 Sub-section (1) substituted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

5 Substituted for the word "three" by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

6 Substituted for the word "five hundred thousand" by Anti-Money Laundering (Amendment) Act, 2020 dated February 26, 2020.

7 Substituted for "financial institution, non-financial business and profession" by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

8 Words etc ", as far as possible," deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

¹[37. Offences by legal persons.- (1) Where a legal person commits an offence under this Act, every person thereof who at the time when the offence was committed was responsible for such commission of offence shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly:

Provided that nothing contained in this sub-section shall render any natural person liable to punishment if he proves that the contravention took place without his knowledge or that he exercised all due diligence to prevent such contravention.

(2) Notwithstanding anything contained in sub-section (1) where an offence under this Act is committed by a legal person and it is proved that the contravention has taken place with the consent, connivance or knowledge of any director, manager, secretary or other officer of any legal person, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

*Explanation.—*For the purpose of this section, “director” in relation to a firm, means a partner in the firm.]

38. Continuity of proceedings in the event of death or insolvency.-

(1) Where,-

- (a) any property of a person has been attached under this Act and no representation against the order attaching such property has been preferred; or
- (b) any representation has been preferred to the Court, and
 - (i) in a case referred to in clause (a) such person dies or is adjudicated as insolvent before preferring representation to the Court; or
 - (ii) in a case referred to in clause (b), such person dies or is adjudicated as insolvent during the pendency of representation,

then it shall be lawful for the legal representatives of such person or the official assignee or the official receiver, as the case may be, to prefer representation to the Court, or as the case may be to continue the representation before the Court, in the place of such person.

(2) Where,-

- (a) after passing of a decision or order by the Court, no appeal has been preferred to the High Court under section 23; or
- (b) any such appeal has been preferred to the High Court, then-
 - (i) in a case referred to in clause (a), the person entitled to file the appeal dies or is adjudicated an insolvent before preferring an appeal to the High Court, or
 - (ii) in a case referred to in clause (b), the person who had preferred appeal dies or is adjudicated as insolvent during the pendency of the appeal before the High Court,

¹ Section 37 substituted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

then, it shall be lawful for the legal representatives of such person, or the official assignee or the official receiver, as the case may be, to prefer an appeal to the High Court or to continue the appeal before the High Court in place of such person and the provision of section 23 shall, so far as may be, apply, or continue to apply, to such appeal.

(3) The powers of the official assignee or the official receiver under sub-section (1) or sub-section (2) shall be exercised by him subject to the provisions of the insolvency (Karachi Division) Act, 1909 (III of 1909) or the Provincial Insolvency Act, 1920 (V of 1920) as the case may be.

39. Act to have overriding effect.- (1) Subject to sub-section (2), the provisions of this Act shall have effect notwithstanding anything to the contrary contained in any other law for the time being in force.

(2) The provisions of this Act shall be in addition to, and not in derogation of, the Anti Narcotics Force Act, 1997 (III of 1997), the Control of Narcotics Substances Act, 1997 (XV of 1997), the Anti-terrorism Act, 1997 (XXVII of 1997) and the National Accountability Ordinance, 1999 (XVIII of 1999) ¹[and any other law relating to predicate offences].

40. Members etc., to be public servants.- The Director General, Members of the National Executive Committee and General Committee, and other officers and employees of the FMU, investigating officer and the subordinate officers to him shall be deemed to be public servants within the meaning of section 21 of the Pakistan Penal Code (Act XLV of 1860).

2[41. Act not to apply to fiscal offences.-](1) Except with prior consultation of FMU, an investigating or prosecuting agency shall not charge any person with the offence of money laundering in relation to a predicate offence punishable under the Sales Tax Act, 1990 (VII of 1990) and the Federal Excise Act, 2005.

(2) In relation to the laws specified in sub-section (1), no offence other than the following shall be notified as predicate offence, namely:-

- (a) sub-sections 11 and 13 of section 33 read with clause (37) of section 2 of the Sales Tax Act, 1990; and
- (b) sub-section (3) of section 19 of the Federal Excise Act, 2005.]

42. Power to amend the Schedule.- The Federal Government may, by notification in the official Gazette, amend the Schedule to this Act so as to add any entry thereto or modify or omit any entry therein.

43. Power to make rules.- The Federal Government may in consultation with the National Executive Committee and by notification in the Official Gazette, make rules for carrying out the purposes of this Act.

44. Power to make regulations.- Subject to the supervision and control of the National Executive Committee, FMU may, by notification in the official Gazette, make such regulations as may be necessary for carrying out the purposes of this Act.

¹ Word inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

² Section 41 substituted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

45. Power to remove difficulties.- If any difficulty arises in giving effect to the provisions of this Act, the Federal Government may, by order, published in the Official Gazette, make such provisions not inconsistent with the provisions of this Act, as may appear to be necessary for removing the difficulty.

46. Validation of actions, etc.- Anything done, actions taken, order passed, instruments made, notifications issued, agreements made, proceedings initiated, processes or communication issued, powers conferred, assumed or exercised, by the ¹[Federal Government,] Financial Monitoring Unit ²[] or its officers on or after the 5th January, 2008 and before the commencement of this Act, shall be deemed to have been validly done, made, issued, taken initiated, conferred, assumed, and exercised and provisions of the Act shall have, and shall be deemed always to have had, effect accordingly.

1 Words etc inserted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

2 Word "Commission" deleted by Anti-Money Laundering (Amendment) Act, 2015 dated December 15, 2015.

COMPENDIUM
OF
CORPORATE LAWS

¹[SCHEDULE-I]

[see section 2 (xxvi)]]

Section-I	The Pakistan penal code, 1860 (Act XLV of 1860)
109	Punishment of abetment if the act abetted is committed in consequence and where no express provision is, made for its punishment.
111	Liability of abettor when one act abetted and different act done.
112	Abettor when liability to commutative punishment for act abetted and for act done.
113	Liability of abettor for an affect, caused by the act abetted different from that intended by the abettor.
115	Abetment of offence punishable with death or imprisonment for life, if offence not committed, if act causing ham ¹ be done in consequence.
116	Abetment of offence punishable with imprisonment-if offence be not committed.
117	Abetting commission of offence by the public or by more than ten persons.
118	Concealing design to commit offence punishable with death or imprisonment for life, if offence by committed; if offence be not committed.
119	Public servant concealing design to commit offence which it is his duty to prevent.
120	Concealing design to commit offence punishable with imprisonment.
120B	Punishment for criminal conspiracy.
121	Waging, or attempting to wage war: or abetting of war against Pakistan
121A	Conspiracy to commit offence punishable by section 121.
122	Collecting arms, etc. with intention of waging war against Pakistan.
161	Public servant taking gratification other than legal remuneration in respect of an official act.
162	Taking gratification, in order, by corrupt or illegal means, to influence public servant.
163	Taking gratification, for exercise of personal influence with public servant.
164	Punishment for abetment by public servant of offences defined in section 162 or 163.
165	Public servant obtaining valuable thing, without consideration from person concerned in proceeding or business transacted by such public servant.
165A	Punishment for abetment of offences defined in section 161.
302	Punishment for qatl-i-amd.

¹Substituted for "THE SCHEDULE [see section 2(3)]" by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

316	Punishment for qatl shibh-i-amd.
327	Punishment.
337k	Causing hurt to extort confession or to compel restoration of properly.
343	Wrongful confinement for three or more days.
344	Wrongful confinement for ten or more clays.
345	Wrongful confinement for person for whose liberation writ has been issued.
346	Wrongful confinement in secret.
347	Wrongful confinement to extort property or constrain to illegal act.
348	Wrongful confinement to extort confession or compel restoration of properly.
363	Punishment for kidnapping.
364	Kidnapping or abducting in order to murder.
364A	Kidnapping or abducting a person under the age of fourteen.
365	Kidnapping or abducting with intent secretly or wrongfully to confine person.
365A**	Kidnapping or abducting for extorting property, valuable security etc.
365B	Kidnapping, abducting or inducing woman to compel for marriage etc.
366	Kidnapping, abducting or inducing Woman to compel her marriage, etc.
366A	Procuration of minor girl,
366B	Importation of girl from foreign country
367	Kidnapping or abducting in order to subject person to grievous hurt slavery etc.
367A	Kidnapping or abducting in order to subject person to unnatural lust,
368	Wrongfully concealing or keeping in confinement, kidnapped or abducted person.
369	Kidnapping or abducting child under ten years with intent to steal from its person.
370	Buying or disposing of any person as a slave.
371	Habitual dealing in slaves.
371A	Selling person for purposes of prostitution etc.
371B	Buying person for purposes of prostitution etc.
374	Unlawful compulsory labour.
376	Punishment of rape.
379	Punishment for theft.
380	Theft in dwelling house. etc.
381	Theft by clerk or servant of property in possession of master
381A	Theft of a car or other motor vehicle.
382	Theft after preparation made for causing death, hurt or restraint, in order to the committing of the theft.

384	Punishment for extortion.
385	Putting person in fear of injury in order to commit extortion.
392	Punishment for robbery.
395	Punishment for dacoity.
402	Assembling for purpose of committing dacoity
402B	Punishment for hijacking.
406	Punishment for criminal breach of trust.
411	Dishonestly receiving stolen property.
412	Dishonestly receiving stolen property in the commission of a dacoity.
413	Habitually dealing in stolen property.
414	Assisting in concealment of stolen property
417	Punishment for cheating.
1419	Punishment for cheating by personation.]
421	Dishonest or fraudulent removal or concealment of property to prevent distribution among creditors.
422	Dishonestly or fraudulently preventing debt being available for creditors.
423	Dishonest or fraudulent execution of fees of transfer containing false statement of consideration,
424	Dishonest or fraudulent removal or concealment of property.
465	Punishment for forgery.
467	Forgery of valuable security, will, etc.
468	Forgery for the purpose of cheating.
471	Using as genuine a forged document.
472	Making or possessing counterfeit seal, etc. with intent to commit forgery punishable under section 467.
473	Making or possessing counterfeit seal, etc. with intent to commit forgery punishable otherwise.
474	Having possession of document described in section 466 or 467 knowing it to be forged and intending to use it as genuine.
475	Counterfeit device or mark used for authenticating documents described in section 467, or possessing counterfeit marked material.
476	Counterfeit device or mark used for authenticating documents other than those described in section 467, or possessing counterfeit marked material.
477	Fraudulent cancellation destruction, etc., of will, authority to adopt, or valuable security.
477A	Falsification of accounts.
482	Punishment for using a false trade-mark or property mark.
483	Counterfeiting a trade mark or property mark used by another.
484	Counterfeiting a mark used by a public servant.
485	Making or possession of any instrument for counterfeiting a trade mark or property.

¹ Entry inserted by SRO 279(I)/2015 dated April 01, 2015.

486	Selling goods marked with a counterfeit trade mark or property mark.
487	Making a false mark upon any receptacle containing goods.
488	Punishment for making use of any such false mark.
489	Tampering with property mark with intent to cause injury
489A	Counterfeiting currency-notes or bank notes.
489B	Using as genuine, forged or counterfeit currency notes or bank-notes.
489C	possession of forged or counterfeit currency-notes or bank notes.
489D	making or possessing instruments or materials for forging or counterfeiting currency-notes or bank notes.
489E	Making or using documents resembling currency-notes or bank notes.
[489G]	Counterfeiting or using documents resembling Prize Bonds or unauthorized sale thereof.]
493A	Cohabitation caused by a man deceitfully inducing a belief of lawful marriage.
496A	Enticing or taking away or detaining with criminal intent a woman.
Section-II	The Arms Act, 1878 (XI of 1878)
19	For breach of section 5, 6, 10, 13 to17.
20	For secret breaches of section 5 to 10, 14 and 15
Section-III	The Foreigners Act, 1946 (XXXI of 1946)
14	Penalties.
[Section-IIIA	Prevention of Corruption Act, 1947 (II of 1947)
5	Criminal misconduct.
5B	Declaration of Assets.
5C	Possession of Property disproportionate to known sources of income.]
[Section-IIIB	Foreign Exchange Regulation Act, 1947 (VII of 1947) Sub-section (1) of section 4 read with section 23. Section 5 read with section 23.]
Section-IV	The Copyright Ordinance, 1962 (XXXIV of 1962)
66	Offences of infringement of copyright or other rights conferred by this Act.
67	Possession of plates for purpose of making infringing copies.
68	Penalty for making false entries in the Register, etc. or producing or tendering false evidence.
69	Penalty for making false statements for the purpose of deceiving or influencing any authority or officer.
70	False attribution or authorship, etc
Section-V	The Pakistan Arms Ordinance, 1965 (W.P. Ordinance XX of 1965)
13	Penalty for breach of sections 4, 5, 8 to 11.

¹ Entry inserted by SRO 279(I)/2015 dated April 01, 2015.

¹ [Section-VI	The Customs Act, 1969 (IV of 1969)
(a)	Section 2(s) read with clause 8,89 of section 156(1).
(b)	Section 15 read with clause 8,9, 89&90 of section 156(1).
(c)	Section 16 read with clause 8,9, 89&90 of section 156(1).
(d)	Section 32 read with clause 14 of section 156(1).
(e)	Section 32A read with clause 14A of section 156(1).
(f)	Section 139 read with clause 70 of section 156(1).]
² [Section-VIA	The Securities Act, 2015 (Act No. III of 2015)
128	(Prohibition of insider trading) read with Section 159
133	(Market Manipulation) read with Section 159]
Section-VII	The Emigration Ordinance, 1979 (XVIII of 1979)
17	Unlawful immigration etc.
18	Fraudulently inducing to emigrate.
19	False representation of Government authority.
22	Receiving money etc. for providing foreign employment.
³ [Section-VIIA	The Sales Tax Act, 1990
33	(entries 11 and 13 of Section 33 of Table) Offences and Penalties]
Section-VIII	The Control of Narcotic Substances Act, 1997 (XXV of 1997)
5	Punishment for contravention of section 4.
9	Punishment for contravention of section 6, 7 and 8.
11	Punishment for contravention of section 10.
13	Punishment for contravention of section 12.
15	Punishment for contravention of section 14.
41	Prohibition of alienation of freezed property.
42	Prohibition of acquiring property in relation to which proceedings have been taken under the Act
Section-IX	The Anti-Terrorism Act, 1997 (XXVII of 1997)
	⁴ [All offences under this Act]
⁵ [Section-IXA	The Pakistan Environmental Protection Act 1997 (XXXIV of 1997)
17	Penalties
18	Offences by bodies corporate]
Section-X	National Accountability Ordinance, 1999 (XVIII of 1999)
9	Corruption and Corrupt Practices.
Section XI	The Registered Designs Ordinance, 2000 (XLV of 2000)
⁶ [27	Offences and penalties
28	Falsification of Register, etc.
29	Falsey representing a design as registered]
⁶ [Section XII	The Trade Marks Ordinance, 2001 (XIX of 2001)

1 Entry inserted by SRO 279(I)/2015 dated April 01, 2015.

2 Substituted by SRO 48(KE)/2016 dated December 21, 2015. Earlier it was inserted by SRO 03(KE)/2011 dated January 08, 2011.

3 Inserted by Notification dated February 03, 2016.

4 Substituted for "prescribing minimum punishment for a period of over one year" by SRO 03(KE)/2011 dated January 08, 2011.

5 Inserted by SRO 03(KE)/2011 dated January 08, 2011.

6 Inserted by SRO 03(KE)/2011 dated January 08, 2011.

99	Penalty for applying false trade description, etc.
101	Penalty for falsification of entries in Register
107	Penalty for improperly describing a place of business as connected with the Trade Marks Registry]
¹ [Section XIIA	The Income Tax Ordinance, 2001
192	Prosecution for false statement in verification- where tax sought to be evaded is ten million rupees or more
192A	Prosecution for concealment of income- where tax sought to be evaded is ten million rupees or more
194	Prosecution for improper use of National Tax Number [Certificate]- where tax sought to be evaded is ten million rupees or more
199	Prosecution for abetment- where tax sought to be evaded is ten million rupees or more.]
² [Section XIII	The Prevention & Control of Human Trafficking Ordinance, 2002 (LIX of 2002)
3	Punishment for human trafficking
4	Offences committed by organized criminal groups
5	Repetition of commission of offences]
³ [Section-XIV	The Federal Excise Act, 2005
19(3)	Offences, penalties, fines and allied matters]

1 Inserted by SRO 425(I)/2016 dated May 14, 2016.

2 Inserted by SRO 03(KE)/2011 dated January 08, 2011.

3 Inserted by Notification dated February 03, 2016.

¹[SCHEDULE-II]

[see section 5(1)]

Members of National Executive Committee

1. The National Executive Committee shall comprise the following members:--

(a) Minister for Finance or Adviser to the Prime Minister on Finance	<i>Chairman</i>
(b) Minister for Foreign Affairs	<i>Member</i>
(c) Minister for Law and Justice	<i>Member</i>
(d) Minister for Interior	<i>Member</i>
(e) Minister for Economic Affairs	<i>Member</i>
(f) Governor SBP	<i>Member</i>
(g) Chairman SECP	<i>Member</i>
(h) Director General, FMU	<i>Member/Secretary</i>
(i) Director General FATF Cell	<i>Member</i>
(j) any other member on the special invitation of the national Executive Committee	<i>Member</i>
2. The Director General FMU shall act as Secretary of the National Executive Committee.]

²[SCHEDULE-III]

[see section 5(5)]

Members of General Committee

1. The General Committee shall comprise the following members:--

(a) Secretary Finance	<i>Chairman</i>
(b) Secretary Interior	<i>Member</i>
(c) Secretary Foreign Affairs	<i>Member</i>
(d) Secretary Law and Justice	<i>Member</i>
(e) Chairman National Accountability Bureau	<i>Member</i>
(f) Chairman Federal Board of Revenue	<i>Member</i>
(g) Director General, Federal Investigation Agency	<i>Member</i>
(h) Director General, Anti Narcotics Force	<i>Member</i>
(i) Deputy Governor SBP	<i>Member</i>
(j) Commissioner SECP	<i>Member</i>
(k) Director General, FMU	<i>Member/Secretary</i>
(l) Director General FATF Cell	<i>Member</i>
(m) any other member on the special invitation of the General Committee	<i>Member</i>
2. The Director FMU shall also act as Secretary of the General Committee.]

³[SCHEDULE-IV]

[see section 6A(1)]

AML/CFT Regulatory Authority

1. The following regulators are AML/CFT regulatory authorities for the purposes of this Act:--

1 Schedule II inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

2 Schedule III inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

3 Schedule IV inserted by Anti-Money Laundering (Second Amendment) Act, 2020 dated September 23, 2020.

- (i) SBP for any reporting entity licensed or regulated under any law administered by SBP;
 - (ii) SECP for any reporting entity licensed or regulated by SECP under any law administered by SECP;
 - (iii) Federal Board of Revenue for real estate agents, jewelers, dealers in precious metals and precious stones and accountants who are not the members of the Institute of Chartered Accountants of Pakistan (ICAP) and the Institute of Cost and Management Accountants of Pakistan (ICMAP);
 - (iv) National Saving (AML and CFT) Supervisory Board for national savings schemes;
 - (v) Pakistan Post (AML and CFT) Supervisory Board for Pakistan Post; and
 - (vi) any other such entity or regulatory authority as may be notified by the Federal Government.
2. The following SRBs are AML/CFT regulatory authorities for the purposes of this Act:-
- - (i) the Institute of Chartered Accounts of Pakistan constituted under the Chartered Accountants Ordinance, 1961 (X of 1961) for their respective members;
 - (ii) the Institute of Cost and Management Accountants of Pakistan (ICMAP) constituted under the Cost and Management Accountants Act, 1966 (XIV of 1966) for their respective members;
 - (iii) the Pakistan Bar Council constituted under the Legal Practitioners and Bar Councils Act, 1973 (XXXV of 1973); for lawyers and other independent legal professionals that are enrolled under the Pakistan Bar Council or Provincial Bar Councils or Islamabad Bar Council; and
 - (iv) any other SRB as may be notified by the Federal Government.]

Raja Muhammad Amin,
Secretary.

ANTI MONEY LAUNDERING REGULATIONS, 2015

CONTENTS *(Arrangement of Regulations)*

Regulations	Title/Description	Page No.
	[Regulation 1, 2 & 3 are not included in syllabus].	
4	Reporting of suspicious transactions.....	767
5	Reports on currency transactions.....	767
	[Regulation 6 is not included in syllabus].	
7	Freezing of property	767
	[Regulations 8 & 9 are not included in syllabus].	

COMPENDIUM
OF
CORPORATE LAWS

ANTI MONEY LAUNDERING REGULATIONS, 2015

4. Reporting of suspicious transactions.- (1) In addition to financial institutions, Director General may, under the Act, require any NFBP to report suspicious transaction to FMU in the manner as he may, from time to time, prescribe.

(2) Every financial institution and such NFBP as required under clause (1) shall file with FMU on the prescribed format as annexed (appendix-I), STR effected or attempted by, at or through that financial institution or NFBP if the financial institution or NFBP knows, suspects, or has reason to suspect that the transaction (or a pattern of transactions of which the transaction is a part) involves funds derived from illegal activities or is, intended or effected in order to hide or disguise proceeds of crimes or is designed to evade any requirements of section 7 of the Act or has no apparent lawful purpose after examining the available facts, including the background and possible purpose of the transaction or concerns financing of terrorism. A guide containing examples of possible suspicious transactions and characteristics of financial transaction that may be a cause for increased scrutiny is given in Appendices - III to VIII.

(3) The STR shall be filed by financial institutions and designated NFBPs immediately but not later than seven working days after forming that suspicion in respect of a particular transaction, irrespective of the fact that the transaction was followed through or not.

5. Reports on currency transactions.- (1) When a financial institution or a NFBP undertakes a cash based transaction involving payment, receipt, or transfer of an amount exceeding the minimum threshold as specified by the National Executive Committee (NEC), hereinafter referred to as the NEC, the financial institution or NFBP shall file a report of such transaction on prescribed format as annexed (appendix-II) immediately but not later than seven working days, after the respective currency transaction.

(2) Currency transactions amongst the financial institutions and between financial institutions and the following categories of entities, are exempted from the reporting requirements of clause (1):-

- (a) a department or agency of the Federal Government or a Provincial Government; or
- (b) a Local Government; or
- (c) a statutory body.

7. Freezing of property.- (1) Where a financial institution or NFBP knows, suspects or has reasons to suspect that any property or account is involved in money laundering or terrorist financing and needs immediate attention or action on the part of FMU as to the freezing of such property or account, the concerned financial institution or NFBP as the case may be, shall immediately inform the

Director General of such property or account along with the grounds that warrant immediate action.

(2) The Director General may, if there appear to be reasonable grounds to believe that any property or account is involved in money laundering or terrorist financing, order freezing of such property or account for a maximum period of fifteen days, in any manner that he may deem fit in the circumstances.

Appendix-I

Suspicious Transaction Report

[See regulation 4(2)]

(Check approximate box)

____ / ____ /

1) Date _____ dd/mm/yyyy

2)	<input type="checkbox"/>	Initial Report	<input type="checkbox"/>	Corrected Report	<input type="checkbox"/>	Supplemental Report
----	--------------------------	----------------	--------------------------	------------------	--------------------------	---------------------

Part I

Reporting Financial Institution Information

3) Name of Institution _____

4) NIFT Code _____

5) Address of Financial Institution:

6) Name of Branch where transaction / activity occurred: _____

7) Branch Code _____

8) Address of Branch:

9) **Primary Regulator**

SBP SECP

Other (Please

Specify _____

Reporting Officer

10) Name _____

11) Designation _____

12)

Phone Number(s) (Include
area code)

13)

Fax Number(s) (Include
area code)

14)

Email address

15)

Cell
Number(s)

Contact for Assistance (If different from Reporting Officer)

16) Name _____			
17) Designation			
18)	Phone Number(s) (Include area code)	19)	Fax Number(s) (Include area code)
20)	Email address	21)	Cell Number(s)

Part II**Suspect Information**

22) Name _____			
23) Father / Husband's name _____			
24) Address (permanent)			
25) Address (present)			
26) Other Known Address			
27) Phone Number(s) – Residence (Include area code)			
28) Phone Number(s) – Office (Include area code)			
29) Fax Number(s)			
30) Cell Number(s)			
31) CNIC Number			
32) NIC Number (in case CNIC number is not available)			
33) Any other Identification Number			
34) National Tax Number (NTN), if available			
35) Date of Birth: ____/____/____ (dd/mm/yyyy)			
36) Nationality			
37) Occupation/Type of Business			
38) Relationship with Financial Institution			

- Account holder Employee Agent Walk in Customer
 Other (Please specify) _____

39) Business Relation with Suspect (if any)

--

40) Is Relationship Still Maintained With the Person? YES NO

41) In Case No, Mention Date of Termination of ___/___/___ (dd/mm/yyyy) relationship

42) Capacity in which the person is performing the transactions / acts

Individual Company Agent Broker

Other (Please specify) _____

43) Identities of other persons known to be involved in reported activity

--

Part III
Suspicious Transaction Information

44) Date of Suspicious Transaction _____/_____/____ (dd/mm/yyyy)

45) Amount involved (Please Specify Currency)

--

46) Suspicious Transactions:

Date	Amount	Description of Transaction

47) **Brief Narrative (Reasons for Suspicion)**

(Include suspicious activity information, explanation / description and background details)

--

48) Characterization of Suspicious Transaction (i.e. nature of suspected predicate schedule offence)

49) Has the transaction already been reported to any Law Enforcement Agency? If so, list the agency

a	
b	
c	
d	

Part IV
Account Information

50) Account number(s) effected, if any

a)	b)	c)	d)
----	----	----	----

51) Account(s) opened on (dd/mm/yyyy)

a)	b)	c)	d)
----	----	----	----

52) Current Status of the Account(s)

a)	b)	c)	d)
----	----	----	----

53) Purpose of account(s)

a)	b)	c)	d)
----	----	----	----

54) Average Monthly Turnover of account(s)

a)	b)	c)	d)
----	----	----	----

55) Aggregate Credits / Debits for last 3 Years

a)	b)	c)	d)
----	----	----	----

56) Peak Balance(s) of last 3 Years

a)	b)	c)	d)
----	----	----	----

57) Nature of Account (s):

- Individual Partnership Company Trust
 other (please specify) _____

58) Transaction Mean / Method

- Cash Cheque Remittance Pay Order
 Credit Card Debit Card Deposits Fixed Deposit
 Draft Transfer LC Online Transfer
 Other (Please specify) _____

59) Copies of Following Documents are attached :

- Customer Identification documents / Account Opening Form
 KYC / CDD of Customer or Suspect
 Other Documents obtained at the time of opening of account/ relationship.
 Relevant documents supporting the STR

60) **Other Relevant Information** (information linked to STR or action taken by the reporting entity)

(Seal & Signature of Reporting Officer)

Appendix-II**Currency Transaction Report**

[See regulation 5]

(Check approximate box)

1) Date ____ / ____ / _____ dd/mm/yyyy

2)

Initial Report

Corrected Report

Supplemental Report

Part I**Person(s) Involved in Transaction(s)**

Section A—Person(s) on Whose Behalf Transaction(s) Is Conducted

3) Name _____

4) Father / Husband's name _____

5) Address (permanent)
_____6) Address (present)
_____7) Other Known Address

8) Phone Number – Residence (Include area code) _____

9) Phone Number – Office (Include area code) _____

10) Fax Number _____

11) Cell Number _____

12) CNIC Number _____

13) NIC Number (in case CNIC number is not available)

14) Any other Identification Number _____

15) National Tax Number (NTN), if available

16) Date of Birth: ____ / ____ / _____ (dd/mm/yyyy)

17) Nationality _____

18) Occupation/Type of Business _____

19) Relationship with Financial Institution

 Account holder Employee Agent Walk in Customer Other (Please specify) _____

20) Business Relation with Customer (if any)

Section B – Individuals Conducting Transaction(s) (if other than above).

21) Name _____

22) Father / Husband's name _____

23) Address (permanent)

24) Address (present)

25) Contact Numbers (Include area code) _____

26) CNIC Number _____

27) Any other Identification Number _____

28) Date of Birth: ___/___/___ (dd/mm/yyyy)

29) Nationality _____

30) Occupation/Type of Business _____

31) Relationship with Financial Institution
 Account holder Employee Agent Walk in Customer
 Other (Please specify) _____

Part II**Amount and Type of Transaction(s) Check all boxes that apply.**

32) Date of Transaction
_____/_____/_____
(dd/mm/yyyy)

(In Case of Local Currency)

33) Total Cash In

34) Total Cash out

(In Case of Foreign Currency)

34) Foreign Cash in 36) Foreign Cash out 37) Name of Foreign
Currency

Type of Transaction

- | | |
|---|---|
| Negotiable Instrument(s) | Negotiable Instrument(s) |
| 38) <input type="checkbox"/> Purchased | 39) <input type="checkbox"/> Cashed |
| 40) <input type="checkbox"/> Currency Exchange(s) | 41) <input type="checkbox"/> Deposit / Withdrawal |
| Account Number(s) | |
| 42) <input type="checkbox"/> Affected (if any) | 43) <input type="checkbox"/> Wire Transfer(s) |
| 44) <input type="checkbox"/> Other (specify)

_____ | |

Part III
Financial Institution Where Transaction(s) Takes Place

45) Name of Institution

46) NIFT Code

47) Branch Code

48) Address of Financial Institution:

49) Name of Branch where transaction / activity occurred:

50) Address of Branch:

Reporting Officer

51) Name

52) Designation

53)

Phone Number(s) (Include area code)

19)

Fax Number(s) (Include area code)

54)

Email Address

55) Cell Number(s)

56)

Name

57) Phone Number(s)

(Seal & Signature of Reporting Officer)

SECURITIES AND EXCHANGE COMMISSIONER OF PAKISTAN (ANTI MONEY LAUNDERING AND COUNTERING FINANCING OF TERRORISM) REGULATIONS, 2020

S.R.O. 921(I)/2020, Islamabad, the 28th September, 2020.- In exercise of the powers conferred by section 6A of the Anti Money Laundering Act, 2010 (VII of 2010), the Securities and Exchange Commission of Pakistan, is pleased to make the following regulations, namely:-

CHAPTER I PRELIMINARY

- 1. Short Title and Commencement-** These regulations shall be called the Securities and Exchange Commission of Pakistan (Anti Money Laundering ¹[Combating the Financing of Terrorism and Countering Proliferation Financing]) Regulations, 2020.
- 2.** They shall come into force at once.
- 3. Definitions-** (1) In these regulations, unless there is anything repugnant in the subject or context,-
 - (a) “AML Act” means Anti Money Laundering Act, 2010 (VII of 2010);
 - (b) “Act” means Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
 - (c) “administered legislation” shall have the same meaning as assigned to it in clause (aa) of sub-section (1) of section 2 of the Act;
 - (d) ²[AML/CFT/CPF] means Anti-Money Laundering and Countering Financing of Terrorism ³[and Countering Proliferation Financing];
 - (e) “Annex” means annexures appended to these regulations;
 - (f) “beneficiary” for the purposes of these regulation shall include-
 - (i) a natural or legal person or arrangement who are entitled to the benefit of any trust arrangement.
 - (ii) in the context of life insurance or takaful, life-contingent annuity contracts or another investment linked insurance or takaful policy, is a natural or legal person, or a legal arrangement, or category of persons, who will be paid the policy proceeds when or if an event occurs, which is covered by the policy;
 - ⁴[(fa) “Court appointed Manager” means a person appointed by the competent court to operate the account of a mentally disordered person under the applicable laws on mental health]
 - (g) “close associate” of a PEP means—

¹ Substituted for the words “and Countering the Financing of Terrorism” by SRO 1356(I)/2023 dated September 21, 2023.

² Substituted for “AML/CFT” by SRO 1356(I)/2023 dated September 21, 2023.

³ Words inserted by SRO 1356(I)/2023 dated September 21, 2023.

⁴ Clause (fa) inserted by SRO 1356(I)/2023 dated September 21, 2023.

- (i) an individual known to have joint beneficial ownership of a legal person or a legal arrangement or any other close business relations with a PEP;
- (ii) any individual(s) who have beneficial ownership of a legal person or a legal arrangement which is known to have been set up for the benefit of a PEP;
- (iii) an individual who is reasonably known to be closely connected with the PEP for any other reason, including socially or professionally.
- (h) "Commission" means Securities and Exchange Commission of Pakistan established under section 3 of the Act;
- (i) "correspondent relationship" means a relationship between the regulated person (Correspondent), or any party acting on its behalf and processing orders on behalf of the regulated person, and an intermediary (Respondent) which is regulated and supervised by a supervisory authority, transmitting orders on behalf of its underlying customers;
- (j) "customer" means any natural person, legal person or legal arrangement to whom financial services have been extended by a regulated person;
- ¹[(ja) "Designated Person (DP)" means an individual or entity designated under The United Nations (Security Council) Act, 1948 (Act XIV of 1948);]
- (k) "dormant or in-operative account" means the account in which no transaction or activity or financial service has been extended by the regulated person from last ²[three] years;
- (l) "enhanced due diligence" or "EDD" means taking additional CDD and may include the information set out in section 21(2).
- (m) "family member" of a politically exposed person includes—
 - (i) a spouse of the PEP;
 - (ii) lineal ascendants and descendants and siblings of the PEP.
- (n) "Insurer" shall have the same meaning as assigned to it in the Insurance Ordinance, 2000 (XXXIX of 2000);
- (o) "ML" means money laundering
- (p) "Non-Banking Finance Companies" or "NBFCs" shall have the same meaning as assigned to it in Part VIII A of the Companies Ordinance, 1984 (XLVII of 1984);
- ³[(pa) "Person with Mental Disorder" means a person with mental illness as defined in the applicable laws on mental health;]

¹ Clause (ja) inserted by SRO 1356(I)/2023 dated September 21, 2023.

² Substituted for the word "five" by SRO 1356(I)/2023 dated September 21, 2023.

³ Clause (pa) inserted by SRO 1356(I)/2023 dated September 21, 2023.

- ¹[(pb) “proliferation financing” means the financing of proliferation of weapons of mass destruction; and]
- (q) “Politically exposed persons” or “PEPs” means an individual who is or has been entrusted with a prominent public function either domestically or by a foreign country, or in an international organization and includes but not limited to:
- (i) for foreign PEPs, Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations and political party officials;
 - (ii) for domestic PEPs, Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state-owned corporations, political party officials;
 - (iii) for international organization PEPs, members of senior management or individuals who have been entrusted with equivalent functions.

Provided that middle ranking or more junior individuals in the above referred categories are not included in the definition of PEPs;

- ²[(qa) “Designated Person (DP)” means an individual or entity designated under The United Nations (Security Council) Act, 1948 (ACT XIV of 1948);
- (qb) “Proscribed Person” means an individual or entity proscribed under the Anti-Terrorism Act, 1997 (ACT NO. XXVII OF 1997);]
- (r) “regulated person” means securities brokers, futures brokers, Insurers, Takaful Operators, NBFCs and Modarabas regulated by SECP under the administered legislation;
- (s) ‘reasonable measures’ means appropriate measures which are commensurate with the money laundering or terrorist financing risks;
- (t) “senior management” means an officer or employee of the reporting entity with sufficient knowledge of the reporting entity’s risk exposure, and of sufficient authority, to take decisions affecting its risk management and mitigation, including chief executive officer/ managing director, deputy managing director, chief operating officer, company secretary, chief financial officer, chief compliance officer and chief regulatory officer and any holder of such positions by whatever name called; and
- (u) “simplified due diligence” or “SDD” means taking reduced CDD measures and may include the measures set out in section 23 (3).
- (v) “TF” means financing of terrorism
- (w) “Third Party” means any reporting entity or as may be notified by the Commission.

1 Clause (pb) inserted by SRO 1356/(I)/2023 dated September 21, 2023.

2 Clauses (qa) & (qb) inserted by SRO 1356/(I)/2023 dated September 21, 2023.

(2) The definitions in the AML Act shall also apply to these Regulations. The words and expressions used in these regulations but not defined shall have the same meaning as assigned to them under the Act and administered legislation thereunder.

CHAPTER II

RISK ASSESSMENT AND MITIGATION

4. Risk Assessment - The regulated person shall take appropriate steps in accordance with section 7F of the AML Act to identify, assess and understand its money laundering, and terrorism financing risks for customers, countries or geographic areas and products, services, transactions or delivery channels. The regulated person shall:

- (a) document their risk assessments;
- (b) consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied;
- (c) keep their risk assessments up to date;
- (d) categorize its own overall entity level risk as high, medium or low based on the result of risk assessment; and
- (e) have appropriate mechanisms to provide risk assessment information to the Commission.

5. Risk Mitigation and Applying Risk Based Approach - The regulated person shall:

- (a) have policies, controls and procedures, which are approved by its board of directors, to enable them to manage and mitigate the risks that have been identified in its own risk assessment and any other risk assessment publicly available or provided by the Commission;
- (b) monitor the implementation of those policies, controls and procedures and to enhance them if necessary; and
- (c) take enhanced measures to manage and mitigate the risks where higher risks are identified.

Explanation:- For the purposes of this regulation the expression “risk based approach” means applying measures to manage and mitigate money laundering and terrorist financing risks that are commensurate with the risks identified.

6. The regulated person may take simplified measures to manage and mitigate risks, if lower risks have been identified. Simplified measures should not be permitted whenever there is a suspicion of ML/TF.

7. New Products, Practices and Technologies - The regulated person shall:

- (a) identify and assess the ML and TF risk that may arise in the development of new products, businesses and practices, including new delivery mechanism, and the use of new and pre-existent technology.

- (b) prior to the launch or use of product, practice or technology, shall undertake the risk assessment and take appropriate measures to manage and mitigate the risks.

CUSTOMER DUE DILIGENCE (CDD) AND BENEFICIAL OWNERSHIP

8. Customer Due Diligence- (1) The regulated person shall conduct CDD in the circumstances and matters set out in section 7A(I) and 7(E) of the AML Act.

(2) For the purposes of conducting CDD as required under section 7A (2) of the AML Act every regulated person shall comply with ¹[regulations] 9-25 of these Regulations.

(3) The regulated person shall categorize each customer's risk depending upon the outcome of the CDD process.

9. The regulated person shall:

- (a) identify the customer; and
- (b) verify the identity of that customer using reliable and independent documents, data and information as set out in Annex 1.

10. Where the customer is represented by an authorized agent or representative, the regulated person shall:

- (a) identify every person who acts on behalf of the customer,
- (b) verify the identity of that person in using reliable and independent documents, data and information as set out in Annex 1; and
- (c) verify the authority of that person to act on behalf of the customer.

11. The regulated person shall also identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information as set out in Annex 1, such that the regulated person is satisfied that it knows who the beneficial owner is.

12. (I) For customers that are legal persons or legal arrangements, the regulated person shall identify the customer and verify its identity by obtaining the following information in addition to the information required in Annex 1:

- (a) name, legal form and proof of existence;
- (b) the powers that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement; and
- (c) the address of the registered office and, if different, a principal place of business.

(2) For customers that are legal persons or legal arrangements, the financial institution should be required to understand the nature of the customer's business and its ownership and control structure.

13. (1) For customers that are legal persons, the regulated person shall identify and take reasonable measures to verify the identity of beneficial owners by:

- (a) identifying the natural person(s) (if any) who ultimately has a controlling ownership interest (as defined under relevant laws) in a legal person; and

¹ Substituted for "section" by SRO 1356/(I)/2023 dated September 21, 2023.

- (b) to the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural person(s) (if any) exercising control of the legal person or arrangement through other means; and
- (c) where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.

14. For customers that are legal arrangements, the regulated person shall identify and take reasonable measures to verify the identity of beneficial owners as follows:

- (a) for trusts, the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership);
- (b) for waqfs and other types of legal arrangements, the identity of persons in equivalent or similar positions as specified in (a).
- (c) Where any of the persons specified in (a) or (b) is a legal person or arrangement, the identity of the beneficial owner of that legal person or arrangement shall be identified.

15. An insurer or takaful operator shall:

(1) At the time at which the beneficiary of the life insurance policy or takaful is identified or designated:

- (a) if the beneficiary is a specifically named natural person, legal person or legal arrangement, obtain the full name of the beneficiary;
- (b) if the beneficiary is designated by characteristics, class or other means and is known to the regulated person, obtain sufficient information concerning the beneficiary to satisfy itself that it will be able to establish the identity of the beneficiary at the time of payout.

(2) for both the above cases, verify the identity of the beneficiary at the time of payout.

16. The regulated person should verify the ¹[identity of] the customer and beneficial owner before establishing a business relationship or during the course of establishing a business relationship.

17. (1) The regulated person may complete verification of a customer or beneficial owner's identity after the establishment of the business relationship, provided that-

- (a) this occurs as soon as reasonably practicable;
- (b) this is essential not to interrupt the normal conduct of business; and
- (c) the ML/TF risks are low.

¹ Substituted for "identify" by SRO 1356/(I)/2023 dated September 21, 2023.

(2) The types of circumstances where the regulated person permits completion of verification after the establishment of the business relationship should be recorded in the CDD policies.

18. The regulated person shall adopt risk management procedures concerning the conditions under which a customer may utilize the business relationship prior to verification.

19. Ongoing Monitoring - (1) The regulated person shall conduct ongoing due diligence on the business relationship, including:

- (a) scrutinizing transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the regulated person's knowledge of the customer, their business and risk profile, including where necessary, the source of funds;
- (b) obtaining information and examining, as far as possible, the background and purpose of all complex and unusual transactions which have no apparent economic or visible lawful purpose. The background and purpose of these transactions shall be inquired and findings shall be documented with a view of making this information available to the relevant competent authorities when required.
- (c) undertaking reviews of existing records and ensuring that documents, data or information collected for the CDD purposes is kept up-to-date and relevant, particularly for higher risk categories of customers.

(2) In relation to sub-regulation (b), customers' profiles should be revised keeping in view the CDD and basis of revision shall be documented.

¹[(3) The regulated person shall implement the measures as set out in Section 7D (Inability to complete CDD and tipping off) of the AML Act.]

(4) The regulated person shall comply with the provisions of the AML Act and rules, regulations and directives issued thereunder for reporting suspicious transactions/currency transactions in the context of money laundering or financing of terrorism.

(5) Where regulated person files an STR with respect to a customer with whom it has an existing business relationship, and if the regulated person considers it appropriate to retain the customer, then the regulated person shall:-

- (a) substantiate and document the reasons for retaining the customer; and
- (b) subject the business relationship to proportionate risk mitigation measures, including enhanced ongoing monitoring.

(6) The basis of deciding whether an STR is being filed or not shall be documented and kept on record together with all internal findings and analysis done in relation to a suspicion irrespective of the fact that transaction is subsequently reported or not.

¹ Sub-regulation (3) substituted by SRO 1356(I)/2023 dated September 21, 2023.

20. Existing Customers - (1) The regulated person is required to apply CDD requirement to its existing customers on the basis of materiality and risk and should conduct due diligence on existing relations at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained.

(2) For existing customers who opened accounts with old NICs, the regulated person shall ensure that attested copies of identity documents shall be present in the regulated person record. The regulated person shall block accounts without identity document (after serving one-month prior notice) for all withdrawals, until the subject regulatory requirement is fulfilled. However, upon submission of attested copy of identity document and verification of the same from NADRA or biometric verification, the block from the accounts shall be removed.

(3) For customers whose accounts are dormant or in-operative, withdrawals shall not be allowed until the account is activated on the request of the customer. For activation, the regulated person shall conduct NADRA Verisys or biometric verification of the customer and obtain attested copy of customer's valid identity document (if already not available) and fulfill the regulatory requirements.

21. Enhanced Due Diligence (EDD) - (1) Regulated person shall implement appropriate internal risk management systems, policies, procedures and controls to determine if any customer presents high risk of ML/TF. The regulated person shall apply EDD where a customer presents high risk of ML/TF including but not limited to the following circumstances:

- (a) business relationships and transactions with natural and legal persons when the ML/TF risks are higher;
 - (b) business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF;
 - (c) PEPs and their close associates and family members.
- (2) EDD measures include but shall not be limited to the following measures:
- (a) Obtaining additional information on the customer (e.g. volume of assets, information available through public databases, internet, etc.), and updating more regularly the identification data of customer and beneficial owner;
 - (b) Obtaining additional information on the intended nature of the business relationship;
 - (c) Obtaining information on the source of funds or source of wealth of the customer;
 - (d) Obtaining information on the reasons for intended or performed transactions.
 - (e) Obtaining the approval of senior management to commence or continue the business relationship;
 - (f) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

(3) An insurer/ takaful operator shall include the beneficiary of a life insurance policy as a relevant risk factor in determining whether EDD measures are applicable under ¹[sub-regulation] (1). where an insurer/ takaful operator determines that a beneficiary who is a legal person or a legal arrangement presents a higher risk, it shall take EDD measures and take reasonable measures to identify and verify the identity of a beneficial owners of the beneficiary of a life insurance policy or takaful at the time of payout.

(4) In relation to 21(1)(c), the regulated person shall implement appropriate internal risk management systems, to determine if a customer or a beneficial owner is a PEP or a close associate or family member of a PEP, both prior to establishing a business relationship or conducting a transaction, and periodically throughout the course of business relationship. The regulated person shall apply, at minimum the following EDD measures:

- (a) obtain approval from senior management to establish or continue a business relationship where the customer or a beneficial owner is a PEP, close associate or family member of a PEP or subsequently becomes a PEP, close associate and family member of a PEP;
- (b) take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as a PEP, close associate or family member of a PEP; and
- (c) conduct enhanced ongoing monitoring of business relations with the customer or beneficial owner identified as a PEP, close associate and family member of a PEP.

(5) An insurer/ takaful operator shall take reasonable measures at the time of payout of a life insurance policy to determine whether the beneficiaries and/or, where applicable, the beneficial owner of the beneficiary are politically exposed persons.

(6) Where higher risks are identified under ¹[sub-regulation] (5), an insurer or takaful operator must inform senior management before the payout of the policy proceeds, to conduct enhanced scrutiny of the whole business relationship with the policyholder, and to consider making a suspicious transaction report.

22. Counter Measures against high risk countries. - Regulated persons shall apply the countermeasures including but not limited to, enhance due diligence proportionate to the risk as indicated by the Federal Government, pursuant to recommendations by the National Executive Committee and when called upon to do so by the FATF.

23. Simplified Due Diligence - (1) The regulated person may apply SDD only where low risk is identified through adequate analysis through its own risk assessment and any other risk assessment publicly available or provided by the Commission in accordance with ²[regulation] 6 of these regulations and commensurate with the lower risk factors.

(2) The decision to rate a customer as low risk shall be justified in writing by the regulated person.

(3) SDD measures include the following measures:

- (a) Verifying the identity of the customer and the beneficial owner after the establishment of the business relationship;

¹ Substituted for "sub-section" by SRO 1356/(I)/2023 dated September 21, 2023.

² Substituted for "section" by SRO 1356/(I)/2023 dated September 21, 2023.

- (b) Reducing the degree of on-going monitoring and scrutinizing transactions, based on a reasonable monetary threshold as prescribed or as set out by the Commission;
 - (c) Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship, but inferring the purpose and nature from the type of transactions or business relationship established.
- (4) The regulated person shall not apply any simplified CDD whenever there is a suspicion of money laundering or terrorist financing.

24. Reliance on Third Parties – ¹[(1) A regulated person may rely on third party to conduct following CDD measures on its behalf, in line with the requirements specified in these regulations;

- (i) Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information;
- (ii) Identifying the beneficial owner, and taking reasonable measures to verify the identity of the beneficial owner, such that the financial institution is satisfied that it knows who the beneficial owner is. For legal persons and arrangements this should include financial institutions understanding the ownership and control structure of the customer;
- (iii) Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship:
Provided that despite third party reliance the regulated person shall -
 - (a) remain liable for any failure to apply the indicated CDD measures (i) to (iii) above;
 - (b) immediately obtain from the Third Party the required information concerning the indicated CDD measures (i) to (iii) above;
 - (c) take steps to satisfy itself that copies of identification data and other relevant documentation relating to CDD requirements will be made available from the third party upon request without delay; and
 - (d) satisfy itself that the Third Party is supervised by an AML/CFT regulatory authority or an equivalent foreign authority and has measures in place for compliance with AML Act obligation of CDD and record keeping.]

(2) Where a regulated person relies on a third party that is part of the same corporate group, the regulated person may deem the requirements of ²[sub-regulation] 24(1) to be met if:

- (a) the corporate group applies CDD and record-keeping requirements in accordance with the AML Act and its associated regulations;
- (b) the implementation of the requirements in paragraph (a) is supervised by an AML/CFT regulatory authority or an equivalent foreign authority; and
- (c) the corporate group has adequate measures in place to mitigate any higher country risks.

(3) In addition to ¹[sub-regulation] 24(1), when determining in which country a third party may be based, the regulated person shall have regard to available information on the level of country risk

¹ Sub-regulation (1) substituted by SRO 1356(I)/2023 dated September 21, 2023.

² Substituted for "sub-section" by SRO 1356(I)/2023 dated September 21, 2023.

(4) Notwithstanding any reliance upon a third party, the regulated person shall ultimately remain responsible for its AML/CFT obligations, including generating STRs and shall carry out ongoing monitoring of such customer itself.

TFS Obligations

25. (1) The regulated person shall undertake TFS obligations under the United Nations (Security Council) Act 1948 and/or Anti-Terrorism Act 1997 and any regulations made there under, including:

- (a) develop mechanisms, processes and procedures for screening and monitoring customers, potential customers and beneficial owners/associates of customers to detect any matches or potential matches with the stated designated/proscribed persons in the SROs and notifications issued by MoFA, NACTA and MoI.
- (b) If during the process of screening or monitoring of customers or potential customers the regulated person finds a positive or potential match, it shall immediately:
 - i. freeze the relevant funds and assets without delay the customer's fund/ policy or block the transaction, without prior notice if it is an existing customer in accordance with the respective SRO.
 - ii. prohibit from making any funds or other assets, economic resources, or financial or other related services and funds in accordance with the respective SRO
 - iii. Reject the transaction or attempted transaction or the customer, if the relationship has not commenced.
- (c) In all cases referred to in (b), the regulated person shall file a suspicious transaction report to the FMU in case that person is designated under United Nations Security Council Resolutions, or proscribed under the Anti-Terrorism Act, 1997 and simultaneously notify the Commission in the manner as may be instructed from time to time by the Commission.
- (d) implement any other obligation under the AML Act 2010, United Nations (Security Council) Act 1948 and Anti-Terrorism Act 1997 and any regulations made there under.

(2) The regulated person is prohibited, on an ongoing basis, from providing any financial services to proscribed/ designated entities and persons or to those who are known for their association with such entities and persons, whether under the proscribed/ designated name or with a different name. The regulated person should monitor their business relationships with the entities and individuals on a continuous basis and ensure that no such relationship exists directly or indirectly, through ultimate control of an account and where any such relationship is found, the regulated person shall take immediate action as per law, including reporting to the FMU.

Explanation:- For the purposes of this ¹[regulation] the expression associates means persons and entities acting on behalf of, or at the direction, or for the benefit, of proscribed/ designated entities and individuals that may be determined on the basis of appropriate screening of sanctions lists, disclosed nominee/beneficiary information, publicly known information, Government or regulatory sources or reliable media information, etc.

¹ Substituted for "section" by SRO 1356(I)/2023 dated September 21, 2023.

FOREIGN EXCHANGE MANUAL

CHAPTER 19 LOANS, OVERDRAFTS & GUARANTEES

1.	Regulations governing Loans and Guarantees.	771
Part-A		
Lending to /borrowing by non-resident Pakistanis/Resident foreign nationals in PKR &loans and advances by Authorized Dealers in FCY		
2.	Borrowing in PKR by Foreign Controlled Companies.	771
3.	Borrowings by individual Non-Resident Pakistanis and Resident Foreign Nationals.	771
4.	Lending/Borrowing by Non-Residents in Pakistan.	771
5.	Loans and Overdrafts against Guarantees of Non-Residents or against Collateral held outside Pakistan.	771
6.	Loans and Overdrafts by Authorized Dealers in Foreign Currency.	772
Part-B		
Private Sector Borrowings from Abroad (PSBA)		
7.	Private Sector Borrowings from Abroad.	772
Part-C		
Foreign Currency Trade Financing from Abroad (FTFA)		
8.	Foreign Currency Trade Financing from Abroad.	776
Part-D		
Financial Sector Borrowings from Abroad (FSBA)		
9.	Financial Sector Borrowings from Abroad.	779
Part-E		
Guarantees		
10.	Guarantees on behalf of Residents of Pakistan in favor of Non-Residents.	782
11.	Guarantees on behalf of Non-Residents in favor of Residents of Pakistan.	782
12.	Performance/Bid Bond Guarantee.	783
13.	Remittance under Guarantees or Performance Bonds and their Reporting to the State Bank.	783
14.	Guarantees which may be given without prior approval of the State Bank.	784
15.	Guarantees and Collaterals in favor of Overseas Bank Branches and Correspondents.	784
16.	Guarantees in favor of Government Departments/Ministries/Public Sector Entities (PSEs).	784
17.	Renewal of Loans & Overdrafts.	784
Part-F		
Minimum requirements for Loan Registration		
18.	Procedure to Register the Loan	784
Part G		
Reporting Mechanism		
19.	Reporting Requirements.	790
20.	Subsequent Amendments (if any) in the underlying Loan Agreement	790
21.	Regulatory Action on account of Non-Compliance of Rules and Regulations.	790

CHAPTER 19

LOANS, OVERDRAFTS & GUARANTEES

1. Regulations governing Loans and Guarantees. Extension of loans, overdrafts and credit facilities to companies (other than Banking, Development Finance Institutions and Microfinance Companies) which are by any means controlled directly or indirectly by persons resident outside Pakistan and to residents against guarantees or collaterals lodged outside Pakistan, obtaining of loans and overdrafts in foreign currencies and giving of guarantees on behalf of residents of Pakistan in favor of non-residents or on behalf of non-residents in favor of residents, are regulated under sub-section (2) of Section 18 and Sections 4 and 5 of the Act. This chapter contains the general regulations covering grant of such loans, overdrafts, credit facilities and guarantees.

Part-A

Lending to /Borrowing by Non-Resident Pakistanis/Resident Foreign Nationals in PKR &Loans and Advances by Authorized Dealers in FCY

2. Borrowing in PKR by Foreign Controlled Companies. Foreign controlled companies registered in Pakistan under Companies Act, 2017 are entitled to borrow from local sources in PKR for any purpose except for purchase of shares (acquisition, financing, merger financing, amalgamation financing and/or purchase of minority interest) subject to observance of the relevant Prudential Regulations issued by the State Bank and compliance of KYC and 'AML/CFT' standards. However, purpose of borrowing in such cases must be clear and documented in Authorized Dealer's and borrowing company's record.

3. Borrowings by individual Non-Resident Pakistanis and Resident Foreign Nationals. The Authorized Dealers have general permission to grant loan to individual non-resident Pakistanis in local currency, subject to observance of the relevant Prudential Regulations and compliance of KYC and 'AML/CFT' standards. The purpose of borrowing must be clear, legitimate and duly documented. However, for purchase of immovable property, banks can lend to non-resident Pakistanis subject to the following conditions:

- i. The loan will be liquidated by the borrowers through remittances from abroad in foreign exchange through normal banking channel or by debit to their foreign currency accounts which must be fed through foreign remittances.
- ii. Sale proceeds of such immovable property shall not be eligible for repatriation.

Further, Authorized Dealers may also grant rupee loans to resident individual foreign nationals, except for purchasing immovable property and the purposes either restricted by the State Bank or any other prevalent law.

4. Lending/Borrowing by Non-Residents in Pakistan. Except for above mentioned para 3, Non-Residents are not allowed to borrow or lend in local currency without the special permission of the State Bank.

5. Loans and Overdrafts against Guarantees of Non-Residents or against Collateral held outside Pakistan. Authorized Dealers may extend PKR loans to their resident clients against guarantees of non-residents/guarantees received from banks operating abroad, subject to compliance of the Prudential Regulations. However, guarantees involving FCY outflows on account of due

diligence fee, upfront fee, commission fee, guarantee premium fee etc. shall require prior approval of the State Bank.

6. Loans and Overdrafts by Authorized Dealers in Foreign Currency. Authorized Dealers will not grant any loans or provide overdraft facility in foreign currencies in or outside Pakistan, whether secured or unsecured, except FE-25 loans without prior approval of the State Bank. Applications for granting such loans or overdrafts should be made to the State Bank mentioning purpose, particulars of the guarantee or collateral, if any, and the manner in which the loans or overdrafts are expected to be liquidated.

Part-B

Private Sector Borrowings from Abroad (PSBA)

7. Private Sector Borrowings from Abroad. The term '(PSBA)' refers to foreign currency loans raised by the eligible borrowers in the private sector in Pakistan from foreign lenders in convertible foreign currencies in the form of commercial credit, supplier's credit, buyer's credit, working capital loans, inter-company loans, issuance of foreign currency bonds, structured loan facilities and FCY financing under Islamic arrangement subject to the instructions specified below for each category.

- i) Common terms and conditions of PSBA.

(a) Eligible Borrowers.

The companies registered under Companies Act, 2017 and the Independent Power Producers (IPPs), except the financial intermediaries (such as banks, financial institutions, Development Finance Institutions, housing finance companies, non-banking finance companies, microfinance banks/institutions and Payment System Operators, Payment System Providers), are eligible to raise PSBA. Individuals, trusts, non-profit organizations and non-governmental organizations are not eligible to raise PSBA. However, branches of foreign companies in Pakistan opened with the permission of Board of Investment (BOI) would be eligible for PSBA subject to the conditions issued by the BOI. The long term credit rating of the aforementioned companies or their sponsors must not be lower than BB- issued by a recognized local/international credit rating agency except in the case of intercompany loans.

The requirement of long term credit rating, however, does not apply to exporters subject to the condition that the total amount of PSBA does not exceed 80% of their annual exports.

(b) Eligible Lenders.

PSBA may be raised from internationally recognized reputable sources such as Foreign Banks, International Capital Markets, Multilateral Financial Institutions (such as IFC, ADB, etc.), Government owned Development Financial Institutions, Export Credit Agencies, Suppliers of Plant & Machinery, and parent/associated companies.

The eligible borrowers shall obtain funding only from the lending institutions/lenders, who comply with the international standards

(Financial Action Task Force Guidelines) of ‘Anti Money Laundering (AML)’ & ‘Combating Financing of Terrorism (CFT)’.

(c) Security.

PSBA can be secured by any collateral/charge created on moveable or immovable property owned by the eligible borrowers/or their sponsors subject to compliance of Prudential Regulations and other applicable instructions.

In case of pledge of shares, the securities offered to raise PSBA will be governed by the regulations contained in Chapter 20 of the Foreign Exchange Manual and other relevant instructions issued by the State Bank from time to time.

Issuance of bank guarantees by the Authorized Dealers and corporate guarantees by sponsors in favor of lenders is permitted for the loans registered with the Authorized Dealer.

(d) PSBA Registration.

Authorized Dealer will register all FCY loans under this Part, after ensuring that the terms and conditions of the underlying loan agreement comply with the relevant regulations of the category against which the loan is being registered. The responsibilities of Authorized Dealers, conditions precedent and list of minimum required documents to register loan have been laid down in Part F of this chapter.

(e) Forward Cover Facility.

Authorized Dealers may extend forward cover facility to the eligible borrowers for one year or the remaining maturity of the loan (whichever is earlier) in accordance with the regulations contained in Chapter 4.

In cases where the underlying foreign loans have a tenor of more than 12-months, the tenor of the forward cover facility would be 12-months on rollover basis or the remaining tenor of the loan, whichever is less.

However, the Authorized Dealer shall ensure that the forward cover facility will not be provided for less than one month; and the borrower will not hedge the amount more than the underlying exposure, in any case.

(f) Pre-Payments.

Prepayment of PSBA will not be allowed except for the “PSBA for Project Financing”, the request for which will be evaluated by the Exchange Policy Department on a case to case basis. However, swapping PSBA with local currency loans will not be allowed, in any case.

(g) Waivers/Exceptions related to PSBA.

Any waiver/exception from the terms and condition mentioned in the policy will require prior approval of the Exchange Policy Department i.e. before execution of the facility documents.

Categories of PSBA

ii) PSBA for Project Financing.

PSBA for Project Financing can be raised for meeting capitalized costs of the projects such as expenses relating to establishment of new projects, import of plant & machinery, modernization/expansion of existing projects, buying/acquiring patents/operating licenses/trademarks, procurement of technical expertise and repayment of existing PSBA in all sectors including Small & Medium Enterprises (SME) and infrastructure projects. The maturity of such loans should not be less than three (3) years.

However, funds so generated are not allowed for onward lending or investment in capital market /real estate or acquiring a company (or a part thereof) in Pakistan.

(a) Borrowing Cost Ceiling.

The borrowing cost ceiling includes spread over relevant benchmark rate, loan related insurance premium, and other loan related fees payable in foreign currency; except the commitment fee, cost & expenses and fees payable in local currency.

The All-in-cost ceiling is given as under:

Maturity Period	Borrowing Cost Ceiling excluding relevant benchmark rate
Three (03) Years to five (05) Years	350 basis points
More than five (05) Years	600 basis points

(b) Conversion of PSBA for Project Financing into Equity.

The outstanding amount of PSBA Project Loans can be converted into equity either after completion of the project or after 3 years, whichever is later, only after obtaining prior approval of Exchange Policy Department. In case of unlisted companies, the loan will be converted on the break-up value established by the external auditors included in the State Bank's approved list. Further, in case of listed companies, the loan will be converted at the average market value of previous six (6) months. The exchange rate used to convert foreign exchange liabilities into PKR in latest audited financial statements will be used to establish the rupee liability of the loan.

(c) Other Terms & Conditions.

- aa) The refinancing of existing PSBA Project Loans will only be allowed subject to the condition that the fresh PSBA will be raised at a relatively lower rate of all-in-cost and/or the outstanding maturity of the original PSBA will either be maintained or extended.
- bb) The amount of loan borrowed from eligible lenders can be credited in a foreign currency account opened under Para 9, Chapter 6 of the Foreign Exchange Manual for making import

and consultancy payments only. However, the provisions of Para 8, Chapter 6 will remain available to IPPs.

iii) PSBA for Working Capital.

The PSBA for Working Capital can be raised for meeting the foreign currency component of working capital requirements of companies established/operating in Pakistan. However, maturity of the PSBA under this category shall range between one (01) month and one (1) year. However, the subject loan can be rolled over for a minimum period of one (01) month.

(a) **Borrowing Cost Ceiling.**

The borrowing cost ceiling includes spread over relevant benchmark rate, loan related insurance premium and other loan related fees payable in foreign currency except commitment fee, cost & expenses and fees payable in local currency.

The All-in-cost ceiling is given as under:

Maturity Period	Borrowing Cost Ceiling excluding relevant benchmark rate
One (01) Month to One (01) Year	200 basis points

(b) **Terms applicable to foreign contractors and foreign companies operating in branch mode.**

- aa) The branches of foreign companies working in Pakistan with the permission of BOI can only borrow interest free loans from their sponsors/parents.
- bb) The foreign contractors/construction companies working in Pakistan with the permission of BOI and/or registered with the Pakistan Engineering Council (PEC) can borrow interest free loans from their sponsors/parents. They can repay the loans only after they conclude the contracted work/project or complete a milestone and submit the milestone completion certificate/completion certificate, issued by the relevant authority. Further, they will submit a clearance certificate issued by the Revenue Authorities, which must be attached with Form 'M'. In case the tax is not payable, a copy of exemption certificate issued by the Revenue Authorities must be submitted.

(c) **Other Terms & Conditions.**

The amount of loan borrowed under this category cannot be credited in a foreign currency account.

iv) PSBA for Bridge Financing.

The PSBA for Bridge Financing will be raised only for meeting the financing gap arising from outstanding project payments and delays in disbursements from committed FCY equity or PSBA for Project Financing. The maturity of the PSBA under this category shall range between six (6) months and one (1) year.

(a) Borrowing Cost Ceiling.

The borrowing cost ceiling includes spread over relevant benchmark rate, loan related insurance premium and other loan related fees payable in foreign currency, except commitment fee, cost & expenses and fees payable in local currency.

The All-in-cost ceiling is given as under:

Maturity Period	Borrowing Cost Ceiling excluding relevant benchmark rate
Six (06) Months to One (01) Year	200 basis points

The loan amount received under this category can be retained in the special foreign currency account opened under Para 9, Chapter 6 of Foreign Exchange Manual only for making payments relating to import of goods and services under the already established contracts.

v) PSBA mobilized through Securitized Instruments, Issuance of Bonds & Financing under Islamic Arrangement.

The PSBA to be mobilized through securitized instruments, issuance of bonds and Financing under Islamic Arrangement will require prior approval of the State Bank. PSBA under this category can be used for establishment of new projects, import of plant & machinery, modernization/expansion of existing projects, buying/acquiring patents/operating licenses/trademarks, procurement of technical expertise and repayment of existing PSBA in all sectors including Small & Medium Enterprises (SME) and infrastructure projects.

However, the proceeds so generated shall not be allowed to be used for onward lending, investment in capital market /real estate or acquiring a company (or a part thereof) in Pakistan.

The intending borrowers may submit the proposal to Exchange Policy Department of the State Bank through their Authorized Dealers, seeking "in-principle" approval to issue the bonds/securitized instruments in international capital/debt markets, mentioning all the necessary information including key terms and waivers required, along with the draft documents. After obtaining in-principle approval, the borrower will submit the executed agreements to obtain formal approval.

vi) Types of Loans not covered above.

Any type of foreign loan which does not fall under any of the above mentioned categories may be referred to the State Bank for consideration.

Part-C

Foreign Currency Trade Financing from Abroad (FTFA)

8. Foreign Currency Trade Financing from Abroad

The term 'FTFA' refers to credits extended for imports/exports directly by the overseas suppliers/buyers, banks and financial institutions to finance letters of credit and other overseas contractual obligations.

i) Common terms and conditions of FTFA

(a) Eligible Borrowers.

The companies registered under Companies Act, 2017 and/or members of chambers of commerce, except financial intermediaries (such as banks, financial institutions, Development Finance Institutions, housing finance companies, non-banking finance companies, microfinance banks/institutions and Payment System Operators, Payment System Providers) are eligible to raise FTFA. Individuals, trusts, non-profit organizations and non-governmental organizations are not eligible to raise FTFA.

However, branches of foreign companies in Pakistan established under the permission of Board of Investment (BOI) and the subsidiaries of foreign companies incorporated in Pakistan will be eligible for FTFA subject to compliance of terms and conditions prescribed by the relevant authorities.

The long term credit rating of the aforementioned companies or their sponsors must not be lower than BB- issued by a recognized local/ international credit rating agency except in the case of intercompany loans.

(b) Eligible Lenders.

FTFA can be raised from reputable internationally recognized sources such as international & multilateral financial institutions, foreign banks. Further, FTFA may also be raised from suppliers/buyers and parent companies.

The eligible borrowers shall obtain funding only from the lending institutions/lenders, who comply with the international standards (Financial Action Task Force Guidelines) of 'Anti Money Laundering (AML)' & 'Combating Financing of Terrorism (CFT)'.

(c) Registration of FTFA.

Authorized Dealer will register all FCY loans under this Part, after ensuring that the terms and conditions of the underlying loan agreement comply with the relevant regulations of the category against which the loan is being registered. The responsibilities of Authorized Dealers, conditions precedent and list of minimum required documents to register loan have been laid down in Part F of this chapter.

(d) Waivers/Exceptions related to FTFA.

Any waiver/exception from the terms and condition mentioned in the policy will require prior approval of the Exchange Policy Department i.e. before execution of the facility documents

Categories of FTFA

ii) Import Loans under FTFA.

Eligible borrowers can obtain import loans under FTFA to finance import letters of credit and other overseas contractual obligations for transactions over USD 5 million having minimum maturity of two 2 years.

(a) Borrowing Cost Ceiling.

The borrowing cost ceiling includes spread over relevant benchmark rate, loan related insurance premium, and other loan related fees payable in foreign currency except the commitment fee, cost & expenses and fees payable in local currency.

The All-in-cost ceiling is given as under:

Maturity Period	Borrowing Cost Ceiling excluding relevant benchmark rate
Two (2) years to five (5) years.	350 basis points

The loan amount received under this category can be retained in the special foreign currency account opened under Para 9, Chapter 6 of Foreign Exchange Manual

iii) Export Loans under FTFA.

Eligible borrowers (exporters), who have firm commitments/contract with the overseas buyers for export of goods from Pakistan may obtain FTFA in convertible currencies from Eligible lenders to the extent of the value of firm commitment/contract to finance the export of goods from Pakistan. The maximum tenure of such loans will be the period generally fixed for repatriation of export proceeds plus a further period of sixty days. The exchange risk will be borne by the borrower.

(a) Borrowing Cost Ceiling.

The borrowing cost ceiling includes spread over relevant benchmark rate, loan related insurance premium and other loan related fees payable in foreign currency; except commitment fee, cost & expenses and fees payable in local currency.

The All-in-cost ceiling is given as under:

Maturity Period	Borrowing Cost Ceiling excluding relevant Benchmark rate
Up to 240 days	200 basis points

(b) Other Terms & Conditions.

- aa) In case an exporter utilizes this facility, he will not be eligible to obtain export finance in local currency from a bank in Pakistan and the facility under the 'Export Refinance Scheme' for the same export commitment.
- bb) The foreign currency amount of loan, upon receipt from abroad, will be converted into PKR with an Authorized Dealer in Pakistan and will not be retained in foreign currency account.
- cc) The foreign currency loan will be repaid, along with interest, out of the related export proceeds.
- dd) However, in case an exporter is unable to export goods against a firm contract/letter of credit against which a foreign currency loan was obtained or there is delay in realization of export proceeds, the exporter may repay the loan from the proceeds of other export consignment provided no such foreign currency loan has been obtained against the

substituted underlying contract/letter of credit. The exporter may also make the repayment of loan from exporter's foreign currency retention account.

Part-D

Financial Sector Borrowings from Abroad (FSBA)

9. Financial Sector Borrowings from Abroad

The term 'FSBA' refers to foreign currency borrowings from abroad by the eligible borrowers operating in the financial sector of Pakistan. The FSAs are only allowed in convertible currencies.

- i) Common terms and conditions of FSBA.

(a) Eligible Borrowers.

The FSAs can be raised from the eligible lenders by the banks, financial institutions, Development Finance Institutions, housing finance companies, non-banking finance companies, microfinance banks/institutions, Payment System Operators, Payment System Providers and the branches/ subsidiaries of foreign banks operating in Pakistan.

While the requests from the Authorized Dealers/banks working in Public Sector for raising FSAs will be dealt with at Exchange Policy Department of the State Bank, the

Economic Affairs Division, Government of Pakistan will deal with the requests received from all other Public Sector Enterprises (PSEs) operating in financial sector of Pakistan.

(b) Eligible Lenders.

FSBA can be raised from the international financial institutions, donor agencies, specialized banks/institutions and the overseas branches/ correspondents of the Authorized Dealers (banks) in Pakistan.

The eligible borrowers shall obtain funding only from the reputable international lending institutions/lenders, who comply with the international standards (Financial Action Task Force Guidelines) of 'Anti Money Laundering (AML)' & 'Combating Financing of Terrorism (CFT)'.

(c) Registration of FSBA.

Authorized Dealer will register all FCY loans, except overdraft facilities, under this Part, after ensuring that the terms and conditions of the underlying loan agreement comply with the relevant regulations of the category against which the loan is being registered. The responsibilities of Authorized Dealers, conditions precedent and list of minimum required documents to register loan has been laid down in Part F of this chapter

(d) Pre-Payment

The request for prepayment of FSBA will be evaluated by the State Bank on a case to case basis.

- ii) Credit Lines/Overdrafts established by Authorized Dealers with Correspondents/ Overseas Branches.

Authorized Dealers may obtain short-term loans and credit lines from their overseas branches and correspondents to meet liquidity shortage in domestic foreign exchange market or to meet their Nostro funding requirement. The maximum maturity of such loan/credit line will be seven (7) days.

(a) Borrowing Cost Ceiling.

The borrowing cost ceiling includes spread over relevant benchmark rate and other fees/ expenses payable in foreign currency.

The All-in-cost ceiling is given as under:

Maturity Period	Borrowing Cost Ceiling excluding relevant benchmark rate
Up to seven (7) days	100 basis points

(b) Other Terms & Conditions.

- aa) If such loans or overdrafts are required to be secured by collateral to be lodged in Pakistan or elsewhere, full details of the proposed arrangements should be furnished to the Exchange Policy Department of the State Bank for prior approval.
- bb) Interest on short-term loans and credit lines availed under this para may be remitted by Authorized Dealers without the prior approval of the State Bank.
- iii) FSBA by Authorized Dealers/Banks and Branches/Subsidiaries of Foreign Banks in Pakistan for Liquidity Management Purpose. The Purpose of FSBA by Authorized Dealers/Banks and the branches and subsidiaries of foreign banks shall be for liquidity management. The maturity of FSBA under this category shall be from one (01) month to one (1) year. However, the subject loan can be rolled over for a minimum period of one (01) month.

(a) Borrowing Cost Ceiling.

The borrowing cost ceiling includes spread over relevant benchmark rate, loan related insurance premium and other loan related fees payable in foreign currency except the commitment fee, cost & expenses and fees payable in local currency.

The All-in-cost ceiling is given as under:

Maturity Period	Borrowing Cost Ceiling excluding relevant benchmark rate
One (01) Month to One (01) Year	350 basis points

(b) Threshold.

Under this category of FSBA, the eligible borrower can borrow foreign currency up to 100% of its unimpaired capital, from an eligible lender, as per its latest audited financial statements subject to compliance of other applicable rules and regulations.

(c) Other Terms & Conditions.

- aa) The Authorized Dealers/banks and the branches of foreign banks in Pakistan are not allowed to offer any security/collateral/guarantee whatsoever to the lenders under FSBA, as the borrowing will be clean and based on balance sheet strength.
- bb) Borrowing Authorized Dealer/bank will be allowed to deploy the loan proceeds locally in interbank market including financing of trade transactions.
- iv) Long Term FSBA by Authorized Dealer.
In case, an eligible borrower under this category intends to borrow funds from abroad for a period longer than one year or for a purpose other than the liquidity management, the Authorized Dealer shall submit the request to the Director – Exchange Policy Department, State Bank of Pakistan, Karachi. Such requests shall be considered by the State Bank on their merit, on a case to case basis.
- v) FSBA by Micro Finance Banks/Institutions in Pakistan.
The purpose of FSBA by Micro Finance banks/institutions shall be the financing of their loan portfolio only. The minimum maturity of the loan will be two (2) years.
 - (a) Cost of Borrowing.**
The cost of borrowing will be negotiable which shall be competitive with the prevailing rate in local market. Micro Finance Banks/Institutions shall submit the local quotes of interest rate from local lending institutions, if cost of borrowing from international institutions is higher than LIBOR + 5%.
 - (b) Other Terms & Conditions.**
 - aa) The disbursed FCY funds will immediately be converted into PKR and credited to borrowing Micro Finance bank's/institution's PKR account maintained with the concerned Authorized Dealer in Pakistan. Under no circumstances, Micro Finance Banks/ Institutions will be allowed to retain such funds in foreign currency.
 - bb) Authorized Dealers may provide forward cover/hedging facility on the foreign currency loans to the Micro Finance Banks/Institutions in accordance with the prevailing foreign exchange regulations.
 - cc) Issuance of guarantees by sponsor/donors in favor of lenders is permitted under the loan registered with the Authorized Dealers for FSBA by Micro Finance Banks/Institutions in Pakistan.
- vi) FSBA by other Financial Institutions i.e. NBFIs, DFIs, PSOs, PSPs, Leasing Companies, House Building Finance Companies and Insurance Companies.
In case, any other financial institution not covered above, such as Non-Banking Financial Institutions working in Pakistan, deem it necessary to borrow from abroad, they will approach the Director – Exchange Policy Department (SBP) clearly specifying the purpose of borrowing, along

with all the supporting documents, for seeking prior permission before execution of facility documents.

State Bank will consider the request on its merit, on a case to case basis.

Part-E Guarantees

Definition.

For the purposes of Section 18(2) of the Act the guarantees on behalf of private sector will be governed under Prudential Regulations (R-7) 'Guarantees', in addition to specific clauses given below.

10. Guarantees on behalf of Residents of Pakistan in favor of Non-residents. Except in cases covered in paragraph 14, prior approval is required for giving any guarantee or undertaking or opening of a letter of credit/Standby Letter of Credit, the issuance/opening of which may involve payment to a non-resident either in foreign currency or Rupees. Applications seeking permission for giving guarantees related to FCY borrowing from abroad (except as may otherwise be allowed by the State Bank) or equity investment abroad will be forwarded to Director, Exchange Policy Department, State Bank of Pakistan. While, all other cases related to guarantee will be forwarded to Director, Foreign Exchange Operations Department, State Bank of Pakistan-Banking Services Corporation. These applications will be made by letter giving full particulars of the guarantee/SBLC or under-taking viz., the amount, the period and the purpose of the guarantee and the terms of payment in the event of the guarantee being invoked. These restrictions also apply to renewal of such guarantees, undertakings, letters of credit/Standby Letter of Credit etc. Such applications for renewal may be forwarded by the Authorized Dealers to the Director, Exchange Policy Department, State Bank of Pakistan/ Director, Foreign Exchange Operations Department, State Bank of Pakistan-Banking Services Corporation, stating the extent up to which the facilities covered by the guarantees were utilized during the previous twelve months or during the validity of the guarantees etc., if the period involved is less than 12 months.

In case the guarantee is invoked, the particulars of the case should be reported by the concerned Authorized Dealer to the State Bank/SBP BSC within a week.

However, restrictions imposed above shall not apply to the establishment of letters of credit or similar undertakings by the Authorized Dealers to finance imports into Pakistan in accordance with the provisions of Chapter-13.

11. Guarantees on behalf of Non-Residents in favor of Residents of Pakistan. Prior approval is required for giving guarantees or undertakings in favor of residents in Pakistan by or on behalf of non-residents or against overseas guarantees or collaterals lodged outside Pakistan. This restriction does not, however, apply to cases covered under paras 14 and 15 or where the guarantee is being extended by the Authorized Dealer on the basis of a back-to-back guarantee from its overseas branch or correspondent. Applications for this purpose should be made by Authorized Dealer to the Director, Foreign Exchange Operations Department, State Bank of Pakistan-Banking Services Corporation giving full particulars including the amount, the period and the purpose of the guarantee and the manner in which the Authorized Dealer will be reimbursed in the event of the guarantee is being implemented. Renewal of such guarantees

also requires the prior permission of the State Bank of Pakistan-Banking Services Corporation. While forwarding applications, Authorized Dealers should state the extent to which the facilities covered by the guarantee or undertaking etc. have been utilized during the previous 12 months or such shorter period for which the facilities remained available.

In case the guarantee is invoked, the particulars of the case should be reported by the concerned Authorized Dealer to SBP-BSC within a week.

However, restrictions imposed above shall not apply to advising of export letters of credit established by non-resident banks nor to negotiation of documents thereunder.

12. Performance/Bid Bond Guarantees. Authorized Dealers and those Insurance Companies which are being regulated by Securities & Exchange Commission of Pakistan for the above purpose, may issue Performance or Bid Bond Guarantees on behalf of exporters, members of recognized Consultancy/Construction Associations and Companies approved by Pakistan Engineering Council (PEC) in Pakistan subject to the following conditions:

- i) Tenders specifically call for furnishing of such guarantees.
- ii) The beneficiary abroad is a foreign Government or a Government sponsored Organization or a private company or a firm.
- iii) The tenderer is a bonafide exporter or a manufacturer of commodity which is specified in the tender and there is no restriction on its export from Pakistan.
- iv) In case of Consultancy/Construction firms and Engineering firms recognized by Pakistan Engineering Council, the organization issuing the performance or bid bond must satisfy itself that the tenderer is a bonafide Consultancy/Engineering firm, having the requisite financial and technical resources and there are reasonable prospects of their being able to successfully execute the contract. Companies with poor track record will not be eligible.

13. Remittances under Guarantees or Performance Bonds and their Reporting to the State Bank. Authorized Dealers may effect remittances against the Performance Guarantees or bonds issued by them or by the Pakistan Insurance Corporation or National Insurance Company Limited or those Insurance Companies - which are being regulated by Securities & Exchange Commission of Pakistan only if remittances become necessary for the implementation of such Performance Guarantees or bonds. In those cases, Authorized Dealers should minutely scrutinize the terms of Para 12 and satisfy themselves that the amount has become payable to the beneficiaries due to the default of the party in Pakistan. While reporting remittances made against such Performance Guarantees/Bonds to the concerned area office of Foreign Exchange Operations Department, State Bank of Pakistan-Banking Services Corporation in their monthly foreign exchange returns, the Authorized Dealers will bunch Forms 'M' with the documents given below along with the covering statement in duplicate as per Form (Appendix V- 94):

- i) Copy of the Guarantee or Performance Bond.
- ii) Copy of the claim received by the foreign bank from the concerned Government or the Government institutions or a private company or a firm demanding such payment.

- iii) Copy of correspondence, if any, exchanged between the foreign bank and foreign government or Government Institution or a private company or a firm.
- iv) Copy of correspondence exchanged by the firm in Pakistan on whose behalf Guarantee/ Bond was issued with the concerned foreign Government or Government Institution or a private company or a firm about invoking of the Guarantee/ Bond by the latter.

14. Guarantees which may be given without prior approval of the State Bank. The restrictions in paragraphs 10 and 11 do not apply to guarantees given by Authorized Dealers in favor of non-residents on behalf of their customers in the ordinary course of their business in respect of missing documents, authentication of signatures, release of goods on Trust Receipts and defects in documents negotiated by them under letters of credit etc.

15. Guarantees and Collaterals in favor of Overseas Bank Branches and Correspondents. Authorized Dealers shall not, without the prior approval of the State Bank, furnish guarantees to the overseas bank branches or correspondents or hold collaterals on their behalf in respect for any credit facilities, guarantees the latter may give or for any other purpose. All applications for this purpose should be made to Director, Exchange Policy Department, State Bank of Pakistan by letter giving full details of the guarantees or collaterals, as the case may be, and that of underlying transaction in cover of which guarantee is proposed to be given or collaterals deposited.

16. Guarantees in favor of Government Departments/Ministries/Public Sector Entities (PSEs). Authorized Dealers may issue foreign currency guarantees on behalf of residents and non-residents in favor of Government departments/ministries and PSEs, subject to the compliance of Prudential Regulations and other regulations issued by the State Bank.

In case the guarantee in foreign currency is invoked, the amount will be paid in equivalent Pak Rupees to the concerned Government department/ministry/PSE.

17. Renewal of Loans and Overdrafts. In cases where the extension/issuance of loans, overdrafts or guarantees requires the prior approval of the State Bank/SBP-Banking Services Corporation, the renewal of such loans, overdrafts or guarantees shall also require their prior approval.

Part-F

Minimum Requirements for Loan Registration

18. Procedure to Register the Loan.

- i) Responsibilities of Authorized Dealers.
 - a) Authorized Dealers will maintain a centralized loan database of outstanding FCY loans.
 - b) Authorized Dealers will ensure the compliance of KYC/AML/CFT guidelines issued by the State Bank from time to time.
 - c) It will be the responsibility of Authorized Dealers to maintain the record of beneficial owners/directors of the borrowers and lenders.
 - d) Authorized Dealers will be responsible to register the loan before executing any transaction for their clients.
 - e) Authorized Dealers are allowed to effect all the loan related remittances such as principal, interest and other fees, as per re-

payment schedule, after registering the loan except PSBA for project financing and FTFA for import loans. However, remittances of principal, interest and other fees against PSBA for project financing and FTFA for import loans, are allowed only after registration of repayment schedule with the State Bank.

- f) While registering the loan, Authorized Dealers, will ensure that the underlying loan agreement is compliant with all the terms and conditions mentioned in the relevant category. Further, Authorized Dealer will maintain all the category-wise documents as mentioned below at all times.
 - g) Authorized Dealer shall ensure to have independent assessment of each FCY loan proposal/transaction from money laundering/terrorism financing risk and foreign exchange risk perspective by their Compliance or Risk Management department prior to registration of the loan agreement. For this purpose, Authorized Dealer shall also conduct appropriate due diligence of the proposal including particulars of lender and shall determine the ultimate beneficial ownership, in case it is not Financial Institution/International Financial Institution. Further, Authorized Dealers shall conduct annual focused Internal Audit of FCY Loan Registration function.
- ii) PSBA for Project Financing.
- Documentation Requirement.**
 - a) Original loan/credit agreement.
 - b) A list of the company's Directors along with their National identity numbers/ passport number and certified true copies of the same.
 - c) Beneficial ownership of the borrower.
 - d) Project report showing the details of the project including its cost (showing breakup of local and foreign component).
 - e) Location of the project & a copy of Certificate of Incorporation of the company.
 - f) In the case of Buyer's Credit arranged by the foreign supplier, authenticated copy of the purchase contract.
 - g) For intercompany loans, documentary evidence of the relationship between the companies.
 - h) For exporter, documentary evidence and data of last year's exports.
 - Other conditions.**
 - i) In case of Supplier Credit/ Buyer Credit arranged by the foreign supplier, the remittance of down payment will be made by the Authorized Dealers to the extent provided in the agreement, after registering the loan
 - j) The interim payments during the gap between loan registration and repayment schedule registration, Authorized Dealer will approach Exchange Policy Department, State Bank of Pakistan for the permission to remit principal repayments and interest payments. However, for all loan related fees/expenses,

Authorized Dealer will approach Foreign Exchange Operations Department, SBP-Banking Services Corporation for obtaining prior permission to effect the remittance, accordingly.

- k) The Authorized Dealer will furnish the following documents to Exchange Policy Department, State Bank of Pakistan, Karachi for Repayment Schedule (V-87) registration:
 - aa) In case of direct disbursement, Authorized Dealer shall submit Proceed Realization Certificates.
 - bb) In case of import of plant & machinery, Authorized Dealer shall submit Exchange Entitlement Certificates issued by Foreign Exchange Operations Department, SBP-Banking Services Corporation.
 - cc) In case of import of services, Authorized Dealer shall submit External Auditor's Certificate confirming the amount of PSBA utilized for the subject payments along with the original agreement and invoices.
 - l) Once the liability to the foreign lender is established through aforementioned documents, the repayment schedule as per Form 'V-87' will be submitted to Exchange Policy Department, State Bank of Pakistan, Karachi in quadruplicate through the Authorized Dealer. Further, the aforementioned repayment schedule shall be submitted within One (01) month of completion of loan disbursement/ project (whichever is earlier).
 - m) After that, the Authorized Dealer will affect the remittance of principal, interest and other fees and shall maintain a copy of the repayment schedule, a certificate confirming the applicable benchmark rate, a certificate confirming payment and copy of schedule of applicable Taxes attached with the Form 'M' indicating LRN.
- iii) PSBA for Working Capital/ Bridge Financing.
- Documentation Requirement.**
 - a) The original loan/credit agreement.
 - b) A list of the company's Directors along with their National identity numbers/ passport number and certified true copies of the same.
 - c) Beneficial ownership of the borrower.
 - d) An authenticated copy of the final repayment schedule (as per Appendix V-92).
 - Other conditions.**
 - e) On complete disbursement of foreign currency loan, as per the underlying loan agreement, the Authorized Dealer will maintain the Proceeds Realization Certificates (PRC)/Certificate of Deposit in original.
 - f) The Authorized Dealer can affect the remittance of principal, interest and other fees, once the loan is registered. A copy of the Proceeds Realization Certificate (PRC), a certificate confirming the applicable benchmark rate and a certificate confirming payment of applicable taxes will be attached with the Form 'M'

- indicating LRN as remittance authority shall be maintained with Authorized Dealer at all times.
- iv) PSBA for Securitized Instruments/Bonds & Financing under Islamic Arrangement.
- **Documentation Requirement.**
- a) Request from the issuer along with the related prospectus of the issue.
- b) Beneficial ownership of the borrower.
- c) Industry analysis, yield curves and ratings of other bonds/Term Finance Certificates issued by the industry.
- d) Rating of the issuer and the instrument by the recognized local or international rating agency.
- e) Details of utilizations of the proceeds.
- f) Repayment mechanism and obligations.
- g) In case of Islamic financing/securitized instruments, the details of underlying asset (s).
- h) Shariah compliance certificate in case of Sukuk issuance.
- v) Financial Sector Borrowings from Abroad (FSBA).
- **Documentation Requirement.**
- a) The original loan/credit agreement/swift message.
- b) A copy of the final expected repayment schedule.
- **Other Conditions.**
- c) The Authorized Dealer will report the transaction on Appendix V-93 till maturity of the loan.
- d) After registration of loan, Authorized Dealer can remit principal repayments and interest payments.
- vi) Credit Lines/Overdrafts established by Authorized Dealers with Correspondents/ Overseas Branches.
- **Documentation Requirement.**
- a) The original loan/credit agreement.
- **Other Conditions.**
- b) Authorized Dealer will subsequently report the transaction to the Statistics & Data Warehouse Department of the State Bank.
- vii) FSAs to be raised by Micro Finance Banks/Institutions in Pakistan.
- **Documentation requirements**
- a) Request letter duly signed by the CEO/CFO of the borrowing bank/ institution.
- b) Original loan/credit agreement.
- c) A copy of the final repayment schedule on Appendix V-92.
- d) An undertaking by the borrower bank/institution that the loan agreement is compliant with the provisions of legal and regulatory framework applicable to the lender and the borrower.
- **Other Conditions.**
- e) Upon complete disbursement of foreign currency loan in accordance with the underlying loan agreement, the Authorized

Dealer will keep the Proceeds Realization Certificates, in original, on its record.

- f) The Authorized Dealer can remit principal and interest, once the loan is registered. A copy of the Proceeds Realization Certificate, a certificate confirming the applicable benchmark rate and a certificate confirming payment of applicable taxes will be attached with the Form 'M' indicating LRN, as remittance authority shall be maintained with Authorized Dealer at all times.
- viii) Long Term FSBAs to be raised by the Authorized Dealers.
 - Documentation Requirement.**
 - a) Request letter duly signed by the President/CEO of the applicant institution.
 - b) Purpose and rationale for raising such loans.
 - c) Details of utilizations of the proceeds.
 - d) Repayment schedule and mechanism.
 - e) Details of the collaterals or other securities offered.
- ix) FSBAs to be raised by other Financial Institutions i.e. NBFIs, Leasing Companies, House Building Finance Companies & Insurance Companies.
 - Documentation Requirements.**
 - a) Request letter duly signed by the President/CEO of the applicant institution.
 - b) Purpose and rationale for raising such loans.
 - c) Details of utilization of the proceeds.
 - d) Repayment schedule and mechanism.
 - e) Details of the collaterals or other securities offered.
- x) Import Loan under FTFA.
 - Documentation Requirements.**
 - a) Request letter duly signed by the importer.
 - b) A list of the company's Directors along with their National identity numbers/ passport number and certified true copies of the same.
 - c) Beneficial ownership of the borrower.
 - d) Loan Agreement, in original,
 - e) Detail of Goods to be imported, under the subject agreement, along with the timelines involved therein.
 - f) In case of Buyer's credit, the Purchase Contract, in original.
 - Other Conditions.**
 - g) The interim payments during the gap between obtaining loan registration number and repayment schedule registration, Authorized Dealer will approach Exchange Policy Department, State Bank of Pakistan, Karachi to get permission to remit principal repayments and interest payments.
 - h) Once the liability to the foreign lender/supplier of plant and machinery etc. is established through Exchange Entitlement Certificates (EEC), the repayment schedule as per Appendix V-87 will be submitted to Exchange Policy Department, State Bank

of Pakistan, Karachi in quadruplicate through the same Authorized Dealer.

- i) The Authorized Dealer will subsequently remit the principal, interest and other fees, if required. A copy of the repayment schedule, a certificate confirming the applicable benchmark rate, a certificate confirming payment and copy of repayment schedule of applicable taxes will be attached with the Form 'M' indicating LRN, as remittance authority shall be maintained with Authorized Dealer at all times..
- xi) Export Loans under FTFA.
 - Documentation Requirements.**
 - a) Request letter duly signed by the exporter.
 - b) A list of the company's Directors along with their National identity numbers/ passport number and certified true copies of the same.
 - c) Beneficial ownership of the borrower.
 - d) Loan Agreement in original.
 - e) Copy of the relevant Letter of Credit.
 - f) A copy of the final repayment schedule (Appendix V-92).
 - Other Conditions.**
 - g) Upon complete disbursement of foreign currency loan in accordance with the underlying loan agreement, the Authorized Dealer will keep the Proceeds Realization Certificates (PRC) in original, on its record.
 - h) The Authorized Dealer will remit the principal and interest, once the loan is registered. A copy of the Proceeds Realization Certificate, a certificate confirming the applicable benchmark rate and a certificate confirming payment of applicable taxes, will be attached with the Form 'M' indicating LRN, as remittance authority shall be maintained with Authorized Dealer at all times.
- xii) Guarantees.
 - Documentation Requirements.**
 - a) Authorized Dealer's letter containing full details / comments / recommendations.
 - b) Applicant's request.
 - c) A list of the company's Directors along with their National identity numbers/ passport number and certified true copies of the same.
 - d) Format of Bank Guarantee.
 - e) Copy of Agreement.
 - f) Copy of purchase order/contract, in case of advance payment guarantee.
 - g) Details of claims received against guarantee at the time of request for renewal of Bank guarantee, if any.
- xiii) Any other documents/information.

In addition to the documents mentioned above, the State Bank may ask for any other document/ information, as and when deemed necessary.

Part-G Reporting Mechanism

19. Reporting Requirements.

- i. For reporting foreign private loans (FPL) data on DAP, all Authorized Dealers will be responsible to ensure that the Loan Registration Number (LRN) is obtained from Statistics & Data Warehouse Department (S&DWH) by 5th of the following month by providing information along with repayment schedule as per formats given at Appendix V-146. The subject data will be reported on FCY loans portal of Statistics & Data Warehouse Department, State Bank of Pakistan with proper purpose codes assigned by the same department.
- ii. Authorized Dealers will ensure that repayment schedules of all FCY loans are updated on the FCY loans portal at all times after obtaining the registration number.

20. Subsequent Amendments (if any) in the underlying Loan Agreement. Authorized Dealers will ensure that any subsequent changes/amendments in the terms and conditions of the underlying Loan Agreement should comply with the relevant regulations of the category against which the loan was registered. The Authorized Dealers will also maintain record of all such changes/amendments.

21. Regulatory Action on account of Non-Compliance of Rules and Regulations. In case of non-compliance of rules and regulations and non-submission/late submission of any of the above mentioned returns/ reports, regulatory action shall be taken against concerned Authorized Dealer under the provisions of the Foreign Exchange Regulation Act, 1947.

CHAPTER 20
SECURITIES

1.	Definitions.	792
2.	Import of Securities.	792
3.	Export of Foreign Securities.	792
4.	Export of Pakistani Securities.	792
5.	Transfer of Securities to Non-Residents.	793
6.	General Exemption.	793
7.	Procedure for issue of Shares.	794
8.	Issue of Securities and NIT Units to Persons Resident outside Pakistan on non-repatriation basis and its transfer on the same basis.	798
9.	(A) Trading of Quoted Shares by Non-Residents.	799
	(B) Trading of Pakistan Investment Bonds, Treasury Bills, Registered Corporate Debt Instruments and WAPDA's Registered Bonds listed with Stock Exchanges in the Secondary Market.	801
10.	Special Instructions regarding shares transferred under Central Depository System (CDS) of Central Depository Companies (CDC).	801
11.	Investment by branches of Foreign Banks and Foreign Controlled Investment Banks.	802
12.	Transfers between Registers etc.	803
13.	Investment Abroad by Residents.	803
14.	Investment Abroad by Locally Established Mutual Funds.	804
15.	Registration of Foreign Securities.	805
16.	Under-writing of shares, term certificates and Modaraba certificates by foreign banks.	805

CHAPTER 20 SECURITIES

1. Definitions. Section 2 of the Act defines "security" as shares, stocks, bonds, debentures, debenture stock and Government securities as defined in the Securities Act, 1920, deposit receipts in respect of deposit of securities and units or sub-units of unit trusts but does not include bills of exchange or promissory notes other than Government promissory notes. A "foreign security" is defined as a security issued elsewhere than in Pakistan and any security the principal of or interest on which is payable in any foreign currency or elsewhere than in Pakistan. For the purpose of Section 13 of the Act, the term "security" also includes coupons or warrants representing dividends or interest and life or endowment insurance policies.

For the purposes of Section 13 of the Act, the term "a person resident outside Pakistan" covers a foreign national including a foreign national of Indo-Pakistan origin as also a Pakistani holding dual nationality for the time being resident in Pakistan and a company registered in Pakistan which is controlled directly or indirectly by a person resident outside Pakistan. In this connection a reference is also invited to para 2 of Chapter- 19.

2. Import of Securities. There are no restrictions under the Act on import into Pakistan of any securities whether Pakistani or foreign.

3. Export of Foreign Securities. A Pakistan national resident in Pakistan who is, or becomes owner of foreign securities is permitted to hold or retain such securities provided he has acquired them in a manner not involving a breach or violation of the Foreign Exchange regulations. In terms of clause (a) of sub-section 1 of Section 13 of the Act, the taking or sending of any securities to any place outside Pakistan except with the general or special permission of the State Bank, is prohibited. Persons in Pakistan who are holders of foreign securities and who wish to send such securities to banks, brokers or agents abroad for purpose of sale, transfer, etc., should apply to the State Bank through an Authorized Dealer for necessary export licence.

Permission for export of such securities will be granted provided the securities are sent through an Authorized Dealer who should give an undertaking that the securities will be received back in Pakistan within a specified period or in the case of sale, the sale proceeds in foreign currency will be repatriated to Pakistan. State Bank may also consider applications for exchange of foreign shares and/or securities held by residents of Pakistan with Pakistan shares and/or securities held by residents abroad. Applications for this purpose should be made to the State Bank through an Authorized Dealer or stock and share broker.

4. Export of Pakistani Securities. Pakistan Nationals as also "persons resident outside Pakistan" holding Pakistani securities desirous of sending or taking out the Pakistani securities not covered under the succeeding paragraphs 6 & 7 are required to obtain prior permission of the State Bank. Application for the purpose should be made to the State Bank through an Authorized Dealer.

5. Transfer of Securities to Non-Residents. In terms of clause (b) of sub-section 1 of Section 13 of the Act, transfer of any security or creation or transfer of any interest in a security to, or in favour of "a person resident outside Pakistan" is prohibited except with the general or special permission of the State Bank. The above prohibition applies to transfer of (i) all Pakistani securities (i.e. securities expressed to be payable in Pakistan currency or registered in Pakistan) whether held by persons resident in or outside Pakistan and (ii) all foreign securities held by Pakistan nationals. Pledging or hypothecation of securities to or in favour of non-residents e.g., as collateral or security for credit facilities abroad, (see Chapter 19) or utilizing them for forming trusts or settlements of which a non-resident is the beneficiary is also prohibited under Section 13 of the Act. In the case of securities registered in Pakistan, the companies concerned must obtain permission of the State Bank before registering its transfer in the name of "persons resident outside Pakistan". In terms of Section 13 of the Act, Authorized Dealers are required to obtain permission of the State Bank before purchasing shares or securities registered in Pakistan on behalf of "persons resident outside Pakistan".

6. General Exemption. The State Bank has granted general exemption from the provision of section 13(1) of the Act in connection with the issue, transfer and export of securities on repatriation basis as mentioned in sub para (B) to those non residents who are covered by sub para (A) provided:

- i) The issue price or purchase price as applicable, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan, except in case of issue of bonus shares and transfer of shares and units as stated in sub-paragraph B (v).
 - ii) The purchase price (whether negotiated privately or otherwise) is not less than the price quoted on the stock exchange(s) of the country, in the case of listed securities, and the break up value of shares, as certified by a practicing Chartered Accountant, in the case of unlisted securities or net asset value in case of units of funds.
- (A) (I) A Pakistan national resident outside Pakistan.
 (II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan.
 (III) A foreign national, whether living in or outside Pakistan.
 (IV) ¹[A company or firm (including a partnership) or trust or mutual fund or private fund or **real estate investment trust (REIT) fund** incorporated, registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government.]
- (B) The above exemption applies in the following cases: -
 (I) Issue of shares including Modaraba Certificates/Trust and Fund Units out of new public offers, irrespective of the nature of business of the company.

¹ Replaced by the EPD Circular Letter No. 07 dated March 24, 2023.

- (II) Transfer of shares and units of funds quoted on Stock Exchange(s) of the country, irrespective of the nature of business of the company.
- (III) Private placement of any class or kind of new/initial shares with foreign investors by a public or private limited company.
 - (a) [Omitted]
 - (b) [Omitted]
- (IIIA) ¹[Private placement for issuance of new units of private funds established and operated by Private Fund Management Company licensed by SECP to provide private equity, venture capital fund management services; and REIT Funds established and operated by REIT Management Company licensed by SECP.]
- (IIIB) Issue of units of mutual funds registered as Open End Schemes (OES) under management of Asset Management Companies (AMCs) licensed by SECP to provide asset management services.
- (IV) ¹[Transfer of shares/units of companies/funds covered by sub para (III), (IIIA) and (IIIB), under offer for sale or any other arrangement.]
- (V) Transfer of Pakistani securities held by a "person resident outside Pakistan" on repatriable basis to other eligible 'persons resident outside Pakistan' on the same basis against payment outside Pakistan provided a certificate to this effect is given by the transferee to the company concerned.
- (VI) ¹[Issue of rights shares and bonus shares and issuance of additional units as right or bonus and/or reinvestment of dividends in all those cases where shares/units are held on repatriable basis by 'persons resident outside Pakistan' in accordance with the general or special permission of the State Bank.]
- (VII) Issue of Government securities.
- (VIII) Issue/transfer of rupee denominated corporate debt instruments viz. Participation Term Certificates/Term Finance Certificates etc. and Registered WAPDA Bonds as permitted under the relevant SRO governing issue and sale of such bonds.
- (IX) [Omitted]
- (C) Companies issuing shares to a 'person resident outside Pakistan/registering transfer of shares in favour of such persons, in accordance with the exemptions provided in sub paragraphs (A) and (B) and the buyers and the sellers of the shares so issued or transferred are exempted from the operation of restrictions contained in Section 18(1) of the Foreign Exchange Regulation Act, 1947.

7. Procedure for issue of Shares.

- ¹[(i) Companies issuing shares or REIT Funds issuing units, out of new public offers, on repatriable basis, as permitted under sub para (B) (I) of preceding paragraph 6, may open foreign currency collection accounts with banks abroad or in Pakistan for receiving the subscription in foreign currency. They may also allow refunds from these accounts to

¹ Replaced by the EPD Circular Letter No. 07 dated March 24, 2023.

unsuccessful applicants. The amount subscribed by the successful applicants should be repatriated to Pakistan and foreign currency accounts closed within a week of allotment of shares/units. Proceeds Realization Certificate in evidence of subscription money having been repatriated to Pakistan shall be obtained by the company from the concerned Authorized Dealer for submission in original to the designated Authorized Dealer with the form prescribed at Appendix V- 95.]

- (ii) In the case of remittance of subscription money directly to Pakistan and its payment to the company's rupee account, shares may be issued for the rupee equivalent paid by the concerned Authorized Dealer as shown in the Proceeds Realization Certificate (s).
- ¹[(ii) In the case of remittance of subscription money directly to Pakistan and its payment to the fund's rupee account (opened in the name of trustee), private funds/**REIT funds** may issue units, in terms of paragraph 6(B)(IIIA), for the rupee equivalent paid by the concerned Authorized Dealer as shown in the Proceeds Realization Certificate (s).]
- (iii) In case shares are to be issued to non-resident sponsors against the value of plant and machinery supplied by them, an application should be submitted, through an Authorized Dealer, to the area office of the Foreign Exchange Operations Department for issue of an Exchange Entitlement Certificate along with the relative import documents viz. original invoices, original bills of entry, copies of bills of lading or airway bills and import permit/import authorization from Trade Development Authority of Pakistan, if applicable. The Exchange Entitlement Certificate will be issued by the area office of Foreign Exchange Operations Department at the average of interbank buying and selling rates on the dates of filing of bills of entry with the Customs. Once the Exchange Entitlement Certificate has been issued by the area office of Foreign Exchange Operations Department, the company may issue the shares upto the value mentioned in the Certificate to the non-resident sponsors.
- (iv) In case the non-resident sponsors want to pay their contribution to the equity in foreign currency and such payments are retained in a foreign currency account opened with an Authorized Dealer in Pakistan, in terms of paragraph 9 (ii) of Chapter 6 of this Manual, the Authorized Dealer concerned will issue a Certificate of Deposit (COD) showing date-wise deposit of equity in the account and its buying exchange rate for the respective currency prevailing on the date on which the amount is credited to the company's foreign currency account. The company may issue shares after receipt of money in its account for the equivalent Rupee amount at the exchange rate shown in the Certificate.
- (v) At the request of the company, the State Bank shall authorize an Authorized Dealer for the purpose of remittance of dividend to non-resident shareholders/unitholders as per procedure outlined in para 16, Chapter 14 of the Manual.

- (vi) The shares/units issued/transferred to non resident shareholders/unitholder shall be intimated by the company to the designated Authorized Dealer within 60 days of issue/transfer on the form prescribed in Appendix V- 95 or Appendix V- 96, as the case may be, for onward registration with State Bank of Pakistan, alongwith the following documents and other legal documents viz. Memorandum and Articles of Association, Certificate of Incorporation/Registration etc., if not already submitted:-
- ¹[a) In case of issue of ordinary shares **including Modaraba Certificates/Trust and Fund Units** out of public offers under paragraph 6 (B) (I) Bank's Proceeds Realization Certificate (PRCs) in original with copy of the consent/permission of the Securities & Exchange Commission of Pakistan (SECP).]
 - b) In case of issue of ordinary shares through private placement against equity repatriated to Pakistan under paragraph 6 (B) (III) PRCs in original.
 - bb) In case of issue of units of funds under paragraph 6(B)(IIIA), PRC in original.
 - c) ²[Omitted]
 - ¹[d) In case of issue of rights shares **or units of REIT funds through right** under paragraph 6 (B) (VI) PRCs in original with copy of Board's Resolution.]
 - e) In case of issue of bonus shares/units under paragraph 6 (B) (VI) Appendix V- 96, a copy of Board's Resolution, Auditor's certificate to the effect that issuance of bonus shares/units is in accordance with the existing applicable laws and the audited accounts for the respective year.
 - f) In case of issue of ordinary shares against equity contributed in the shape of plant and machinery under paragraph 7 (iii) Exchange Entitlement Certificate issued by the area office of Foreign Exchange Operations Department in original.
 - g) In case of issue of ordinary shares under paragraph 7 (iv) against equity deposited in a foreign currency account for import of plant & machinery, certificate of deposit, issued by Account maintaining bank, in original.
 - ¹[h) In case of transfer of listed shares **and units of funds** under paragraph 6 (B) (II) Stock Broker's Memo and PRCs in respect of the cost of shares/units and transfer stamp money, both in original. Where the sale of shares/units is negotiated privately, documents establishing the deal and the price of the share/unit on Stock Exchange on the date of deal, should be furnished.]
 - ¹[i) In case of transfer of shares/ **units** of un-listed companies/ **funds** under paragraph 6 (B) (IV) Auditor's certificate for break-

1 Replaced by the EPD Circular Letter No. 07 dated March 24, 2023.

2 EPD Circular Letter No. 06 dated February 24, 2017.

- up value or net asset value in original, a copy of the audited accounts of the respective year, documentary evidence of the agreed sale price and original PRCs in respect of cost of shares/units and transfer stamp money (if applicable).]
- j) In case of transfer of shares/units from one non-resident to another non-resident against payment outside Pakistan under paragraph 6 (B) (V), certificate from the transferee and PRCs for transfer stamp duty both in original.
 - k) In case of issue of Government Securities, issue/transfer of debt instruments under paragraph 6 (B) (VII) and (VIII), PRCs in original with copies of related documents.
 - I) ¹Further, in order to enhance due diligence with respect to export of securities to non -resident investors, Authorized Dealers are required to submit the following documents/information with regard to non-resident investors (where applicable) in addition to the above requirements:
 - i. Formal Share Purchase Agreement or equivalent between the Investor & Investee.
 - ii. Business profile containing ownership, organization/group, locations, markets and products.
 - iii. Promoters'/ Directors' names, addresses, national ID/passport numbers & country of domicile.
 - iv. Certificate of Incorporation or equivalent issued/acknowledged by the relevant Authority.
 - v. Memorandum & Articles of Association or equivalent registered with the relevant Authority.
 - vi. Annual Audited Financial Statements with Auditors' report & notes thereon for the last year.
 - vii. Pattern of Shareholders (name, national identity number & shares held) or equivalent.
 - viii. Related Party details including beneficial ownership (as defined by the SECP) with aforementioned documents, if any.
 Authorized Dealers shall maintain centralized record/data of all such cases as well as securities of non-residents already registered on the aforementioned parameters along with the details of Investment/ Dividend repatriated and update the same for On-site inspection /Off-site monitoring by SBP.
 - (vii) ¹Subject to observance of the procedure outlined above, the companies issuing/registering transfer of shares/units in favour of non-residents on repatriation basis, may export the share/unit certificates through the designated Authorized Dealer to the shareholders/unitholder. The designated Authorized Dealer shall also allow remittances in respect of the following:-

¹ EPD Circular No. 05 dated October 26, 2020.

- (I) Dividend, net of applicable taxes, as permitted under Chapter 14.
- (II) Disinvestment proceeds, less brokerage / commission and taxes, as under:
 - A. For disinvestment proceeds not exceeding the market value (in case of listed securities)/ break-up value (in case of unlisted securities)/ net asset value (in case of units), the designated Authorized Dealer shall allow the remittance on submission and review of:
 - a) Name and address of the non-resident shareholder/ unitholder.
 - b) Name and address of the company/fund whose shares/units were sold by the non-resident beneficiary, indicating whether it is a listed or unlisted/private limited company or fund and is covered under para 6 ibid. (This requirement may be waived by the Authorized Dealer in case of quoted shares).
 - c) Name, address and residential status of the buyer of the shares/units in question.
 - d) Copy of broker's memo in case of quoted shares/break-up value certificate of a QCR rated practicing Chartered Accountant in case of unlisted shares/copy of latest quarterly net asset value audited by category A auditor from amongst SBP panel of auditors in case of units.
 - e) Attested copy of executed Share/unit Purchase Agreement (enforceable at law) between resident buyer and non-resident seller, showing rupee value of shares/units purchased.
 - f) Attested copy of latest audited financials of the company/fund whose shares/units were being sold.
 - g) Duly filled/ signed M-Form for the rupee value of the remittance in favor of non-resident.
 - h) An undertaking from the buyer that the transaction is not between related parties. In case the transaction is between related parties, an undertaking that the same has been concluded at an arms-length basis.
 - i) Authorized Dealer will ensure due diligence of the transaction/ buyer from AML/ CFT perspective.
 - B. For disinvestment proceeds exceeding the market value (in case of listed securities)/ break-up value (in case of unlisted securities)/net asset value (in case of units), the designated Authorized Dealer shall allow the remittance after satisfying itself about the genuineness of the transaction by reviewing the following additional documents:

- a) Detailed justifications/ rationale/ basis of setting the transaction price per share, from the buyer, in original.
- b) Attested copy of detailed valuation/ transaction due diligence by the buyer showing basis, methodology and key valuation metrics used for valuation of shares/units as per generally accepted best practices for valuation of shares./units
- c) In case the total remittance of disinvestment proceeds exceeds US Dollar 50 million (or equivalent in other currencies) during a span of six months, the applicant, in addition to above information/ documents, shall also submit an independent/ third party review of the buyer's valuation, from QCR rated practicing chartered accountant as per the latest generally accepted valuation techniques/ methods for a particular type of industry in which resident company/fund is operating. The review report should at least provide view on the appropriateness of the basis and methodology used in the valuation/ transaction due diligence. Further, the review report should also include local/ global comparable transactions and/or trading multiples of comparable publicly traded companies and key valuation metric(s) comparisons, if available.

¹[C. For disinvestment proceeds due to maturity of units of fund **or revocation of REIT fund**, issued in terms of Para 6(B)(IIIA) above, the designated Authorized Dealer shall allow the remittance on submission and review of:

- a) Winding-up report duly verified by external auditor and trustee of fund **or in case of REIT fund revocation report by the trustee duly verified by the external auditor.**
- b) Unitholders investment statement
- c) Distributions statement (including principal repayment)

(viii) ²[Authorized Dealers are required to submit electronically, statement showing shares registered and held by 'persons/ entities resident outside Pakistan and statement showing issue and export of bonus shares to non-resident shareholders to the Statistics & Data Warehouse Department of the State Bank on format Appendix V- 95A & 96A at fca.stat@sbp.org.pk by 5th of the following month. Further, the designated Authorized Dealer shall maintain complete record of the shares held by non residents including proof of original investment in foreign exchange and other documents detailed above and shall produce the same for audit by the Inspection Team of the State Bank. No record shall be destroyed unless the same has been audited by the State Bank's inspectors.

1 Replaced by the EPD Circular Letter No. 07 dated March 24, 2023.

2 EPD Circular Letter No. 14 dated December 07, 2016.

8. Issue of Securities and NIT Units to Persons Resident outside Pakistan on non-repatriation basis and its transfer on the same basis.

- (i) It is permissible to issue Pakistani Securities of all types, in favour of persons resident outside Pakistan, on non-repatriation basis, if payment is made either in foreign exchange or in Pakistan rupees provided the securities are registered at the Pakistan address of the purchaser and a clear undertaking is furnished by him that no repatriation of capital and profits/dividends accruing thereon will be claimed at any stage.
- (ii) Such securities may also be transferred to a person, whether resident in or outside Pakistan, on the same basis, provided the securities are registered at the Pakistan address of the purchaser and a clear undertaking is given by him that no repatriation of capital and profit/dividend accruing thereon will be claimed at any stage.
- (iii) A person resident outside Pakistan holding shares on non-repatriation basis may also be issued bonus/right shares as per his entitlement, on the basis of non-repatriation of capital and dividend.

9. (A) Trading of Quoted Shares by Non-Residents.

- (i) Non-residents are allowed to trade freely in the shares and units of funds quoted on the Stock Exchange(s) in Pakistan. For this purpose the non-residents will be required to open "Special Convertible Rupee Account" (SCRA) with any Authorized Dealer in Pakistan. Such accounts can be fed by remittances from abroad or by transfer from a foreign currency account maintained by the non-resident investor in Pakistan. The balance available therein can be used for purchase of any share or unit of fund quoted on the Stock Exchange(s) of Pakistan. Payment for such purchases may be debited to the account on production of stock broker's memo showing sale of shares or units of fund to the account holder and disinvestments proceeds may be credited, provided evidence of the sale price in the shape of stock broker's memo is produced. The fund available in such special accounts can be transferred outside Pakistan or credited to a foreign currency account maintained in Pakistan at any time without prior approval of the State Bank. These accounts can also be credited with dividend/profit income. Transfers from one such account to another may also be made in case of transfer of shares/Units between the two account-holders.

1Non-residents are also allowed to trade in shares in Ready/ Cash/ Futures Markets through SCRA, subject to the following procedure:

- (a) A separate sub-account under SCRA shall be opened by foreign investors through which an investor will route receipts/payments, initial margin, mark-to-market settlement, transaction charges, commission, fees etc.
- (b) Margins relating to Ready/Cash/Futures may also be routed through this account. However, while allowing refund of the margin through SCRA to a non-resident, the Authorized Dealer

should ensure that the broker has quoted the date and instrument number under which the margin was received by them.

- (c) Authorized Dealers shall report information on market value of foreign investments through future trading in their weekly returns to the Statistics and Data Warehouse Department on the revised proforma (AppendixV-97). The daily statement showing inflow/outflow and opening/closing balances in the SCRA shall however, continue to be reported to the Statistics and Data Warehouse Department on the prescribed proforma Appendix V-97.
- (ii) The commission earned by the international brokers from their overseas clients and credited net of taxes to the broker's SCRA account may be remitted by the Authorized Dealers provided the funds so credited have emanated from inward remittances or paid out of SCRA of the investor.
- (iii) ¹[Head/ Principal Offices of all Authorized Dealers are advised to submit statements to Statistics and Data Warehouse Department, State Bank of Pakistan in the excel format on daily and weekly basis showing the position of Special Convertible Rupee Accounts (SCRAs) maintained with them by non-resident investors. The format can be downloaded from the following link:
http://www.sbp.org.pk/Regulatory_Returns/stats.htm

The above information should be reported to Statistics and Data Warehouse Department, State Bank of Pakistan through email scra@sbp.org.pk.

(B) Investment in Government of Pakistan marketable securities including Pakistan Investment Bonds, Treasury Bills, Registered Corporate Debt Instruments and WAPDA's Registered Bonds listed with Stock Exchange(s).

Non-residents are allowed to invest and trade freely Government of Pakistan marketable securities including Pakistan Investment Bonds (PIBs), Treasury Bills (TBs), Registered corporate debt instruments and WAPDA's Registered Bonds listed with stock exchanges if the relevant S.R.Os permit non-residents to hold the bonds in the secondary market, through SCRAs subject to the instructions applicable to these accounts as contained in the preceding sub-paragraph (A).

²[(C) Trading of Quoted Shares and Units of Funds by Non-Residents through NRP Rupee Value Account (NRVA).

- (i) In terms of Para 8 of Chapter 8 of Foreign Exchange Manual, Non-Resident Pakistanis (NRPs) have been allowed, inter alia, for investment in the shares and units of funds quoted on the Stock Exchange(s) in Pakistan by using funds available in their "NRP Rupee Value Account (NRVA)" opened with

¹ Circular Letter No. 01/2008 dated January 15, 2008.

² Circular Letter No. 03/2020 dated August 05, 2020.

any ADs in Pakistan. For this purpose, the ADs may use the procedure as explained in Para 9(A) above. However, additionally, ADs may allow the NRPs to use the facilities offered by Central Depository Company (CDC) or National Clearing Company of Pakistan Limited (NCCPL) for custody and settlement/clearing of such investment provided that the NRP investor specifically requests for such arrangements. In this regard, ADs are allowed to:

- a. Transfer the funds, available in NRVA of the investor, to the bank account maintained by CDC/NCCPL, for the purchase of any quoted shares or units of fund on the request of NRP investor. The CDC/NCCPL will provide the stock broker's memo, showing sale of shares/units to the account holder, to the AD once the purchase transaction is completed.
 - b. Credit the un-utilized funds, received from CDC/NCCPL, into NRVA of the investor.
 - c. Credit the amount of dividend/profit income in the NRVA of the investor, received from the shares/units held by the investor, through CDC/NCCPL. CDC/NCCPL will provide evidence of receipt of dividend/profit from the company.
 - d. Credit the amount of disinvestment proceeds in the NRVA of the investor, received from CDC/NCCPL on account of sale of quoted shares/units earlier purchased by non-resident through NRVA or bonus/right shares/units issued thereon. CDC/NCCPL will provide evidence of the sale price in the shape of stock broker's memo.
- (ii) AD will maintain the complete reconciliation of amount transferred/received to/from CDC/NCCPL, shares/units purchased/sold by the investor there against, and ensure the compliance of all related foreign exchange regulations.

(D) Investment in Units of Mutual Funds registered as Open End Schemes (OES)

Non-residents are allowed to invest in units of mutual funds registered as OES under management of Asset Management Companies (AMCs) licensed by SECP to provide asset management services, through "Special Convertible Rupee Account" (SCRA) opened with any Authorized Dealer in Pakistan. Further, the holders of "NRP Rupee Value Account (NRVA)" opened with any ADs in Pakistan, can also invest in these units through these accounts. Such investment can be made in following manner:

- a. The balance available in SCRA/NRVA can be used for purchase of unit of OES and payment for such purchases may be debited to the account on the specific request of investor for onward credit to the bank account of trustee of the OES. The NAV allocated with respect to each investment along with a copy of application and payment instrument/ details shall be provided by the AMC to the AD on the same day. AMC

- shall also send account statement to the AD within 24 hours of the realization of funds.
- b. In case of conversion of units by the investor from one OES to another OES of the same AMC, the AMC will share the details of the conversion transaction (including all details as reported for redemption in one fund and investment details for investment in other fund) with the banks for their record.
 - c. Cash Dividend may be credited to respective SCRA/NRVA received from the Trustee of the OES/AMC and the details of the same shall be shared by the Trustee of the OES/ AMC with the AD. In case where, the investor has issued instructions to re-invest, the additional units will be issued and the details of the same shall be shared with the AD.
 - d. Redemption proceeds may be credited to respective SCRA/NRVA, received from trustee of OES on account of sale of units earlier purchased by investor through these accounts or bonus units issued thereon. The details of the same will be shared by the Trustee of OES/ AMC with the AD.
 - e. The AD shall ensure that all issuance and redemptions are taking place at prevalent NAV announced publically the relevant AMC.
 - f. The AD shall maintain the complete reconciliation of amount transferred/received to/from trustee of OES, units purchased/sold by the investor there against, and ensure the compliance of all related foreign exchange regulations.

10. Special Instructions regarding shares transferred under Central Depository System (CDS) of Central Depository Companies (CDC).

(i) General.

Separate account or sub-account will be opened & maintained at CDC for each non-resident investor eligible for investment in registered shares/securities quoted at stock exchange in Pakistan.

It must be ensured that all transactions at CDS i.e., deposit into or withdrawal from the account/sub-account of a non-resident is supported by actual movement of funds. In other words, there should not be any netting/adjustments and payment/receipt in respect of each purchase/sale should be settled independent of other transactions of the non-resident. In case the investment by the non-resident is made/routed through his SCRA maintained with an Authorized Dealer in Pakistan, the SCRA should never show an overdrawn position.¹ [The securities available in account/sub-account may be pledged in favor of National Clearing Company of Pakistan Ltd. in case of non-availability of funds in SCRA to meet margin requirements against purchase/sale transactions of non-resident investors in ready/cash market till settlement of respective transaction.]

(ii) Initial transfer in the name of CDC.

While approving the initial/first-time transfer of shares/securities purchased/held by nonresidents, in the name of CDC for deposit into CDS, the company concerned will ensure that the shares are already registered in its record on repatriation basis in the name of the non-resident concerned. If the shares are not already so registered, the

¹ F.E Circular No. 03 dated March 24, 2017.

company will obtain requisite documents issued in the name of investor concerned, i.e., broker's memo, proceeds realization certificates (PRCs) for cost of shares purchased and transfer stamp duty, or where the shares have been purchased from another non-resident shareholder against payment outside Pakistan, the transferee's certificate alongwith PRC for transfer stamp duty.

(iii) Subsequent transactions i.e., deposit/withdrawal at CDS.

- (a) Where investments are made through GDRs, the Authorized Dealer concerned will continue to ensure that complete/proper record of all transactions is kept at their end and the prescribed statements of SCRAs are furnished to the State Bank as usual, as at present documents involving such investment would not be required to be submitted to the company at any stage.
- (b) In case of investments not involving SCRA, the original documents as listed at (ii) above will be submitted as usual to the respective company by the 'Participant' concerned alongwith a certificate that the shares are in the name of CDS and have since been deposited into/withdrawn from the respective non-resident's account at CDS. The company after making necessary entry in its record to update CDC's non-resident holding, will furnish the same to the designated Authorized Dealer. The Authorized Dealer will keep these documents in its record for onward submission to State Bank in the prescribed manner alongwith returns pertaining to dividend/ bonus or right issue and will as usual make the remittance of disinvestment proceeds of such shares subject to the prescribed drill/rules.

(iv) Dividend Payment/allotment of bonus or right shares.

CDC will issue to the respective company a list of beneficial non-resident shareholders certifying their individual holding as on Ex-date of dividend/bonus/right in the form appearing at Appendix V-98. Before issue of dividend warrant or allotment of bonus/right shares, the company will verify the holding of non-residents not involving SCRAs from its record including those as mentioned in sub-para (iii) (b) and for the non-residents investing through SCRAs, it will obtain an undertaking-cum-certificate from the Authorized Dealer concerned on the form appearing at Appendix V-99, and on the basis of this undertaking-cum-certificate it will certify Appendices V-54 & V-95 and V-96 for such shares. The aforesaid list provided by CDS will invariably be attached by the company to the aforesaid returns.

11. Investment by branches of Foreign Banks and Foreign Controlled Investment Banks. Branches of foreign banks in Pakistan and foreign controlled investment banks incorporated in Pakistan are permitted to invest in Pak. Rupee denominated registered listed corporate debt instruments issued in Pakistan, provided such investment is made through initial public offerings and secondary market purchases, and further provided that investment in those debt instruments which are convertible into shares does not exceed 30% of the paid-up capital of the issuing company or 30% of the paid-up capital and reserves of the investing institution, whichever is less. The profit/interest accruing on such investment will be treated as their income for the purpose of profit/dividend remittance.

12. Transfers between Registers etc. Clauses (c) and (d) of sub-section (1) of Section 13 of the Act prohibit, respectively, transfers of securities from registers in Pakistan to registers outside Pakistan and the issuing, whether in Pakistan or elsewhere, of securities which are registered or to be registered in Pakistan, to "persons resident outside Pakistan" except with the general or special permission of the State Bank.

¹[13. Investment Abroad by Residents. The residents of Pakistan including firms and companies are allowed to make equity-based investment in entities abroad on repatriable basis, subject to the following terms and conditions and in the manner stipulated below:

I. Basic Terms and Conditions:

Following basic terms and conditions will apply to all categories of investment abroad:

1. Investment abroad is allowed only for those countries that allow repatriation of profits, dividends and capital. However, equity investment in India, shall be subject to prior approval of SBP.
2. The funds proposed for investment should be legitimate and tax paid, and the investor should have a clean record of loan repayments.
3. No ML and TF related investigation is pending against the applicant or its beneficial owner/key management personnel under Anti Money Laundering Act, 2010 or Anti-Terrorism Act, 1997 as amended from time to time.

II. Category-wise specific Terms and Conditions:

Following terms and conditions will apply specifically to each category of Investment abroad:

A- Establishment of subsidiary/branch office abroad by export oriented companies/firms for promoting exports:

- a. In order to facilitate the companies/firms incorporated/registered in Pakistan, in increasing exports of the country by expanding their business offshore, designated Authorized Dealers are granted general permission to allow the following equity investment abroad transactions:
 - i Establishment/acquisition of subsidiary and additional capital injection in subsidiary.
 - ii. Establishment/acquisition of marketing/ liaison/ representative office abroad and remittance of their annual budgeted operational expenses.
- b. However, this general permission is subject to following terms and conditions:
 - i. Total amount of remittance during a calendar year, under this general permission, should not exceed the 10% of average annual export earnings of last three calendar years

1 F.E. Circular No. 1 dated February 10, 2021.

- of the applicant, or USD 100,000 whichever is higher. Authorized dealer can also open standby letter of credit to facilitate the offshore entity of the applicant for raising funds from offshore jurisdiction, within this limit.
- ii. At any point of time, investment abroad of the applicant should not exceed 80% of its equity (after adjusting for investments in subsidiaries/ associates, goodwill, Deferred Tax Assets, receivables from related entities etc.).
 - iii. Transactions shall be carried out by the exporter by utilizing foreign currency funds available to the credit of special foreign currency accounts maintained in terms of applicable Foreign Exchange Regulations. However, if the balance available in its special foreign currency accounts is not sufficient, remittance of balance amount can be allowed from interbank market.
 - iv. The export overdue of intending investor shall not be more than 1% of the previous year's exports.
 - v. The threshold of up to USD 30,000 shall be observed for allowing annual budgeted operational expenses of a marketing/ liaison/ representative office from second year onward (from date of investment). However, an increase of up to 10% may be allowed in annual budgeted operational expenses in the following years subject to valid justification of increase in expenses by the applicant.
 - vi. One entity per jurisdiction shall be allowed for establishment/ acquisition of subsidiary/ marketing/ liaison/ representative office abroad.
 - vii. The designated Authorized dealer shall ensure the following through assessment of relevant information/documents submitted by the applicant, before allowing the transaction under this general permission:
 - a. In case applicant's export earnings during last three calendar years is less than USD 300,000 or equivalent in other currencies, the Authorized dealer shall obtain details of products to be exported by the applicant and an undertaking that proposed investment has the potential to increase the exports of Pakistan.
 - b. The business activity of the company, firm in which investment is desired to be made should ordinarily be of the same nature as that in which the applicant is already engaged in Pakistan. Proposal for investment abroad in the extended line of business or vertical business integration shall also be considered as similar line of business.

- c. The investor should be financially sound as shown by its audited accounts for the last three years. In the case of a company in the I.T. business, the condition of three years may be reduced to one year.
- d. The bonafides of the applicant and the genuineness of the transaction by verifying the necessary documents.
- e. In case of acquisition of subsidiary abroad, the Authorized Dealer shall allow the transaction after satisfying itself with respect to valuation of the company being acquired. In case the target company is unlisted, and the amount of investment is above USD 1 million, the Authorized dealer may allow the transaction after satisfying itself through a valuation report from an accredited business valuation firm of the country in which investment is to be made.
- f. While assessing any request for establishment/ acquisition of subsidiary or marketing/ liaison/ representative office abroad, due weightage shall be given to the performance of previous investments abroad, if any, in terms of profit repatriation, increase in exports etc.
- g. In case of additional capital injection in subsidiary, due weightage shall be given to its previous performance as well as future outlook.

B- Establishment of Holding Company (HoldCo) abroad by residents for raising capital from abroad:

- a. In order to facilitate the resident companies (hereinafter referred as Operating Company or "OpCo"), having innovative and/or scalable businesses with a potential for high growth, to raise capital from abroad, following general permissions are granted:
 - i OpCo is allowed to incorporate a holding company (hereinafter referred as "HoldCo") abroad. For this purpose, designated Authorized dealers are allowed to remit the initial incorporation expenses, on actual basis but not exceeding USD 10,000 or equivalent in other currencies, subject to condition that the applicant company is eligible as per terms and conditions.
 - ii After incorporation of the HoldCo abroad, the existing shareholders (individuals/ companies/ firms) of OpCo ("Founders") are once allowed to swap their shares, of equal value, to mirror the shareholding of OpCo in HoldCo, within 30 days, by acquiring shares of HoldCo against transfer of their shareholding in OpCo to the nonresident HoldCo on

repatriation basis. However, no remittance in this regard shall be allowed from Pakistan.

- iii Subsequently, resident companies/firms and Founders are allowed to acquire the shares issued by HoldCo against payment of funds to OpCo locally in PKR. Consequently, the OpCo can issue shares of equal value in favor of non-resident HoldCo, on repatriation basis.
- b. These general permissions are subject to following terms and conditions:
 1. The company shall be eligible for incorporation of holding company abroad under this general permission, provided that:
 - i. The company is incorporated as a private limited/public unlisted company under the Companies Act, 2017 (erstwhile Companies Ordinance 1984) for not more than 7 years, provided that such entity is not formed by splitting up, or reconstruction of a business already in existence
 - ii. The Company has annual revenue below PKR 2 billion since its incorporation
 - iii. The company has equity (including retained earnings) below PKR 300 million as per latest audited financials
 2. HoldCo shall repatriate the funds, raised from abroad, through equity or borrowing, to Pakistan, as equity based investment in OpCo, in following manner:
 - i. At least 80% of the funds raised from abroad on annual basis until USD 1 million (net of dividend remitted by OpCo) is remitted to Pakistan.
 - ii. Subsequently, at least 50% of funds raised from abroad on annual basis until USD 10 million (net of dividend remitted by OpCo) is remitted to Pakistan on cumulative basis.
 3. The OpCo can issue shares in favor of HoldCo, against the amount received from abroad, on repatriation basis in terms of provisions of para 6 and 7 of Chapter 20 of Foreign Exchange Manual. The OpCo shall report to SBP within 30 days of issuance of shares through its designated Authorized dealer, along with details of funds raised by HoldCo.
 4. HoldCo shall remit the dividends to Pakistan against shares acquired by resident companies/firms and Founders.
 5. Designated Authorized Dealer shall arrange to ensure the compliance of all terms and conditions.

C- Investment abroad by resident companies/firms for expansion of business: The residents of Pakistan including firms and companies are allowed to make equity based investment (other than portfolio investment) in entities abroad on repatriable basis, with prior permission of State Bank of Pakistan and subject to the following terms and conditions:

- i. Only companies incorporated in Pakistan including foreign controlled companies and firms owned by Pakistani Nationals resident in Pakistan are allowed investment under this category.
- ii. The business activity of the company, firm, joint venture in which investment is desired to be made should ordinarily be of the same nature as that in which the investor is already engaged in Pakistan, or in which the investor has the potential to acquire sufficient expertise from the market for running the business. Proposal for investment abroad in the extended line of business or vertical business integration shall also be considered as similar line of business.
- iii. The investor should be financially sound as shown by its audited accounts for the last three years. In the case of a company in the I.T. business, however, the condition of three years may be reduced to one year.
- iv. The proposal should be economically viable as evidenced from a feasibility report. It should have the potential for future earnings of foreign exchange coupled with other advantages to the country such as employment opportunities for Pakistani nationals and improvement in national human resources.
- v. Funding for the proposed investment abroad shall be allowed from the foreign currency funds available to the credit of special foreign currency accounts maintained by the applicant in terms of applicable Foreign Exchange Regulations. However, in case the applicant does not have any such account or the balance available in its special foreign currency accounts is not sufficient, remittance can be allowed from interbank market.
- vi. The State Bank under the aforesaid guideline would also deal with the proposals emanating from the Public Sector Organizations providing financial services whereas the concerned ministry would deal with the investment proposals from all other public sector organizations.

D- Investment abroad by Resident Individuals:

1. Small Investment by Individuals in Listed companies abroad:

General permission is granted to Designated Authorized Dealers to effect remittance on behalf of resident individuals for investments in shares of listed companies abroad, subject to following terms and conditions:

- i. Designated Authorized Dealer is allowed to remit a maximum amount of USD 25,000 or equivalent during a calendar year, under this general permission, on behalf of a resident individual.
- ii. The maximum shareholding by an individual, in a single investee company, under this general permission, shall not exceed 1% of shares of the investee company at any time.

2. Employee Stock Option Plans

General Permission is granted to Designated Authorized Dealers to effect remittance on behalf of resident employees of subsidiaries of foreign companies in Pakistan to participate in their share option plans, subject to following terms and conditions:

- i. Subsidiaries of foreign companies in Pakistan shall approach to their designated Authorized Dealer with complete share option plans.
- ii. Designated Authorized Dealer is allowed to remit a maximum amount of USD 50,000 or equivalent during a calendar year, under this general permission, on behalf of a resident individual.
- iii. The maximum stake by an individual, in a single investee company, under this general permission, shall not exceed 3% of shares of the investee company at any time.

3. Sweat Equity

General permission is granted to resident individuals to acquire the shares of companies abroad issued to them as sweat equity against their efforts and services, without any monetary consideration. This general permission is subject to the following terms and conditions:

- i. The maximum shareholding, under this general permission, shall not exceed 20% of shares of the investee company at any time.
- ii. The investor could acquire shares under this general permission against its efforts and services related to the field where the investor has expertise.
- iii. The investor shall submit the agreement, confirming this arrangement, to SBP through its designated Authorized Dealer while reporting this investment, along with its detailed profile showing his/her filed field of expertise with documentary evidences.

III. Post investment requirements:

After making investment, in terms of these regulations, the investor is required to:

- i. Submit the documentary evidences related to establishment/acquisition of subsidiary/ branch office/shares abroad, within one month of making the investment, through designated authorized dealer.
- ii. Make a return to State Bank on the prescribed form V-100 through their banker within one month of making the investment;

- iii. Each entity who invested abroad under this policy shall submit audited financials of the investee company to the Authorized Dealer on annual basis.
- iv. Repatriate the dividend/disinvestments proceeds (including capital gains) to Pakistan through normal banking channels. The amounts so received would be converted to local currency by the bank concerned and a Proceeds Realization Certificate in original evidencing the same shall be filed by the owner with the State Bank through its Authorized Dealer. Such amounts shall not be allowed for credit to a Foreign Currency Account or for purchase of Pakistani securities on Repatriable basis.

IV. Designation and application processing:

1. Designation of Authorized Dealer

- i. All the Investments under the general permission granted for categories of investment abroad mentioned at Para 13(II) A, B & D above, shall be routed through only one branch of an Authorized Dealer to be designated by the applicant. For this purpose, request for designation shall be submitted by the applicant through the Authorized Dealer, intended to be designated, to the Exchange Policy Department of State Bank of Pakistan, for acknowledgement. The request for designation of the branch shall be routed through the Head Office of the Authorized Dealer, where record of all such designations shall be maintained.
- ii. The Authorized Dealer at its relevant branch so designated by the applicant shall be liable to ensure compliance of terms and condition stipulated for each category of investment abroad and maintain complete party wise record of transactions processed by it. The Authorized Dealer shall also maintain at the designated branch the complete record of repatriation of dividend/disinvestment proceeds from investments abroad by its each customer.
- iii. In case applicant desires to change the designated bank/branch, it shall submit an application through the Head Office of bank/branch desired to be designated for the acknowledgment of Exchange Policy Department along with the following :
 - a) NOC from previous designated bank/branch regarding change of designation. The previous designated Authorized Dealer shall be required to issue the NOC and share the record related to investment abroad transactions of the applicant with the new Authorized Dealer, within three working days from the date of request received from the new Authorized Dealer.
 - b) Confirmation from bank/branch to be designated regarding acquisition of compete record, regarding previous

investment abroad transactions, from bank/branch designated previously.

2. Processing of application by Authorized Dealer

The detailed applications along with audited accounts, particulars of Directors/Partners of the investor company/firm (not required in case of individuals), name and address of the foreign company/firm in which investment is desired to be made, its line of business and particulars of its Directors/Partners, shall be forwarded to the Authorized Dealer. The applications with respect to proposals of investment abroad pertaining to Para 13(II) A, B & D above, shall be processed by the designated Authorized Dealer. In case of any exemption/waiver is required, the application will be forwarded by the designated Authorized Dealer to Exchange Policy Department, State Bank of Pakistan as per procedure detailed below. With respect to proposals of investment abroad pertaining to Para 13(II) C above, applications shall be forwarded by the Authorized Dealer to State Bank of Pakistan as per procedure detailed below.

3. Processing of application by State Bank of Pakistan

The detailed applications with respect to Para 13(II) C or any exemption/waiver from Para 13(II) A, B & D shall be forwarded by Authorized Dealers to Director, Exchange Policy Department, State Bank of Pakistan, Karachi, along with its review of the application (against applicable terms and conditions) and specific recommendations. Any application submitted to State Bank without proper review and specific recommendation of the Authorized Dealer would not be entertained.]

14. ¹[Investment Abroad by Locally Established Mutual Funds.

- (i) Locally established mutual funds are allowed to invest abroad for the purposes of diversification of their asset classes/portfolio, to the extent of 30% of the aggregate funds mobilized (including foreign currency funds), in permissible categories subject to a cap of US\$ 15 million at any given time. The investment made abroad must strictly follow the scope approved by Securities and Exchange Commission of Pakistan (SECP) and subject to all other terms and conditions as specified for the operations and investments abroad by SECP.
- (ii) Such funds would need prior approval of State Bank. In this regard, each interested locally established mutual fund is required to apply, through an Authorized Dealer, to the Director, Exchange Policy Department, State Bank of Pakistan by providing details of the proposed operations alongwith the related documents. Each request will be evaluated on a case to case basis and will be responded accordingly.

1 F.E. Circular No. 11 dated August 12, 2005.

15. Registration of Foreign Securities. Under Section 19(I) of the Act, the Federal Government have issued Notification No. I(1)-2-FE/56 dated the 1st August, 1956 , (Appendix II-7) requiring all persons resident in Pakistan who are or become the owners of any security in respect of which the principal, interest or dividends is or are payable in the currency of any foreign country or in respect of which the owner has the option to acquire the payment of principal, interest or dividends in such currencies, to make a return to the State Bank within one month of their acquiring the securities, giving particulars in respect of the said securities. The specimen of the form in which these particulars are required to be furnished in duplicate is given at Appendix V- 100. Foreign nationals residing in Pakistan are not required to submit the above returns.

16. Under-writing of shares, term certificates and Modaraba certificates by foreign banks. Underwriting of shares, participation term certificates etc., by foreign banks' branches in Pakistan eventually involves holding of those shares/securities which are not taken up by the general public, and as such attracts the provisions of Section 13(1) of the Foreign Exchange Regulation Act, 1947. Foreign banks' branches in Pakistan have general permission to under-write the issue of shares to the extent of 30% of the public offering or 30% of its own paid-up capital and reserves, whichever is less. They are also permitted to under-write public issues of participation term certificates, term finance certificates and modaraba certificates, provided that where the terms and conditions of issue of such securities grant an option to the holders to convert the securities into ordinary shares, the restrictions of 30% as mentioned above would apply.

LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

SRO 1163 (I)/2019, Islamabad, the 25th September, 2019.- In exercise of the powers conferred under Section 156 read with section 512 of the Companies Act, 2017 (XIX of 2017), the same having been previously published in the official Gazette vide Notification S.R.O. 485(I)/2019 dated 23rd April, 2019, as required under proviso to sub-section (1) of said section 512, the Securities and Exchange Commission is pleased to notify the following Regulations, namely:-

CHAPTER I PRELIMINARY

1. Short Title and Commencement.- (1) These Regulations shall be called the Listed Companies (Code of Corporate Governance) Regulations, 2019.

(2) These Regulations shall apply to the listed companies based on “comply or explain approach” except the requirements for which it is explicitly stated as “mandatory” and it shall be the responsibility of the board of directors (the “Board”) to use this approach wisely and of investors to assess differing company approaches thoughtfully.

(3) These Regulations shall come into force from the date of its publication.

2. Definitions. – (1),- In these Regulations, unless there is anything repugnant in the subject or context,

- (a) “Annexure” annexure mean annexure appended to these Regulations;
- (b) “Comply or explain approach” means discretion of a company with respect to non-mandatory provisions of these Regulations either to comply or provide appropriate explanation as to any impediment in its compliance in the compliance report along with the financial statements;
- (c) “Mandatory” in relation to these Regulations, means such provisions that are construed to be strictly complied with by the company and non-compliance of such Regulations leads to penal proceedings under regulation 37;

(2) Unless otherwise specified, words and expressions used but not defined in these Regulations shall have the same meaning as assigned to them in the Companies Act, 2017 (“the Act”) and the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

CHAPTER II NUMBER OF DIRECTORSHIP AND COMPOSITION OF BOARD

3. Number of Directorship.- Subject to the requirements of section 155 of the Act, it is mandatory that no person shall be elected or nominated or hold office as a director of a listed company including as an alternate director of more than seven listed companies simultaneously:

Provided that the said limit on directorship shall be effective when the Board shall be reconstituted not later than expiry of its current term.

4. Diversity in the Board.- The Board shall comprise of members having appropriate mix of core competencies, diversity, requisite skills, knowledge, experience and fulfils any other criteria as deemed relevant in the context of the company's operations.

5. Representation of Minority shareholders.- The minority members as a class shall be facilitated by the Board to contest election of directors by proxy solicitation, for which purpose, the listed companies shall:

- (i) annex to the notice issued under sub-section (4) of section 159 of the Act, a statement by a candidate from among the minority shareholders who seeks to contest election to the Board, including a profile of the candidate(s);
- (ii) provide information regarding members and shareholding structure to the candidate(s); and
- (iii) on a request by the candidate(s) and at the cost of the company, annex to the notice issued under sub-section (4) of section 159 of the Act, an additional copy of proxy form duly filled in by such candidate(s).

6. Independent Director.- (1) It is **mandatory** that each listed company shall have at least two or one third members of the Board, whichever is higher, as independent directors.

Explanation.—For the purposes of this sub-regulation, a listed company shall explain the reasons, in the compliance report, if any fraction contained in such one-third number which is not rounded up as one.

(2) For the purpose of electing independent director, the Board shall be reconstituted not later than expiry of its current term.

(3) It is mandatory that the independent director shall submit his consent to act as director, along with declaration to the company that he qualifies the criteria of independence notified under the Act and such declaration shall be submitted to chairman of the Board at first meeting which is held after election of directors as well as on an event of any change affecting his independence.

7. Female Director.- Subject to section 154 of the Act, it is **mandatory** that the Board shall have at least one female director when it is reconstituted after the expiry of its current term.

[7A. Voting in separate categories for female and independent directors in the election of directors. - (1) Subject to section 154, 159 and section 166 of the Act and for the purpose of compliance with the requirements of regulation 6 and regulation 7 of these regulations, it is mandatory that voting for the election of directors of the listed company shall be held separately for the following three categories, -

- (i) the election of female directors;
- (ii) independent directors; and
- (iii) other directors.

¹ Regulation 7A inserted by SRO 906(I)/2023 dated July 7, 2023.

(2) For the purpose of the election in the female category, the maximum number of seats in female category shall be one and for the independent director category the maximum number of seats shall be 2 or 1/3rd of the total board size, whichever is higher, provided that there will be no restriction on the total number of female or independent directors that can be elected on the board of the company in all categories combined.

(3) The member on his/her discretion may cast the vote to any candidate in each category of female, independent and other directors contesting the election of directors.

(4) The division of votes available to each member for a category shall be in proportion to the number of seats of directors under such category.

(5) If the number of persons who offer themselves to be elected in a category is not more than the number of directors to be elected in such category, such persons will be elected unopposed without the voting process.

(6) Where no nomination is received under the female category; and the independent directors or other directors are elected unopposed without voting process as mentioned in sub-regulation (5) which also include a female director, then voting for female category shall not be mandatory.

(7) The number of votes for each category of female, independent and other directors shall be counted separately after the completion of voting process.

(8) For the purposes of sub-regulation (1), any member who seeks to contest for election in the category of independent director or a female director, as the case may be whether retiring or otherwise, file with the company not later than fourteen days before the date of the meeting at which the elections are to be held, a notice of intention and select any one category in which he/she intends to contest for the election of director.

(9) For the category of the Independent Director, all the notices received by the Company under sub-regulation (8), shall be subject to due diligence by the Company as prescribed under section 166 of the Act and the Companies (Manner and Selection of Independent Directors) Regulations, 2018:

Provided that where any person has filed his/her notice of intention to contest election as independent director and after diligence by the Company under section 166 of the Act, such person is not selected, the Company shall communicate in writing the reasons for not selecting such person, clearly mentioning the legal requirement which was not met by such person, atleast seven days before the meeting in which elections are to be held.

(10) All notices received by the Company under sub-regulation (8), subject to the requirements prescribed under sub-regulation (9), shall be transmitted to all members not later than seven days before the date of meeting in the same manner in which the notice of meeting is circulated under the Act and such notice shall be published at least in one issue each of daily newspaper having nationwide circulation in English and Urdu languages with the following information for the independent and female members contesting for the election of director:

- (i) Names along with the profile and the category for which he/she is contesting for the election of director.
- (ii) Justification for selecting the candidate for the appointment of independent director.]

8. Executive Director.- (1) It is mandatory that the executive directors, including the chief executive officer, shall not be more than one third of the Board.

(2) For the purpose of compliance with the requirement of the above sub-regulation (1), the Board shall be reconstituted not later than expiry of its current term.

Explanation I.—For the purposes of this regulation, a listed company shall explain the reasons, in compliance report, any fraction contained in such one-third number which is rounded up as one.

Explanation II.- Executive director means a director who devotes the whole or substantially the whole of his time (whether paid or not) to the operations of the company.

9. Chairman of the Board.- (1) The Chairman and the chief executive officer of a company, by whatever name called, shall not be the same person.

(2) The Chairman shall be elected subject to the terms and conditions and responsibilities provided under section 192 of the Act and these Regulations.

CHAPTER III

BOARD OF DIRECTORS, ITS MEMBERS AND MEETING OF BOARD

10. Responsibilities of the Board and its members.- (1) Subject to the requirements of section 183 and 204 of the Act, the Board is responsible for adoption of corporate governance practices by the company and monitoring effectiveness of such practices and the members of the Board shall ensure high ethical standards in performing their responsibilities.

(2) The Board is responsible for the governance of risk and for determining the company's level of risk tolerance by establishing risk management policies and for this purpose the Board is encouraged to undertake at least annually, an overall review of business risks to ensure that the management maintains a sound system of risk identification, risk management and related systemic and internal controls to safeguard assets, resources, reputation and interest of the company and shareholders.

(3) The Board of the company shall ensure that,-

- (i) a vision and/or mission statement monitoring the effectiveness of the company's governance practices and overall corporate strategy for the company is prepared, adopted and reviewed as and when deemed appropriate by the Board;
- (ii) a formal code of conduct is in place that promotes ethical culture in the company and prevents conflict of interest in their capacity as member of the Board, senior management and other employees. The Board shall take appropriate steps to disseminate code of conduct throughout the company along with supporting policies and procedures;

- (iii) adequate systems and controls are in place for identification and redressal of grievances arising from unethical practices;
 - (iv) a system of sound internal control is established, which is effectively implemented and maintained at all levels within the company; and
 - (v) a formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its committees.
- (4) The Board shall ensure that complete record of particulars of the significant policies along with their dates of approval or updating is maintained by the company. The significant policies may include but not limited to the following,-
- (i) governance of risks and internal control measures;
 - (ii) human resource management including preparation of a succession plan;

COMPENDIUM
OF
CORPORATE LAWS

- (iii) permissible fee for non-executive directors including independent directors;
- (iv) procurement of goods and services;
- (v) communication policy and investors'/shareholders' relations;
- (vi) marketing;
- (vii) determination of terms of credit and discount to customers;
- (viii) write-off of bad/doubtful debts, advances and receivables;
- (ix) sale and lease of assets, undertaking, capital expenditure, planning and control;
- (x) investments and disinvestment of funds;
- (xi) debt coverage;
- (xii) determination and delegation of financial powers;
- (xiii) transactions or contracts with associated companies and related parties;
- (xiv) environmental, social and governance (ESG) including but not limited to health and safety aspects in business strategies that promote sustainability, corporate social responsibility initiatives and other philanthropic activities, donations, contributions to charities and other matters of social welfare; and
- (xv) whistle blowing policy, by establishing a mechanism to receive, handle complaints in a fair and transparent manner while providing protection to the complainant against victimization.

(5) The Chairman of the Board shall, at the beginning of term of each director, issue letter to directors setting out their role, obligations, powers and responsibilities in accordance with the Act and the company's Articles of Association, their remuneration and entitlement.

(6) All directors of a company shall attend its general meeting(s), (ordinary and extra-ordinary unless precluded from doing so due to any reasonable cause.

11. Agenda and discussion in meetings.- (1) The Chairman shall set agenda of the meeting of the Board and ensure that reasonable time is available for discussion of the same.

(2) All written notices and relevant material, including the agenda of the meeting shall be circulated at least seven days prior to the meeting, except in the case of emergency meeting, where the notice period may be reduced or waived.

12. Minutes of meeting.- (1) The Chairman shall ensure that minutes of the meetings of the Board are kept in accordance with the requirements of section 178 and 179 of the Act.

(2) The company secretary shall be secretary to the Board.

(3) Where a director of a company is of the view that his dissenting note has not been satisfactorily recorded in the minutes of a meeting, the matter may be referred to the company secretary for appending such note to the minutes and where the company secretary fails to do so, the director may file an objection with the Commission in the form of a statement to that effect within 30 days of the date of confirmation of the minutes of the meeting.

13. Attendance at meeting.- The chief financial officer and company secretary or in their absence, the nominee appointed by the Board, shall attend all meetings of the Board:

Provided that the chief financial officer and company secretary shall not attend such part of the Board meeting wherein agenda item relates to consideration of their performance or terms and conditions of their service or when, in the opinion of the Board, their presence in the meeting on any agenda item is likely or may tend to impair the organizational discipline and harmony of the company.

CHAPTER IV **ISSUES TO BE PLACED FOR DECISION** **OF THE BOARD OF DIRECTORS**

14. Significant issues.- The chief executive officer of the company shall place significant issues for the information, consideration and decision, as the case may be, of the Board or its committees that include but are not limited to the following:

- (i) as soon as chief executive officer foresees risk of default concerning obligations on any loans (including penalties and other dues to a creditor, bank or financial institution or default in payment of public deposit), Term Finance Certificates (TFCs), Sukuk or any other debt instrument, the same shall be brought to the attention of the Board;
- (ii) annual business plan, cash flow projections, forecasts and strategic plan;
- (iii) budgets including capital, manpower and overhead budgets, along with variance analysis;
- (iv) matters recommended and/or reported by the audit committee and other committees of the Board;
- (v) quarterly operating results of the company as a whole and in terms of its operating divisions or business segments;
- (vi) internal audit reports, including cases of fraud, bribery, corruption, or irregularities of material nature;
- (vii) management letter issued by the external auditors;
- (viii) details of joint venture or collaboration agreements or agreements with distributors, agents etc.;
- (ix) promulgation of or amendment to a law, rule or regulation, applicability of financial reporting standard and such other matters as may affect the company and the status of compliance therewith;
- (x) status and implications of any law suit or proceedings (show cause notice, demand or prosecution notice) of material nature, filed by or against the company;
- (xi) failure to recover material amounts of loans, advances, and deposits made by the company, including trade debts and inter corporate finance;

- (xii) any significant accidents, fatalities, dangerous occurrences and instances of pollution and environmental problems involving the company;
- (xiii) significant public or product liability claims made or likely to be made against the company, including any adverse judgment or order made on the conduct of the company or of another company that may bear negatively on the company;
- (xiv) report on governance, risk management and compliance issues. Risks to be considered shall include reputational risk and shall address risk analysis, risk management and risk communication;
- (xv) disputes with labor and their proposed solutions, any agreement with the labor union or collective bargaining agent and any charter of demands on the company;
- (xvi) reports on /synopsis of issues and information pursued under the whistle blowing policy, clearly disclosing how such matters were dealt with and finally resolved or concluded;
- (xvii) implementation of environmental, social & governance; and health & safety business practices including report on corporate social responsibility activities and status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 or any other regulatory framework as applicable;
- (xviii) payment for goodwill, brand equity or intellectual property;
- (xix) sale of assets, investments and interest in subsidiaries and undertakings, of material amount or significant nature, which is not in the ordinary course of business; and
- (xx) quarterly details of foreign exchange exposures and the safeguards taken by management against adverse exchange rate movement, if material.

15. Related party transactions.- The details of all related party transactions shall be placed periodically before the audit committee of the company and upon recommendations of the audit committee, the same shall be placed before the Board for review and approval:

Provided where majority of the directors are interested in such transactions, the matter shall be placed before the general meeting for approval.

CHAPTER V REMUNERATION OF DIRECTORS

16. Formal Policy.- The Board shall have in place a formal policy and transparent procedure for fixing the remuneration packages of individual directors for attending meetings of the Board and its committees.

17. Determination of remuneration.- (1) No director shall determine his own remuneration and levels of remuneration shall be appropriate and commensurate with the level of responsibility and expertise, to attract and retain directors needed to govern affairs of the company successfully and to encourage value

addition provided that it shall not be at a level that could be perceived to compromise their independence.

(2) The process adopted for determination of director's remuneration shall comply with the provisions of the Act and the company's articles of association.

CHAPTER VI **DIRECTORS' TRAINING PROGRAM**

18. Directors' Orientation Program.- All companies shall make appropriate arrangements to carry out orientation for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the listed company for and on behalf of shareholders.

19. Directors' Training.- (1) It is encouraged that:

- (i) by June 30, 2020 at least half of the directors on their Boards;
- (ii) by June 30, 2021 at least 75% of the directors on their Boards; and
- (iii) by June 30, 2022 all the directors on their Boards have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.

(2) A newly appointed director on the Board may acquire, the directors training program certification within a period of one year from the date of appointment as a director on the Board:

Provided that director having a minimum of 14 years of education and 15 years of experience on the Board of a listed company, local and/or foreign, shall be exempt from the directors training program.

(3) Companies are also encouraged to arrange training for:

- (i) at least one female executive every year under the Directors' Training program from year July 2020; and
- (ii) at least one head of department every year under the Directors' Training program from July 2022.

CHAPTER VII **CHIEF FINANCIAL OFFICER, COMPANY SECRETARY AND HEAD OF INTERNAL AUDIT**

20. Approval.- The Board shall appoint, determine remuneration, renew contracts and terms and conditions of employment of chief financial officer, company secretary and head of internal audit of the company.

21. Removal.- The removal of the chief financial officer, company secretary and head of internal audit of a company shall be made with the approval of the Board:

Provided that the head of internal audit may be removed only upon recommendation of the audit committee.

22. Qualification of chief financial officer.- No person shall be appointed as the chief financial officer of a company unless,-

- (i) he/ she has at least three years of managerial experience in the fields of audit or accounting or in managing financial or corporate affairs functions of a company and is a member of the Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan; or
- (ii) he/ she has at least five years of managerial experience in fields of audit or accounting or in managing financial or corporate affairs functions of a company and is either a member of professional body of accountants whose qualification is recognized as equivalent to post graduate degree by Higher Education Commission of Pakistan or has a postgraduate degree in finance from a university in Pakistan or equivalent recognized and approved by the Higher Education Commission of Pakistan; or
- (iii) he/ she has at least seven years of managerial experience in fields of audit or accounting or in managing financial or corporate affairs functions of a company and has a suitable degree from a university in Pakistan or abroad equivalent to graduate degree, recognized and approved by the Higher Education Commission of Pakistan:

Provided that existing chief financial officer of a listed company having at least fifteen years of experience on the same position in a listed company shall be exempted from qualification criteria given above.

23. Qualification of internal auditor.- No person shall be appointed as the head of internal audit unless:

- (i) he/she has three years of relevant experience in audit or finance or compliance function and is a member of the Institute of Chartered Accountants of Pakistan or Institute of Cost and Management Accountants of Pakistan; or
- (ii) he/she has five years of relevant experience in audit or finance or compliance function and:
 - (a) is a Certified Internal Auditor; or
 - (b) is a Certified Fraud Examiner; or
 - (c) is a Certified Internal Control Auditor; or
 - (d) has a post graduate degree in business, finance from a university or equivalent recognized and approved by the Higher Education Commission of Pakistan and is a member of a professional body relevant to such qualification, if applicable;
- (iii) he/ she has at least seven years of managerial experience in fields of audit or accounting or in managing financial or corporate affairs functions of a company and has a suitable degree from a university in Pakistan or abroad equivalent to graduate degree, recognized and approved by the Higher Education Commission of Pakistan.

Explanation: the expression, “body of professional accountants” means body of professional accountants,-

- (i) established in Pakistan, governed under a special enactment of the Federal Government as a self-regulatory organization managed by a representative National Council, and has a prescribed minimum criterion of examination and entitlement of membership of such body; or
- (ii) established outside Pakistan under a special enactment in the country of its origin and is a member of the International Federation of Accountants (IFAC):
Provided that existing head of internal audit of a listed company having atleast fifteen years of experience on the same position in a listed company shall be exempted from qualification criteria given above.

24. Qualification of company secretary.- No person shall be appointed as the company secretary unless he holds the qualification as specified under the relevant Regulations by the Commission:

Provided, the same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.

CHAPTER VIII RESPONSIBILITY FOR FINANCIAL REPORTING AND CORPORATE COMPLIANCE

25. Financial statement endorsed by chief financial officer and chief executive officer.- The chief executive officer and the chief financial officer shall duly endorse the quarterly, half-yearly and annual financial statements under their respective signatures prior to placing and circulating the same for consideration and approval of the Board.

26. External Auditor.- Chief executive officer and chief financial officer shall have the annual and interim financial statement, both standalone and consolidated where applicable, initiated by the external auditors before presenting it to the audit committee and the Board for approval.

CHAPTER IX COMMITTEES OF THE BOARD

27. Audit Committee.- (1) It is **mandatory** that the audit committee shall be constituted by the Board keeping in view the following requirements,-

- (i) the Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director;
- (ii) chairman of the committee shall be an independent director, who shall not be the chairman of the Board;
- (iii) the Board shall satisfy itself that at least one member of the audit committee shall be "financially literate";.

Explanation:- for the purposes of this clause the expression, "financial literate" means a person who,-

- (a) is a member of a recognized body of professional accountants; or

- (b) has a post graduate degree in finance from a university or equivalent institution, either in Pakistan or abroad, recognized by the Higher Education Commission of Pakistan; or
 - (c) has atleast ten (10) years of experience as audit committee member; or
 - (d) atleast twenty (20) years of senior management experience in overseeing of financial, audit related matters.
 - (iv) the Audit Committee of a company shall appoint a secretary of the committee who shall either be the company secretary or head of internal audit.
- (2) It is mandatory that meetings of the audit committee shall be held as per the following requirements,-
- (i) the audit committee of a company shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the company by its Board and after completion of external audit;
 - (ii) a meeting of the audit committee shall also be held, if requested by the external auditors, head of internal audit or by chairman of the audit committee;
 - (iii) the head of internal audit and external auditors represented by engagement partner or in his absence any other partner designated by the audit firm shall attend meetings of the audit committee at which issues, if any, relating to accounts and audit are discussed:
- Provided that chief executive officer and the chief financial officer shall not be members of the audit committee but should be available to attend its meetings at the invitation of the chairman of audit committee:
- Provided further that at least once a year, the audit committee shall meet the external auditors without the chief financial officer and the head of internal audit being present:
- Provided also that at least once a year, the audit committee shall meet the head of internal audit and other members of the internal audit function without the chief financial officer and the external auditors being present.
- (3) It is **mandatory** that the Board of every company shall determine the terms of reference of the audit committee.
- (4) It is **mandatory** that the Board shall provide adequate resources and authority to enable the audit committee to carry out its responsibilities effectively and the terms of reference of the audit committee shall be explicitly documented which shall also include the following,-
- (i) determination of appropriate measures to safeguard the company's assets;
 - (ii) review of annual and interim financial statements of the company, prior to their approval by the Board, focusing on,-

- (a) major judgmental areas;
 - (b) significant adjustments resulting from the audit;
 - (c) going concern assumption;
 - (d) any changes in accounting policies and practices;
 - (e) compliance with applicable accounting standards;
 - (f) compliance with these Regulations and other statutory and regulatory requirements; and
 - (g) all related party transactions;
- (iii) review of preliminary announcements of results prior to external communication and publication;
 - (iv) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
 - (v) review of management letter issued by external auditors and management's response thereto;
 - (vi) ensuring coordination between the internal and external auditors of the company;
 - (vii) review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
 - (viii) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
 - (ix) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
 - (x) review of the company's statement on internal control systems prior to endorsement by the Board and internal audit reports;
 - (xi) instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
 - (xii) determination of compliance with relevant statutory requirements;
 - (xiii) monitoring compliance with these Regulations and identification of significant violations thereof;
 - (xiv) review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;

- (xv) recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
- (xvi) consideration of any other issue or matter as may be assigned by the Board;

(5) It is mandatory that the secretary of audit committee shall circulate minutes of meetings of the audit committee to all members, directors, head of internal audit and where required to chief financial officer prior to the next meeting of the Board:

Provided that where this is not practicable, the chairman of the audit committee shall communicate a synopsis of the proceedings to the Board and the minutes shall be circulated along with the minutes of the meeting of the Board.

28. Human Resource and Remuneration Committee.- (1) There shall be a human resource and remuneration committee of at least three members comprising a majority of non-executive directors of whom at least one member shall be an independent director.

(2) The chairman of the committee shall be an independent director and the chief executive officer may be included as a member of the committee.

(3) The committee shall meet at least once in a financial year and may meet more often if requested by a member of the Board, or committee itself or the chief executive officer and the head of human resource or any other person appointed by the Board may act as the secretary of the committee.

(4) The chief executive officer (if not a member of the committee), head of human resource (if not the secretary to committee) or any other advisor or person may attend the meeting only by invitation.

(5) A member of the committee shall not participate in the proceedings of the committee when an agenda item relating to his performance or review or renewal of the terms and conditions of his service comes up for consideration.

(6) The terms of reference of committee shall be determined by the Board which may include the following,-

- (i) recommendation to the Board for consideration and approval a policy framework for determining remuneration of directors (both executive and non-executive directors and members of senior management). The definition of senior management will be determined by the Board which shall normally include the first layer of management below the chief executive officer level;
- (ii) undertaking, annually, a formal process of evaluation of performance of the Board as a whole and its committees either directly or by engaging

external independent consultant and if so appointed, a statement to that effect shall be made in the directors' report disclosing therein name and qualifications of such consultant and major terms of his / its appointment;

- (iii) recommending human resource management policies to the Board;
- (iv) recommending to the Board the selection, evaluation, development, compensation (including retirement benefits) of chief operating officer, chief financial officer, company secretary and head of internal audit;
- (v) consideration and approval on recommendations of chief executive officer on such matters for key management positions who report directly to chief executive officer or chief operating officer; and
- (vi) where human resource and remuneration consultants are appointed, they shall disclose to the committee their credentials and as to whether they have any other connection with the company.

29. Nomination Committee.- (1) The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.

- (2) The nomination committee shall be responsible for,-
 - (i) considering and making recommendations to the Board in respect of the Board's committees and the chairmanship of the Board's committees; and
 - (ii) keeping the structure, size and composition of the Board under regular review and for making recommendations to the Board with regard to any changes necessary.

(3) The terms of reference of nomination committee shall be determined by the Board ensuring there is no duplication or conflict with matters stipulated under terms of reference of Human Resource and Remuneration (HR&R) Committee.

30. Risk Management Committee.- (1) The Board may constitute the risk management committee, of such number and class of directors, as it may deem appropriate in its circumstances, to carry out a review of effectiveness of risk management procedures and present a report to the Board.

- (2) The terms of reference of the committee may include the following,-
 - (i) monitoring and review of all material controls (financial, operational, compliance);
 - (ii) risk mitigation measures are robust and integrity of financial information is ensured; and
 - (iii) appropriate extent of disclosure of company's risk framework and internal control system in Directors report.

CHAPTER X INTERNAL AUDIT

31. Composition of internal audit function.- (1) There shall be an internal audit function in every company.

(2) The head of internal audit shall functionally report to the audit committee and administratively to the chief executive officer and his performance appraisal shall be done jointly by the Chairman of the audit committee and the chief executive officer.

(3) No director on the Board, shall be appointed, in any capacity, in the internal audit function of the company.

(4) The Board shall ensure that the internal audit team comprises of experts of relevant disciplines in order to cover all major heads of accounts maintained by the company.

(5) The company shall ensure that head of internal audit is suitably qualified, experienced and conversant with the company's policies and procedures.

(6) The internal audit function, wholly or partially, may be outsourced by the company to a professional services firm or be performed by the internal audit staff of holding company and in lieu of outsourcing, the company shall appoint or designate a fulltime employee other than chief financial officer, as head of internal audit holding equivalent qualification prescribed under these Regulations, to act as coordinator between firm providing internal audit services and the Board:

Provided that while outsourcing the function, the company shall not appoint its existing external auditors or any of its associated company or associated undertaking, as internal auditors.

(7) All companies shall ensure that internal audit reports are provided for the review of external auditors.

(8) The auditors shall discuss any major findings in relation to the reports with the audit committee, which shall report matters of significance to the Board.

CHAPTER XI

EXTERNAL AUDIT

32. Terms of appointment of external auditor.- (1) It is **mandatory** that no company shall appoint an external auditors, a firm of auditors, which has not been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan under section 36I of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

(2) It is mandatory that no company shall appoint as external auditors, a firm of auditors which or a partner of which is non-compliant with the International Federation of Accountants' Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.

(3) It is mandatory that the Board of a company shall recommend appointment of external auditors for a year and its remuneration, as suggested by the audit committee and such recommendations shall be included in the Directors' Report and in case a recommendation for appointment of an auditor is other than the retiring auditor, the reasons for the same shall be included in the Directors' Report.

(4) It is mandatory that no company shall appoint its external auditors to provide services in addition to audit except in accordance with these Regulations and shall require the auditors to observe applicable International Federation of Accountants guidelines in this regard.

(5) It is mandatory that the company shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board and management of the company.

(6) It is mandatory that no company shall appoint a person as an external auditor or a person involved in the audit of a company who is a close relative (spouse, parents, dependents and non-dependent children) of the chief executive officer, the chief financial officer, the head of internal audit, the company secretary or a director of the company.

(7) It is mandatory that every company requires the external auditors to furnish a management letter to its Board within 45 days of the date of audit report:

Provided that any matter deemed significant by the external auditor shall be communicated in writing to the Board prior to the approval of the audited accounts by the Board.

33. Rotation of auditors.- (1) It is mandatory that all listed companies in the financial sector shall change their external auditors every five years:

Provided that all inter related companies/ institutions, engaged in business of providing financial services shall appoint the same firm of auditors to conduct the audit of their accounts.

Explanation:- Financial sector, for this purpose, means banks, non-banking financial companies (NBFCs), modarabas and insurance or takaful insurance companies.

(2) It is mandatory that all listed companies other than those in the financial sector shall, at the minimum, rotate the engagement partner after every five years:

Provided that in case the audit firm is a sole proprietorship then after completion of five years such audit firm shall be changed.

CHAPTER XII REPORTING AND DISCLOSURE

34. Directors' Report.- (1) The quarterly financial statements of companies shall be published and circulated along with directors' review on the affairs of the company.

(2) The Directors' Report shall include the following,-

(i) total number of directors including the following,-

- (a) Male; and
- (b) Female;

(ii) composition including the following,-

- (a) Independent directors;
- (b) Non-executive directors;
- (c) Executive directors; and

- (d) Female director.
 - (iii) The names of members of the Board's committees.
 - (iv) The directors in their report to members shall state the remuneration policy of non-executive directors including independent directors, as approved by the Board, which shall also include disclosing the significant features and elements thereof.
- (3) The company's Annual Report shall contain details of aggregate amount of remuneration separately of executive and non-executive directors, including salary/fee, perquisites, benefits and performance-linked incentives etc. Companies are encouraged to provide aforesaid details of remuneration of individual directors in annual report.

35. Disclosure of significant policies on website.- The company may post the following on its website:

- (1) key elements of its significant policies including but not limited to the following:
 - (i) communication and disclosure policy;
 - (ii) code of conduct for members of board of directors, senior management and other employees;
 - (iii) risk management policy;
 - (iv) internal control policy;
 - (v) whistle blowing policy;
 - (vi) corporate social responsibility/sustainability/ environmental, social and governance related policy.
- (2) brief synopsis of terms of reference of the Board's committees including:
 - (i) Audit Committee
 - (ii) HR and Remuneration Committee
 - (iii) Nomination Committee
 - (iv) Risk Management Committee
- (3) key elements of the directors' remuneration policy.

36. Compliance Statement and Auditor Review.- (1) It is mandatory that the company shall publish and circulate a statement, as given under Annexure A to these Regulations, along with their annual reports to set out the status of their compliance with the requirements of these Regulations and the said statement shall be specific and supported by necessary explanations..

(2) It is mandatory that the company shall ensure that the statement of compliance is reviewed and certified by statutory auditors as per relevant Regulations specified by Commission.

(3) It is mandatory that the statutory auditors of company shall highlight any non-compliance with these Regulations in their review report.

CHAPTER XIII

MISCELLANEOUS

37. Penalty.- Whoever fails or refused to comply with, or contravenes regulation 3, 6, 7, 8, 27, 32, 33 and 36 of these Regulations, shall be punishable with

penalty as provided under sub-section (2) of section 512 of the Act.

38. Relaxation from requirements of Regulations.- Where the Commission is satisfied that it is not practicable to comply with any of the mandatory requirements of the regulation 3, 6, 7, 8, 27, 32, 33 and 36 of these Regulations, it may, for reasons to be recorded in writing, on the application by the company, extend the time for compliance of the same subject to such conditions as it may deem fit.

39. Repeal and Savings.- (1) The Listed Companies (Code of Corporate Governance) Regulations, 2017, hereinafter called as repealed regulations, shall stand repealed:

Provided that repeal of the repealed regulations shall not-

- (a) revive anything not in force at the time at which the repeal take effect; or
- (b) affect the previous operation of the repealed regulations or anything duly done or suffered thereunder; or
- (c) affect any right, privilege, obligation or liability acquired, accrued or incurred under or in respect of the said repealed regulations; or
- (d) affect any penalty imposed, forfeiture made or punishment incurred in respect of any offence committed against or in violation of the repealed regulations; or
- (e) affect any inspection, investigation, prosecution, legal proceeding or remedy in respect of any obligation, liability, penalty, forfeiture or punishment as aforesaid, and any such inspection, investigation, prosecution, legal proceedings or remedy may be made, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if these Regulations has not been notified.

(2) Save as otherwise specifically provided, nothing in these Regulations shall affect or deemed to effect any action taken, orders issued, application received, relaxation granted unless withdrawn, fee paid or accrued, resolution passed, direction given under the repealed regulations shall, if in force at the effective date of these Regulations and not inconsistent with provision of these Regulations, shall continue to be in force and have effect as if it were respectively taken, made, directed, received, passed, given, executed or issued under these Regulations.

Annexure A

[see regulation 36(1)]

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of company

.....
Year

ending.....

The company has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are _____ as per the following,-
 - a. Male:
 - b. Female:
2. The composition of the Board is as follows:
 - i. Independent directors
 - ii. Non-executive directors
 - iii. Executive directors
 - iv. Female directors
3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. The Board has arranged Directors' Training program for the following:
(Name of Director)
(Name of Executive & Designation (if applicable);
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below.-
 - a) Audit Committee (Name of members and Chairman)
 - b) HR and Remuneration Committee (if applicable) (Name of members and Chairman)
 - c) Nomination Committee (if applicable) (Name of members and Chairman)

- d) Risk Management Committee (if applicable) (Name of members and Chairman)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following,-
- a) Audit Committee;
 - b) HR and Remuneration Committee (if applicable);
 - c) Nomination Committee (if applicable);
 - d) Risk Management Committee (if applicable);
15. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

S. R. O. 180(I)/2013 dated March 08, 2013.- In exercise of the powers conferred by Section 506 of the Companies Ordinance, 1984 (XLVII of 1984) read with clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan, with approval of the Federal Government, is pleased to make the following rules, the same have been previously published vide Notification No. S.R.O. 283(I)/2012 dated 22nd March, 2012, namely:-

Public Sector Companies (Corporate Governance) Rules, 2013

1. Short title and commencement.— (1) These Rules may be called the Public Sector Companies (Corporate Governance) Rules, 2013.

(2) They shall come into force ¹[on 8th August, 2013].

(3) These rules shall apply to all Public Sector Companies, as defined in clause (g) of rule 2.

(4) In the case of listed Public Sector Companies, where there is any inconsistency with the Code of Corporate Governance, the provisions of these rules shall prevail.

2. Definitions. (1) In these rules, unless there is anything repugnant in the subject or context:

- (a) “Board” means board of directors of a Public Sector Company;
- (b) “Commission” means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (c) “Executive” means an employee of a Public Sector Company, who is entrusted with responsibilities of an administrative or managerial nature, including the Chief Executive and Executive Director;
- (d) “Independent Director” means a Non-Executive Director who is not in the service of Pakistan or of any statutory body or any body or institution owned or controlled by the Government and who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the Public Sector Company, its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent judgment without being subservient to any form of conflict of interest. A director shall not be considered independent if one or more of the following circumstance exist,-

¹ Substituted for “8th July 2013 by SRO 677(I)/2013 dated July 24, 2013. It was earlier substituted for “after ninety days of the issuance of this notification” by SRO 479(I)/2013 dated June 06, 2013.

- (i) he has been an employee of the Public Sector Company, any of its subsidiaries, or holding company during the last two years;
 - (ii) he has, or has had within the last two years, a material business relationship with the Public Sector Company either directly or indirectly, or director of a body that has such a relationship with the Public Sector Company;
 - (iii) he has received remuneration in the two years preceding his appointment as director or has received additional remuneration excluding retirement benefits from the Public Sector Company apart from director's fee or has participated in the Public Sector Company's share option or a performance-related pay scheme;
 - (iv) he is a close relative (spouse, lineal ascendants and descendants and brothers and sisters) of the company's promoters, directors or major shareholders;
 - (v) he holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; or
 - (vi) he has served on the Board for more than two consecutive terms from the date of his first appointment provided that such person shall be deemed independent director after a lapse of one term;
- (e) "Non-Executive Director" means a director of a Public Sector Company who is not entrusted with responsibilities of an administrative or managerial nature;
- ¹[(f) "Act" means the Companies Act, 2017 (XIX of 2017);]
- (g) "Public Sector Company" means a company, whether public or private, which is directly or indirectly controlled, beneficially owned or not less than fifty 2[one] percent of the voting securities or voting power of which are held by the Government or any instrumentality or agency of the Government or a statutory body, or in respect of which the Government or any instrumentality or agency of the Government or a statutory body, has otherwise power to elect, nominate or appoint majority of its directors, and includes a public sector association not for profit, licensed under section 42 of the ³[Act].
- (2) All other terms and expressions used but not defined in these rules shall have the same meaning as are assigned to them in the ³[Act].
- ⁴**[2A. Criteria for sound and prudent management.]** (1) For the purposes of these rules, the following shall be the criteria for sound and prudent management of a Public Sector Company, which shall be bound to comply with it at all times namely:-

1 Clause (f) substituted by SRO 715(I)/2019 dated July 1, 2019.

2 Words inserted by SRO 275(I)/2017 dated April 21, 2017.

3 Substituted for the word "Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

4 Rule 2A inserted by SRO 275(I)/2017 dated April 21, 2017.

- (a) the business of the Public Sector Company is carried on with integrity, objectivity, due care and the professional skills appropriate to the nature and scale of its activities;
 - (b) each director and chief executive officer, by whatever name called, of the Public Sector Company complies with the fit and proper criteria specified under these rules;
 - (c) the Public Sector Company is directed and managed by a sufficient number of persons who are fit and proper persons to hold the positions which they hold; and
 - (d) the Public Sector Company maintains adequate accounting and other records of its business.
- (2) Accounting and other records shall not be regarded as adequate for the purposes of these rules unless they are such as-
- (a) to enable the business of the Public Sector Company to be prudently managed;
 - (b) to enable the Public Sector Company to comply with the obligations imposed on it by or under the ³[Act] and these rules; and
 - (c) comply with all professional standards and pronouncements of relevant professional bodies as applicable in Pakistan.
- (3) The Public Sector Company shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the legitimate policy objectives and development targets of the Government.]

3. Composition of the Board. (1) The Board shall consist of executive and non-executive directors, including independent directors and those representing minority interests with the requisite range of skills, competence, knowledge, experience and approach so that the Board as a group includes core competencies and diversity considered relevant in the context of the Public Sector Company's operations.

¹[(2) The Board shall have at least one-third of its total members as independent directors. The Public Sector Company shall disclose in the annual report non-executive, executive and independent directors.]

(3) No Independent Director shall participate in share options or any similar schemes of the Public Sector Company which entitle him to acquire any interest in the Public Sector Company.

²[]

(5) No Person shall be elected or nominated as a director of more than five Public Sector Companies and listed companies simultaneously, except their subsidiaries.

1 Rule 3(2) substituted by SRO 275(I)/2017 dated April 21, 2017.

2 Rule 3(4) deleted by SRO 275(I)/2017 dated April 21, 2017.

(6) The Public Sector Company shall, where necessary, take necessary steps to ensure that the minority shareholders, as a class, are facilitated by proxy solicitation, for which purpose the Public Sector Company shall,-

- (a) annex with the notice issued under sub-section (4) of ¹[section 159 of the Act], a statement by a candidate from amongst the minority shareholders who seek to contest election to the Board, and it may include a profile of the candidate;
- (b) provide information regarding shareholding structure and copies of the register of members to the candidates representing minority shareholders; and
- (c) on a request by the candidates representing minority shareholders and at the cost of the company, annex to the notice issued under sub-section (4) of ¹[section 159 of the Act] an additional copy of proxy form duly filled in by such candidates.

(7) The appointing authorities, including the government and other shareholders, shall apply the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the ²[Act] ³[:]

⁴[Provided that the requirement to comply with the fit and proper criteria is without prejudice to compliance with any other requirement for the fitness and propriety of directors issued under any special law, rules or regulations by a sector regulator or authority governing a specified sector.]

⁵**[3A. Term of office and removal of directors.-** (1) A director, once appointed or elected under ⁶[section 161 or section 159 of the Act], shall hold office for a period of three years, unless he resigns or is removed in accordance with the provisions of the ²[Act].

(2) Any casual vacancy arising in the Board in the manner specified in subsection (1) of ⁷[section 161 of the Act] shall be filled in by the directors in accordance with sub-section (2) of ⁶[section 161 of the Act].

(3) A director nominated by the Government shall hold office in accordance with ⁸[section 165 of the Act].

(4) The removal of an elected director shall take place in accordance with ⁹[section 163 of the Act] and the removal of a nominated director shall only take place-

- (a) if the director has not performed up to a standard, determined through a performance evaluation;

1 Substituted for "section 178 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

2 Substituted for the word "Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

3 Full stop substituted for colon by SRO 275(I)/2017 dated April 21, 2017.

4 Proviso inserted by SRO 275(I)/2017 dated April 21, 2017.

5 Rule 3A inserted by SRO 275(I)/2017 dated April 21, 2017.

6 Substituted for "section 180 or section 178 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

7 Substituted for "section 180 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

8 Substituted for "section 183 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

9 Substituted for "section 181 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

- (b) if the director is found to be in non-compliance with the provisions of the¹[Act] or these rules;
- (c) if the director fails to fulfil his duties and responsibilities under these rules;
- (d) if the director fails to comply with or deliberately ignores policy directives of the Government;
- (e) for any administrative reasons such as posting, transfer, retirement, etc., the Government decides to withdraw the nomination; or
- (f) in the event of his misconduct.

Explanation.- For the purpose of this clause, misconduct includes-

- (i) indulging in a competing professional or personal conflict of interests' situation;
- (ii) using the funds, assets and resources of the Public Sector Company without due diligence and care;
- (iii) failing to treat the colleagues and the staff of the Public Sector Company with respect, or using harassment in any form of physical or verbal abuse;
- (iv) making public statements without authorization by the Board;
- (v) receiving gifts or other benefits from any sources external to the Public Sector Company offered to him in connection with his duties on the Board; or
- (vi) abusing or misusing his official position to gain undue advantage or assuming financial or other obligations in private institutions or for persons which may cause embarrassment in the performance of official duties or functions:

Provided that the notice of removal to a nominated director shall give reasons for removal of the director.]

4. Role of the chairman and chief executive and separation of the two positions.- (1) The office of the chairman shall be separate, and his responsibilities distinct, from those of the chief executive.

- (2) The chairman of the Board shall,-
 - (a) ensure that the Board is properly working and all matters relevant to the governance of the Public Sector Company are placed on the agenda of Board meetings;
 - (b) conduct the Board meeting including fixing the agenda; and
 - (c) ensure that all the directors are enabled and encouraged to fully participate in the deliberations and decisions of the Board. The chairman has a responsibility to lead the Board and ensure its effective functioning and continuous development, he shall not be involved in day to day operations of the Public Sector Company.

¹ Substituted for the word "Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

(3) The chief executive is responsible for the management of the Public Sector Company and for its procedures in financial and other matters, subject to the oversight and directions of the Board, in accordance with the ¹[Act] ²[and these rules]. His responsibilities include implementation of strategies and policies approved by the Board, making appropriate arrangements to ensure that funds and resources are properly safeguarded and are used economically, efficiently and effectively and in accordance with all statutory obligations.

³[(4) The chairman of the Board shall be elected by the Board of Directors of the Public Sector Company. However, this provision shall not apply where chairman of the Board is appointed by the Government.]

5. Responsibilities, powers and functions of the Board.- ⁴[(1) The directors of a Board shall be persons who, in opinion of the Government, shall assist the Public Sector Company to achieve its principal objective and the Board shall accordingly exercise its powers and carry out its fiduciary duties with a sense of objective judgment and in the best interest of the company. This provision shall apply to all directors, including ex officio directors.

(2) The Board shall evaluate the candidates based on the fit and proper criteria and the guidelines specified by the Commission for appointment to the position of the chief executive and recommend at least three candidates to the Government for its concurrence for appointment of one of them as chief executive of the Public Sector Company, except where the chief executive is nominated by the Government. On receiving concurrence or nomination of the Government, as the case may be, the Board shall appoint the chief executive in accordance with the provisions of the ¹[Act]. The Board shall also be responsible for development and succession planning of the chief executive.]

(3) The Board shall ensure that obligations to all shareholders are fulfilled and they are duly informed in a timely manner of all material events through shareholder meetings and other communications as are considered necessary.

(4) The Board shall ensure that professional standards and corporate values are in place that promotes integrity for the Board, senior management and other employees in the form of a "Code of Conduct". The code of conduct shall articulate acceptable and unacceptable behaviors. The Board shall ensure that appropriate steps are taken to communicate throughout the company the code of conduct it sets together with supporting policies and procedures, including positing the same on the company's website. The Board shall also ensure that adequate systems and controls are in place for the identification and redressal of grievances arising from unethical practices.

(5) The Board shall establish a system of sound internal control, which shall be effectively implemented at all levels within the Public Sector Company, to ensure compliance with the fundamental principles of probity and propriety;

1 Substituted for the word "Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

2 Words inserted by SRO 275(I)/2017 dated April 21, 2017.

3 Rule 4(4) substituted by SRO 275(I)/2017 dated April 21, 2017.

4 Rule 5(1) & (2) substituted by SRO 275(I)/2017 dated April 21, 2017.

objectivity, integrity and honesty and relationship with the stakeholders, in the following manner, namely:-

- (a) the principle of probity and propriety entails that company's assets and resources are not used for private advantage and due economy is exercised so as to reduce wastage. The principle shall be adhered to, especially with respect to the following, namely:-
 - (i) handling of public funds, assets, resources and confidential information by directors, executives and employees; and
 - (ii) claiming of expenses;
- (b) the principle of objectivity, integrity and honesty requires the following, namely:-
 - (i) the directors and executives of a Public Sector Company do not allow a conflict of interest to undermine their objectivity in any of their activities, both professional and private and that they do not use their position in the Public Sector Company to further their private gains in a social or business relationship outside the Public Sector Company. If a situation arises where an actual or potential conflict of interest exists, there shall be appropriate identification, disclosure and management of such conflict of interest;
 - (ii) An appropriate conflict of interest policy is developed and duly enforced. Such a policy shall clearly lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interest, and the procedure for disclosing such interest:

Explanation: For the purpose of this clause a person shall be deemed to have an interest in a matter if he has any stake, pecuniary or otherwise, in such matter which could reasonably be regarded as giving rise to a conflict between his duty to objectively perform his functions under these rules so that his ability to consider and decide any matter impartially or to give any advice without bias, may reasonably be regarded as impaired;

- (iii) where a director, executive or other employee has a conflict of interest in a particular matter, such person shall play no part in the relevant discussion, decision or action;
- (iv) a 'register of interests' is maintained to record all relevant personal, financial and business interests, of directors and executives who have any decision making role in the company, and the same shall be made publicly available. Such interests may include, for instance, any significant political activity, including office holding, elected positions, public appearances and candidature for election, undertaken in the last five years;
- (v) a declaration by the directors and executives that they shall not offer or accept any payment, bribe, favor or inducement which

- might influence, or appear to influence, their decisions and actions; and
- (vi) the Board shall also develop and implement a policy on “anti-corruption” to minimize actual or perceived corruption in the company; and
- (c) the principle of relationship with stakeholders requires the following, namely:-
- (i) ensuring that the directors and executives uphold the reputation of the company by treating the general public, institutional investors and other stakeholders with courtesy, integrity and efficiency, and ensuring service quality;
 - (ii) ensuring equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. The Board may nominate a committee consisting of one of its members or senior Executives for investigating, where necessary on a confidential basis, any deviation from the company’s code of conduct; and
 - (iii) ensuring compliance with the law and the Public Sector Company’s internal rules and procedures relating to public procurement, tender regulations, purchasing and technical standards, when dealing with suppliers of goods and services. The Board shall ensure that quality standards are followed with due diligence and that suppliers comply with the standards specified and are paid for supplies or services within the time agreed.
- (6) The Board shall adopt a vision or mission statement and corporate strategy for the Public Sector Company.
- (7) The Board shall also formulate significant policies of the Public Sector Company, which may include the following, namely:-
- (a) the formal approval and adoption of the annual report of the Public Sector Company, including the financial statements;
 - (b) the implementation of an effective communication policy with all the stakeholders of the Public Sector Company;
 - (c) the identification and monitoring of the principal risks and opportunities of the Public Sector Company and ensuring that appropriate systems are in place to manage these risks and opportunities, including safeguarding the public reputation of the Public Sector Company;
 - (d) procurement of goods and services so as to enhance transparency in procurement transactions;
 - (e) marketing of goods to be sold or services to be rendered by the Public Sector Company;
 - (f) determination of terms of credit and discount to customers;
 - (g) write-off of bad or doubtful debts, advances and receivables;

- (h) acquisition or disposal of fixed assets and investments;
- (i) borrowing of moneys up to a specified limit, exceeding which the amounts shall be sanctioned or ratified by a general meeting of shareholders;
- (j) Corporate social responsibility initiatives including, donations, charities, contributions and other payments of a similar nature;
- (k) determination and delegation of financial powers to Executive and employees;
- (l) transactions or contracts with associated companies and related parties;
- (m) health, safety and environment;
- (n) development of whistle-blowing policy and protection mechanism;
- (o) capital expenditure planning and control;
- (p) protection of public interests; and
- (q) human resource policy including succession planning.

(8) Any service delivered or goods sold by a Public Sector Company as a public service obligation where decisions are taken in fulfilling social objectives of the Government but are not in its commercial interests, outlay of such action shall be quantified and request for appropriate compensation there-for shall be submitted to the Government for consideration.

(9) A complete record of particulars of the above-mentioned policies along with the dates on which they were approved or amended by the Board shall be maintained.

(10) The Board shall define the level of materiality, keeping in view the specific context of the Public Sector Company and the recommendations of any committee of the Board that may be set up for the purpose.

¹[(11) The Board shall ensure compliance with policy directions received from Government from time to time.

(12) The Board shall ensure compliance with the reporting requirements received from the Government within the specified time-frame, related to, including but not limited to, audit, finance, parliamentary business, performance and ancillary matters:

¹ Sub-rules (11) & (12) inserted by SRO 275(I)/2017 dated April 21, 2017.

Provided that the Board shall nominate the company secretary or any other official at appropriate level as focal person for maintaining liaison with the Government regarding the aforesaid matters.]

6. Meetings of the Board.- (1) The Board shall meet at least once, each quarter of a year, to ensure that it discharges its duties and obligations to shareholders and other stakeholders efficiently and effectively. In case of non-compliance, the same shall be reported to the Commission with reasons of non-compliance, within fourteen days of the end of the quarter in which the meeting should have been held.

(2) Written notices of meetings, including the agenda, duly approved by the Chairman, shall be circulated not less than seven days before the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived by the Board.

(3) The chairman of the Board shall ensure that minutes of meetings of the Board are appropriately recorded by approving them under his signature. The minutes of meetings shall be circulated after approval of the chairman, to directors and officers entitled to attend Board meetings, not later than fourteen days thereof, unless a shorter period is provided in the articles of association of the Public Sector Company.

(4) In the event that a director of a Public Sector Company is of the view that his dissenting note has not been satisfactorily recorded in the minutes of a meeting of the Board, he may refer the matter to the company secretary, or the chairman of the Board. The director may require the note to be appended to the minutes, failing which he may file an objection with the Commission.

(5) A Board meeting held and attended through video-conferencing shall be a valid meeting, as long as its proceedings are properly recorded and the requirements specified by the Commission for public companies for holding Board meetings through video-conferencing are met.

7. Key information to be placed for decision by the Board.- (1) The Board shall establish appropriate arrangements to ensure it has access to all relevant information, advice and resources necessary to enable it to carry out its role effectively. Significant issues shall be placed before the Board for its information and consideration, in order to formalize and strengthen the corporate decision making process.

(2) For the purpose of sub-rule (1), significant issues shall, *inter-alia*, include the following, namely:-

- (a) annual business plans, cash flow projections, forecasts and long term plans; budgets including capital, manpower and expenditure budgets, along with variance analyses;
- (b) internal audit reports, including cases of fraud or major irregularities;
- (c) management letters issued by the external auditors;
- (d) details of joint ventures or collaboration agreements or agreements with distributors, agents, etc;

- (e) promulgation or amendment of a law, rule or regulation or, enforcement of an accounting standard or such other matters as may affect the Public Sector Company;
- (f) status and implications of any lawsuit or judicial proceedings of material nature, filed by or against the Public Sector Company;
- (g) any show cause, demand or prosecution notice received from any revenue or regulatory authority, which may be material;
- (h) material payments of government dues, including income tax, excise and customs duties, and other statutory dues including penal charges thereon;
- (i) inter-corporate investments in and loans to or from associated concerns in which the business group, of which the Public Sector Company is a part, has significant interest;
- (j) Policies related to the award of contracts and purchase and sale of raw materials, finished goods, machinery etc;
- (k) default in payment of principal or interest, including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit;
- (l) failure to recover material amounts of loans, advances, and deposits made by the Public Sector Company, including trade debts and inter-corporate finances;
- (m) any significant accidents, dangerous occurrences and instances of pollution and environmental problems involving the Public Sector Company;
- (n) significant public or product liability claims made or likely to be made against the Public Sector Company, including any adverse judgment or order made on the conduct of the Public Sector Company or of any other company that may bear negatively on the Public Sector Company;
- (o) disputes with labor and their proposed solutions, any agreement with the labor union or collective bargaining agent and any charter of demands on the Public Sector Company;
- (p) payment for goodwill, brand equity or intellectual property;
- (q) annual, quarterly, monthly or other periodical accounts as are required to be approved by the Board for circulation amongst its members;
- (r) reports on governance, risk and compliance issues;
- (s) whistle-blower protection mechanism;
- (t) report on Corporate Social Responsibility (CSR) activities; and
- (u) related party transactions.

8. Performance evaluation.- ¹[(1) The performance evaluation of members of the Board including the chairman and the chief executive shall be undertaken

¹ Rule 8(1) substituted by SRO 275(I)/2017 dated April 21, 2017.

annually by the Government for which the Government shall enter into performance contract with each member of the Board at the time of his appointment.]

(2) The Board shall monitor and assess the performance of senior management on a periodic basis, at least once a year, and hold them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.

9. Related party transactions.- (1) The details of all related party transactions shall be placed before the audit committee of the Public Sector Company and upon recommendations of the audit committee, the same shall be placed before the Board for review and approval.

(2) The related party transactions which are not executed at arm's length price shall also be placed separately at each Board meeting along with necessary justification for consideration and approval of the Board on recommendation of the audit committee of the Public Sector Company.

(3) The Board shall approve the pricing methods for related party transactions that were made on the terms equivalent to those that prevail in arm's length transaction only if such terms can be substantiated.

(4) Every Public Sector Company shall maintain a party wise record of transactions, in each financial year, entered into with related parties in that year along with all such documents and explanations. The record of related party transaction shall include the following particulars in respect of each transaction, namely:-

- (a) name of related party;
- (b) nature of relationship with related party;
- (c) nature of transaction;
- (d) amount of transaction; and
- (e) terms and conditions of transaction, including the amount of consideration received or given.

(5) The Public Sector Company may seek a general mandate from its members for recurrent related party transactions of revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or business. A general mandate is subject to annual renewal.

10. Quarterly and Monthly Financial Statements and Annual Report.- (1) Every Public Sector Company shall, within one month of the close of first, second and third quarter of its year of account, prepare a profit and loss account for, and balance-sheet as at the end of, that quarter, whether audited or otherwise, for the Board's approval. Annual report including annual financial statements shall be placed on the Public Sector Company's website ¹[:]

¹ Full stop substituted for colon by SRO 275(I)/2017 dated April 21, 2017.

¹[Provided that Public Sector Companies which are listed on the exchange shall prepare half-yearly accounts within such time period and undertake limited scope review by the auditors as specified by the Commission from time to time.]

²[]

11. Board orientation and learning.- (1) Orientation courses shall be held by a Public Sector Company, to enable directors to better comprehend the specific context in which it operates, including its operations and environment, awareness of Public Sector Company's values and standards of probity and accountability as well as their duties as directors.

(2) In order to ensure that the directors are well conversant with the corporate laws and practices, they are encouraged to have certification under an appropriate training or education program offered by any institution, local or foreign.

(3) In order to acquaint the Board members with the wider scope of responsibilities concerning the use of public resources, to act in good faith and in the best interests of the Public Sector Company, at least one orientation course shall be arranged annually for the directors and the following information in writing, *inter-alia*, shall be provided, namely:-

- (a) Public Sector Company's aims and objectives;
- (b) control environment and control activities;
- (c) key policies and procedures;
- (d) risk management and internal control framework;
- (e) background of key personnel, including their job descriptions;
- (f) delegation of financial and administrative powers;
- (g) board and staff structure; and
- (h) budgeting, planning and performance evaluation systems.

12. Formation of Board committees.- (1) The Board shall set up the following committees to support it in performing its functions efficiently, and for seeking assistance in the decision making process, namely:-

- (a) audit committee, for an efficient and effective internal and external financial reporting mechanism;
- (b) risk management committee, in case of Public Sector Companies either in the financial sector or those having assets of five billion rupees or more, to effectively review the risk function;
- (c) human resources committee, to deal with all employee related matters including recruitment, training, remuneration, performance evaluation, succession planning, and measures for effective utilization of the employees of the Public Sector Company;
- (d) procurement committee, to ensure transparency in procurement transactions and in dealing with the suppliers; and

1 Proviso inserted by SRO 275(I)/2017 dated April 21, 2017.

2 Sub-rule (2) deleted by SRO 275(I)/2017 dated April 21, 2017.

¹[(e) nomination committee, to identify, evaluate and recommend candidates for vacant positions, including casual vacancies, on the Board, including the candidates recommended by the Government for consideration of shareholders or in case of casual vacancy to the board of directors after examining their skills and characteristics that are needed in such candidates:

Provided that the nomination committee shall submit its proposal within thirty days of a vacancy arising or on a recommendation made by the Government as the case may be.]

(2) The Board committees shall be chaired by non-executive directors ²[]. However, the independent directors in the committees shall not be less than their proportionate strength ³[]. The existence of such committees shall not absolve the Board from its collective responsibility for all matters. Such committees shall have written terms of reference that define their duties, authority and composition, and shall report to the full Board. The minutes of their meetings shall be circulated to all Board members.

(3) The Board shall concern itself with policy formulation and oversight and not the approval of individual transactions except which are of an extraordinary nature or involve materially large amount.

13. Chief Financial Officer, Company Secretary and Chief Internal Auditor – appointment and removal.-(1) The Board shall appoint a chief financial officer, a company secretary and chief internal auditor ⁴[, by whatever name called].

(2) The appointment, remuneration and terms and conditions of employment of the chief financial officer, the company secretary and the chief internal auditor of Public Sector Company shall be determined with the approval of the Board.

(3) The chief financial officer, the company secretary, or the chief internal auditor of Public Sector Company shall not be removed except with the approval of the Board.

14. Role and qualification of Chief Financial Officer and Company.-(1) The chief financial officer shall be responsible for ensuring that appropriate advice is given to the Board on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

(2) No person shall be appointed as the chief financial officer of a Public Sector Company unless he is,-

(a) a member of a recognized body of professional accountants with at least five years relevant experience, in case of Public Sector Companies having total assets of five billion rupees or more; or

1 Rule 12(1)(e) substituted by SRO 275(I)/2017 dated April 21, 2017.

2 Words "and the majority of their members shall be independent" deleted by SRO 275(I)/2017 dated April 21, 2017.

3 Words "during the first four years of this notification" deleted by SRO 275(I)/2017 dated April 21, 2017.

4 Words inserted by SRO 275(I)/2017 dated April 21, 2017.

(b) a person holding a master degree in finance from a university recognized by the Higher Education Commission with at least ten years relevant experience, in case of other Public Sector Companies.

(3) The company secretary shall be responsible for ensuring that Board procedures are followed, and that all applicable laws, rules and regulations and other relevant statements of best practice are complied with. Where the company secretary is not separately appointed, the role of company secretary may be combined with chief financial officer or any other member of senior management.

(4) No person shall be appointed as the company secretary of a Public Sector Company unless he is a,-

- (a) member of a recognized body of professional accountants; or
- (b) member of a recognized body of corporate or chartered secretaries; or
- (c) person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission with at least five years relevant experience.

(5) No person shall be appointed to the positions of the chief financial officer and company secretary unless he is fit and proper for the position.

15. Requirement to attend Board Meetings.- (1) The chief financial officer and the company secretary of a Public Sector Company shall attend all meetings of the Board:

Provided that unless elected as a director, the chief financial officer and the company secretary shall not be deemed to be a director or entitled to cast a vote at meetings of the Board for the purposes of these rules:

Provided further that the chief financial officer and the company secretary shall not attend such part of a meeting of the Board, which involves consideration of an agenda item relating to them or that relating to the chief executive or any director.

(2) In pursuance of sub-rule (1), the Board shall ensure that the chief-financial officer and the company secretary attend Board meetings, wherever required.

16. Financial Reporting Framework.- Every Public Sector Company shall adopt International Financial Reporting Standards, as are notified by the Commission under ¹[sub-section (1) of section 225 of the Act].

17. Directors' report to the Shareholders.- (1) The Board shall submit an annual report to the shareholders.

(2) The Board shall make the following statements and provide the following information in their report to the shareholders, prepared under ²[section 227 of the Act], namely:-

¹ Substituted for "clause (i) of sub-section (3) of section 234 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

² Substituted for "section 236 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

- (a) the Board has complied with the relevant principles of corporate governance, and has identified the rules that have not been complied with, the period in which such non-compliance continued, and reasons for such non-compliance;
 - (b) the financial statements, prepared by the management of the Public Sector Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
 - (c) proper books of account of the Public Sector Company have been maintained;
 - (d) appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
 - (e) they recognize their responsibility to establish and maintain sound system of internal control, which is regularly reviewed and monitored; and
 - (f) the appointment of chairman and other members of Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Public Sector Company as well as in line with the best practices.
- (3) The disclosure of an Executive's remuneration is an important aspect for a Public Sector Company. The annual report of a Public Sector Company shall contain a statement on the remuneration policy and details of the remuneration of members of the Board. Separate figures need to be shown for salary, fees, other benefits and other performance-related elements.
- (4) The directors' report of a Public Sector Company shall also include the following, where applicable, namely:-
- (a) where the Public Sector Company is reliant on a subsidy or other financial support from the Government, a detailed disclosure of the fact;
 - (b) significant deviations from last year in operating results of the Public Sector Company shall be highlighted and reasons thereof shall be explained.
 - (c) key operating and financial data of last six years shall be summarized;
 - (d) key performance indicators of the Public Sector Company relating to its social objectives and outcomes which significantly reflect the work and impact of Public Sector Company and comparison of actual results with the budgeted figures. Such indicators shall focus on as to how well the Public Sector Company has responded to accountability requirements, improved service delivery, reduced costs and adherence to the principles of environmental and corporate social responsibilities;
 - (e) where any statutory payment on account of taxes, duties, levies and charges is overdue or outstanding, the amount together with a brief description and reasons for the same shall be disclosed;

- (f) significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the Public Sector Company;
- (g) a statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included;
- (h) the number of Board meetings held during the year and attendance by each director shall be disclosed; and
- (i) the pattern of shareholding shall be reported to disclose the aggregate number of shares (alongwith details, stated below) held by,-
 - (i) Government;
 - (ii) associated companies, undertakings and related parties (name wise details);
 - (iii) mutual funds;
 - (iv) directors, Chief Executive, and their spouse and minor children (name wise details);
 - (v) Executive;
 - (vi) Public Sector Companies and corporations;
 - (vii) banks, development finance institutions, non-banking finance companies, insurance companies, takaful companies, and modarabas; and
 - (viii) shareholders holding five percent or more voting rights in the Public Sector Company (name wise details).

18. Disclosure of Interests by Directors and Officers.- (1) Every director of a Public Sector Company, if he or his relative, is in any way, directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Public Sector Company shall disclose the nature of his concern or interest at a meeting of the directors.

(2) Any other officer (including the Chief Executive and other Executives) of a Public Sector Company, if he or his relative, is in any way, directly or indirectly, concerned or interested in any proposed contract or arrangement by the company shall disclose to the Company through a communication to the company secretary, the nature and extent of his interest in the transaction. Such officer and the company shall ensure that such information is properly placed and considered by any forum where the matter relating to such proposed contract or arrangement is to be discussed and approved.

(3) If a director or officer has an existing interest, before joining the Board, he shall disclose such interest to the Board, which shall take such facts into consideration for any current and future decision making.

19. Directors' Remuneration.- (1) There shall be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director shall be involved in deciding his own remuneration.

(2) Directors' remuneration packages shall encourage value creation within the company, and shall align their interests with those of the company. These shall be subject to prior approval of shareholders or Board as required by company's Articles and Associations. Levels of remuneration shall be sufficient to attract and retain the directors needed to run the company successfully.

(3) Subject to the provisions of the company's Articles of Association, the shareholders or Board shall determine the scale of remuneration for non-executive directors. However, it shall not be at a level that could be perceived to compromise their independence.

(4) The Public Sector Company's annual report shall contain criteria and details of the remuneration of each director, including salary, benefits and performance linked incentives.

20. Responsibility for financial reporting and corporate compliance.- No Public Sector Company shall circulate its financial statements unless the chief executive and the chief financial officer, present the financial statements, duly certified under their respective signatures, for consideration and approval of the audit committee and the Board. The Board shall, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

21. Audit Committee.- (1) The Board shall establish an audit committee, whose members shall be financially literate and majority of them, including its chairman, shall be Independent Non-Executive Directors, subject to the provisions of sub-rule (2) of rule 12. the names of members of the audit committee shall be disclosed in each annual report of the Public Sector Company.

(2) The chairman of the Board as well as the chief executive of the Public Sector Company shall not be a member of the audit committee.

(3) The chief financial officer, the chief internal auditor, and a representative of the external auditors shall attend all meetings of the audit committee at which issues relating to accounts and audit are discussed:

Provided that at least once a year, the audit committee shall meet the external auditors without the presence of the chief financial officer, the chief internal auditor and other executives being present, to ensure independent communication between the external auditors and the audit committee:

Provided further that at least once a year, the audit committee shall meet chief internal auditor and other members of the internal audit function without the chief financial officer and the external auditors being present.

(4) The Board shall determine the terms of reference of the audit committee. The terms of reference shall be in writing, specifying the mandate of the audit committee. The audit committee shall have full and explicit authority to investigate any matter within its terms of reference and shall be provided with adequate resources and access to all relevant information.

(5) The audit committee shall, *inter-alia*, be responsible for recommending to the Board the appointment of external auditors by the Public Sector

Company's shareholders and shall consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Public Sector Company in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board shall act in accordance with the recommendations of the audit committee in all these matters. However, the Board shall not be deemed to absolve itself of its overall responsibility for the functions delegated to the audit committee.

(6) The terms of reference of the audit committee may also include the following, namely:-

- (a) determination of appropriate measures to safeguard the Public Sector Company's assets;
- (b) review of financial results;
- (c) review of quarterly, half-yearly and annual financial statements of the Public Sector Company, prior to their approval by the Board, focusing on,-
 - (i) major judgment areas;
 - (ii) significant adjustments resulting from the audit;
 - (iii) the going-concern assumption;
 - (iv) any charges in accounting policies and practices; and
 - (v) compliance with applicable accounting standards.

Explanation.- The appropriateness of the use of the going concern assumption in the preparation of the financial statements is generally not in question when auditing Public Sector Company having funding arrangements backed by the Government. However, where such arrangements do not exist, or where Government funding of the Public Sector Company may be withdrawn and the existence of the Public Sector Company may be at risk. International Standards on Auditing provide useful guidance. This issue is increasingly important for Public Sector Companies which have been privatized;

- (d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- (e) review of management letter issued by external auditors and management's response thereto;
- (f) ensuring coordination between the internal and external auditors of the Public Sector Company;
- (g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Public Sector Company;
- (h) consideration of major findings of internal investigations and management's response thereto;

- (i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- (j) review of the Public Sector Company's statement on internal control systems prior to endorsement by the Board;
- (k) recommending or approving the hiring or removal of the chief internal auditor;
- (l) instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the chief executive and to consider remittance of any matter to the external auditors or to any other external body;
- (m) determination of compliance with relevant statutory requirements.
- (n) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof;
- (o) overseeing whistle-blowing policy and protection mechanism; and
- (p) consideration of any other issue or matter as may be assigned by the Board.

(7) The audit committee shall be responsible for managing the relationship of Public Sector Company with the external auditors. In managing the Public Sector Company's relationship with the external auditors on behalf of the Board, the audit committee's responsibilities includes,-

- (a) suggesting the appointment of the external auditor to the Board, the audit fee, and any questions of resignation or dismissal;
- (b) considering the objectives and scope of any non-financial audit or consultancy work proposed to be undertaken by the external auditors, and reviewing the remuneration for this work;
- (c) discussing with the external auditors before the audit commences the scope of the audit and the extent of reliance on internal audit and other review agencies;
- (d) discussing with the external auditors any significant issues from the review of the financial statements by the management, and any other work undertaken or overseen by the audit committee;
- (e) reviewing and considering the external auditors' communication with management and management's response thereto; and
- (f) reviewing progress on accepted recommendations from the external auditors.

(8) The recommendations of the audit committee for appointment of retiring auditors or otherwise, as mentioned in sub-rule (7) above, shall be included in the directors' report. In case of a recommendation for change of external auditors before the lapse of three consecutive financial years, the reasons for the same shall be included in the directors' report.

(9) The audit committee shall appoint a secretary of the Committee, who shall circulate minutes of its meetings to the all members, directors and the chief financial officer, within fourteen days of the meeting.

22. Internal Audit.- (1) There shall be an internal audit function in every Public Sector Company. The chief internal auditor, who is the head of the internal audit function in the Public Sector Company, shall be accountable to the audit committee and have unrestricted access to the audit committee.

(2) No person shall be appointed to the position of the chief internal auditor unless he is considered and approved as "fit and proper" for the position by the Audit Committee. No person shall be appointed as the Chief Internal Auditor of a Public Sector Company unless he has five years of relevant audit experience and is a,-

- (a) member of a recognized body of professional accountants; or
- (b) certified internal auditor; or
- (c) certified fraud examiner; or
- (d) certified internal control auditor; or
- (e) person holding a master degree in finance from a university recognized by the Higher Education Commission.

Provided that individuals serving as chief internal auditor of the Public Sector Company for the last five years at the time of coming into force of these rules shall be exempted from the above qualification requirement.

(3) Every Public Sector Company shall ensure that internal audit reports are provided for the review of external auditors. The external auditors shall discuss any major findings in relation to the reports with the audit committee, which shall report matters of significance to the Board.

(4) The internal audit function shall have an audit charter, duly approved by the audit committee and shall work, as far as practicable, in accordance with the standards for the professional practice of internal auditors issued by the Institute of Internal Auditors In., (the global professional organization of internal audit profession).

23. External Auditors.- (1) Every Public Sector Company shall ensure that its annual accounts are audited by external auditors, as envisaged under ¹[section 246 of the Act]. When carrying out audit of a Public Sector Company, the external auditors shall take into account the specific requirements of any other relevant regulations, ordinances or ministerial directives which affect the audit mandate and any special auditing requirements.

(2) In assessing materiality, the external auditor must, in addition to exercising professional judgment, consider any legislation or regulation which may impact that assessment.

(3) The external auditors shall independently report to the shareholders in accordance with statutory and professional requirements. They shall also report to the Board and audit committee the matters of audit interest, as laid down in the International Standards on Auditing.

¹ Substituted for "section 252 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

(4) No Public Sector Company shall appoint as external auditors a firm of auditors which firm or a partner of which firm is non-compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as applicable in Pakistan.

(5) The external Auditors shall observe applicable guidelines issued by the International Federation of Accountants with regard to restriction of non-audit services. The audit committee shall also ensure that the external auditors do not perform management functions or make management decisions, responsibility for which remains with the Board and management of the Public Sector Company.

(6) Every Public Sector Company in the financial sector shall change its external auditors every five years. Financial sector, for this purpose, means banks, non-banking finance companies, mutual funds, modarabas, *takaful* companies and insurance companies. Every Public Sector Company other than those in the financial sector shall, at a minimum, rotate the engagement partner after every five years.

(7) No Public Sector Company shall appoint a person as its chief executive, chief financial officer, chief internal auditor or director who was a partner of the firm of its external auditors (or an employee involved in the audit of the Public Sector Company) at any time during the two years preceding such appointment.

(8) Every Public Sector Company shall require external auditors to furnish a management letter to its Board not later than thirty days from the date of audit report.

24. Compliance with the rules.- (1) Every public Sector Company shall publish and circulate a statement along with its annual report to set out the status of its compliance with these rules, and shall also file with the Commission and the registrar concerned such statement alongwith its annual report.

(2) Every Public Sector Company shall ensure that the statement of compliance with the rules is reviewed and certified by external auditors, where such compliance can be objectively verified, before publication by the Public Sector Company.

(3) Where the ¹[Federal Government] is satisfied that it is not practicable to comply with any of these rules, the ¹[Federal Government] may, for reasons to be recorded, relax the same subject to such conditions as it may deem fit to impose.

25. Penalty for contravention o the rules.- Whoever fails or refuses to comply with, or contravenes any provision of these rules, or knowingly and willfully authorizes or permits such failure, refusal or contravention shall, in addition to any other liability under the ²[Act], be punishable with fine and, in the case of continuing failure, to a further fine, as provided in sub-section (2) of section ³[508 of the Act].

1 Substituted for "Commission" by SRO 715(I)/2019 dated July 1, 2019.

2 Substituted for the word "Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

3 Substituted for "506 of the Ordinance" by SRO 715(I)/2019 dated July 1, 2019.

Annexure
[See Rule 3(7)]

Criteria for Determining a 'Fit and Proper Person'

(1) For the purpose of determining as to whether a person proposed to be appointed as director is a 'fit and proper person', the ¹[appointing authorities] shall take into account any consideration as it deems fit, including but not limited to the following criteria, namely:-

The person proposed for the said position-

- (a) is at least graduate;
- (b) is a reputed businessman or a recognized professional with relevant sectoral experience;
- (c) has financial integrity;
- (d) has no convictions or civil liabilities;
- (e) is known to have competence;
- (f) has good reputation and character;
- (g) has the traits of efficiency and honesty;
- (h) does not suffer from any disqualification to act as a director stipulated in the Ordinance;
- (i) has not been subject to an order passed by the Commission canceling the certificate of registration granted to the person individually or collectively with others on the ground of its indulging in insider trading, fraudulent and unfair trade practices or market manipulation, illegal banking, forex or deposit taking business;
- (j) has not been subject to an order passed by the Commission or any other regulatory authority, withdrawing or refusing to grant any license or approval to him which has a bearing on the capital market;
- (k) is not a stock broker or agent of a broker; and
- (l) does not suffer from a conflict of interest: this includes political office holders ²[whether or not] in a legislative role.

(2) A director shall cease to be considered as a "fit and proper person" for the purpose, if he incurs any of the following disqualifications, namely:-

- (a) he is convicted by a court for any offence involving moral turpitude, economic offence, disregard of securities and company laws or fraud;
- (b) an order for winding up has been passed against a company of which he was the officer as defined under section 305 of the Ordinance;
- (c) he or close relatives have been engaged in a business which is of the same nature as and directly competes with the business carried on by the Public Sector Company of which he is the director ³[:]
- ⁴[(d) he does not conduct his duties with due diligence and skill; or
- (e) his association with the Public Sector Company is likely, for whatever reason, to be detrimental to the interest of the Public Sector Company, or be otherwise undesirable.]

¹ Substituted for "Commission" by SRO 275(I)/2017 dated April 21, 2017.

² Words inserted by SRO 275(I)/2017 dated April 21, 2017.

³ Substituted for full stop by SRO 275(I)/2017 dated April 21, 2017.

⁴ Sub-clauses (d)&(e) inserted by SRO 275(I)/2017 dated April 21, 2017.

IMPORTANT CIRCULARS/NOTIFICATIONS

CONTENTS

(Arrangement of Circulars/Notifications)

S.No.	Title/Description	Page No.
1.	CIRCULAR NO. 15 OF 2017, June 8, 2017	849
2.	CIRCULAR No. 02/2018, February 09, 2018	849
3.	CIRCULAR NO. 10/ 2019, July 3, 2019	850
4.	S.R.O. 546(I)/2017, Islamabad, the 21 st June, 2017.....	850
5.	S.R.O. 840(I)/2017, Islamabad, the 17 th August, 2017	853
6.	S.R.O. 1145(I)/2017, Islamabad, the 6 th November, 2017.....	853
7.	S.R.O. 1239(I)/2017, Islamabad, the 6 th December, 2017.....	859
8.	S.R.O. 423(I)/2018, Islamabad, the 3 rd April, 2018.....	860
9.	S.R.O. 1300(I)/2018, Islamabad, the 25 th October 2018	870
10.	S.R.O. 1196(I)/2019, Islamabad, the 3 rd October, 2019	870
11.	S.R.O. 1331(I)/2023, Islamabad, the 18 th September, 2023	874A

COMPENDIUM
OF
CORPORATE LAWS

IMPORTANT CIRCULARS & NOTIFICATIONS

No. CLD/CCD/PR(11)/2017

June 8, 2017

CIRCULAR NO. 15 OF 2017

Subject: Exemption from requirement of National Tax Number under the Companies Act, 2017

1. The Companies Act, 2017 ("the Act") has been promulgated on 30th May, 2017. The provisions of section 153(h) of the Act provides that a person shall not be eligible for appointment as a director of a company, if he does not hold National Tax Number as per the provisions of Income Tax Ordinance, 2001 (XLIX of 2001).

2. It has been observed that the promoters desirous of forming Small Size Companies (SSC) find difficulties as National Tax Number may not be available at the time of formation of company.

3. Keeping in view of the above and in order to promote corporatization, the Commission has decided to grant a general exemption for a period of two years to all Small Size Companies as defined under the Third Schedule attached to the Act including Agriculture Promotion Companies formed in terms of Section 457 of the Act from the requirement of NTN as applicable in terms of Section 153(h) of the Act.

CSD/CI/MISC/2016

February 09, 2018

CIRCULAR No. 02/2018

PROHIBITION ON GRANT OF GIFTS TO SHAREHOLDERS

It has been observed by the Securities and Exchange Commission of Pakistan (SECP) that companies are giving gift/ incentives in lieu of gift to shareholders at or in connection to annual general meeting. Moreover, complaints have also been received in connection of expectation of shareholders to receive gifts from companies.

2. It is emphasized that provision of gifts/ incentives in any form to shareholders at or in connection to general meetings is strictly prohibited under Section 185 of the Companies Act, 2017 ("the Act"). Companies are therefore directed to restrain from giving any gift/ incentive in lieu of gift (tokens/ coupons/ lunches/ takeaway packages) in any form or manner to its shareholders at or in connection to their respective general meetings. Likewise, companies must also denounce any demand of any gift/ incentives from shareholders.

3. It is therefore reiterated that granting gifts to shareholders is an offense and companies in default or not complying with the requirements of law shall be liable to be penalized under Sub-section (2) of Section 185 of the Act.

No. EMD/Misc./D-III/2010-

July 3, 2019

CIRCULAR NO. 10/ 2019
ANNUAL FINANCIAL STATEMENTS AND
NOTICES OF GENERAL MEETINGS

In order to consolidate applicable requirements for filing of annual financial statements and notices of general meetings with the Securities and Exchange Commission of Pakistan (SECP) and dissemination of notices to general public pursuant to the provisions of the Companies Act, 2017 (XIX of 2017) ("the Act"), the SECP in exercise of powers conferred under section 510 of the Act hereby directs listed companies that:

- (i) All notices of general meetings shall be sent to the members and every person who is entitled to receive notice of general meetings at least twenty-one days before the date fixed for the meeting and shall be published in English and Urdu morning newspapers, having nationwide circulation, which are generally known and read, in English and Urdu languages respectively;
- (ii) A copy of newspaper in each language, in which notice of general meeting was published, along with statement under section 134 of the Act, where applicable, shall be filed with the SECP within three days of publication;
- (iii) Notice of general meeting, along with statement under section 134 of the Act, where applicable, shall also be transmitted to the SECP through fax or email at the email address general.meetings@secp.gov.pk; and
- (iv) One of the copies of financial statements and reports attached therewith, filed with the SECP in pursuance of section 223(7) of the Act, shall be duly signed by the auditor, the Chief Executive, a director and the Chief Financial Officer as the case may be.
- (v) Following circulars of the SECP are hereby repealed:
 - i. Circular No. 2 dated January 13, 1999
 - ii. Circular No. 4 dated March 12, 1999
 - iii. Circular No. Nil dated February 22, 2001
 - iv. Circular No. 5 dated March 14, 2002
 - v. Circular No. 1 dated January 7, 2008; and
 - vi. Circular No. 10 dated February 15, 2012

S.R.O. 546(I)/2017, Islamabad, the 21st June, 2017.—In exercise of the powers conferred by section 510 read with sub-sections 1 and 4 of section 452 of the Companies Act, 2017 (XIX of 2017), Securities and Exchange Commission of Pakistan is pleased to specify that:

- (i) The form to notify information by any substantial shareholder or officer of a company to the company as required under sub-section (1) of 452 of the Act relating to shareholding in a foreign company or body

corporate shall be as per **Annexure I**, with the said information to be reported within fourteen days of this notification and subsequently within the period specified thereunder; and

- (ii) The form to notify information by the company to the registrar as required under sub-section (4) of section 452 shall be as per **Annexure II**.

Annexure I

The Companies Act 2017
[Section 452(1)]

Notification of Particulars of Beneficial Ownership to the Company

Please complete in the bold block capital.

1. CUIN (Incorporate Number)			
2. Name of the Company			
3. Particulars of Substantial Shareholder/Officer and Beneficial Ownership			
I. Particulars of substantial shareholder/officer			
(i) Name			
(ii) CNIC/NICOP			
(iii) Other nationality, if holding dual citizenship			
(iv) Address for Correspondence			
(v) Designation, if any officer of the company			
II. Particulars of beneficial ownership in foreign company or body corporate			
	Company 1	Company 2	Company 3
(i) Name of foreign company or body corporate in which ownership is held			
(ii) No. of shares held in foreign company or body corporate			
(iii) Cost of Investment			
(iv) Address for Correspondence			
(v) Business address of foreign company or body corporate			
(vi) Registration authority and country of incorporation of foreign company or body corporate			

**Add additional columns for more companies, if needed.*

Signature							
Name of Signatory							
Date		Day	Month	Year			

Annexure II

The Companies Act, 2017

[Section 452(4)]

Return containing Particulars of Substantial Shareholders/Officers for Companies' Global Register of Beneficial Ownership

Please complete in the bold block capital.

1. CUI Number (Incorporate Number)					
2. Name of the Company					
3. Fee Paid (Rs.)				Name and branch of bank	
4. Receipt No.		Day	Month	Year	

5. Particulars of beneficial ownership

Sr. No.	Description	Particulars of each substantial shareholder or officer*			
(i)	Name of Substantial Shareholder/Officer of the Company				
(ii)	Designation if officer of the Company				
(iii)	CNIC/NICOP				
(iv)	In case shares are owned, held or controlled indirectly, name and relationship with officer/substantial shareholder				
(v)	Name of foreign company or body corporate in which ownership is held				
(vi)	No. of shares held in foreign company or body corporate				
(vii)	Cost of investment				
(viii)	Any interest other than shareholding in foreign company or body corporate				
(ix)	Percentage of shareholding or other interest in foreign company of body corporate				
(x)	Date of shareholding/investment				
(xi)	Business address of foreign company or body corporate				
(xii)	Registration authority of foreign company or body corporate				
(xiii)	Country of incorporation of foreign company or body corporate				

**Add additional columns for more shareholders/officers, if needed.*

S.R.O. 840(I)/2017, Islamabad, the 17th August, 2017.—In exercise of the powers conferred by sub-section (8) of section 285 of the Companies Act, 2017 (XIX of 2017), the Minister-in-charge of the Federal Government is pleased to notify that the powers of the Securities & Exchange Commission of Pakistan conferred by sections 279 to 283 and 285 of the said Act in respect of public interest companies, large sized companies and medium sized companies classified under the Third Schedule to the said Act ¹[, except public sector companies wholly owned directly or indirectly by the Federal Government,] shall be exercised by the Company Bench of the High Court having jurisdiction under the said Act.

S.R.O. 1145(I)/2017, Islamabad, the 6th November, 2017.— In exercise of the powers conferred by section 512 read with sections 242 and 243 of the Companies Act, 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan is pleased to make the following regulations, the same having been previously published vide S.R.O. 1006(I)/2017 dated 4th October 2017, as required by proviso to sub-section (1) of the said section 512, namely:-

1. Short title and commencement.— (1) These regulations shall be called the Companies (Distribution of Dividends) Regulations, 2017.

(2) They shall come into force at once.

(3) The requirements provided in these regulations shall not be applicable on all those companies that have announced cash dividends before the commencement of these regulations.

2. Definitions.— (1) In these regulations unless there is anything repugnant in the subject or context:

- (i) “Act” means the Companies Act, 2017 (XIX of 2017);
- (ii) “Annexure” means annexure appended to these regulations;
- (iii) “central depository” shall have the same meaning as assigned to it under the Securities Act, 2015 (III of 2015);
- (iv) “Commission” means the Securities and Exchange Commission of Pakistan established under Section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (v) “designated bank account” means a bank account maintained with a banking company and designated by a shareholder for the purpose of receiving any dividend payable in cash;
- (vi) “paying agent” means a bank, any approved payment service provider or a central depository appointed by a company for making payment of cash dividend directly into the designated bank account of entitled shareholder;
- (vii) “share registrar” means a share registrar licensed by the Commission under part V of the Securities Act (III of 2015); and
- (viii) “working day” means any day on which banks are open for business.

(2) Words and expressions used but not defined in these regulations shall have the same meanings as are assigned to them in the Act and any administered legislation.

¹ Comma and words inserted by Notification No. SRO 1126(I)/2019, dated September 23, 2019.

3. Period for making payment of dividends.- Subject to section 243 of the Act, the chief executive officer of every company is responsible to make the payment of cash dividend within a period of fifteen working days from the date of its declaration.

4. Manner of payment of cash dividends.- (1) A company may appoint its share registrar or a paying agent for distribution of dividend payable in cash:

Provided that banks may not be required to appoint a paying agent and may itself assume functions and responsibility of paying agent provided in these regulations.

(2) A company, other than a listed company, shall obtain cash dividend distribution mandate at the time of becoming a shareholders of the company comprising of following three modes from their registered shareholders within three months starting from the date of notification of these regulations, namely:-

- (i) direct transfer into the designated bank account; or
- (ii) dividend warrant; or
- (iii) cross cheque:

Provided that the shareholder can change the mandate at any time during the year through a written request containing all requisite details to the company.

(3) In case cash dividend is declared by a company other than a listed company in terms of provisions of section 242 of the Act, the company shall distribute it to the entitled shareholders in the following manner as per their directions obtained under sub-regulation (2) above:-

- (i) direct transfer of amount into the designated bank account in a manner as provided in sub-regulation (4);
- (ii) issuance of dividend warrant in the name of registered shareholder or in the name of authorized person where a registered shareholder authorizes the company to pay dividend, on his behalf;
- (iii) issuance of cheque crossed as "A/C Payee Only" in the name of registered shareholder or in the name of authorized person where a registered shareholder authorizes the company to pay dividend, on his behalf; or
- (iv) dividend warrant or cheque should also bear the identification number.

Explanation.— For the purpose of these regulations identification number includes Computerized National Identity Card Number (CNIC) of the registered shareholder or the authorized person, child registration certificate number or juvenile card number in case of a minor, where applicable and registration number or national tax number of shareholder being a person other than a natural person.

(4) In case where a shareholder has mandated the company under sub-regulation (2) above for direct transfer into the designated bank account and also provided the company with details of its designated bank account, it shall be responsibility of the company to make payment of dividend payable in cash to

such person directly into the designated bank account of such shareholder in the following manner-

- (i) the company may appoint a paying agent, directly or through its share registrar, and provide it with details of entitled shareholders including its name, identification number, information pertaining to designated bank account number and net amount required to be paid into the designated bank account;
- (ii) the net amount required to be paid into the designated bank accounts of relevant shareholders shall either be transferred to the bank account of paying agent or made available to paying agent through any other mean for onward distribution to the entitled shareholders;
- (iii) the paying agent shall make payments as per details provided by the company under clause (i) and in case of failure to transfer any amount into any designated bank account for any reason, promptly communicate the same to the company; and
- (iv) the paying agent shall provide the company with confirmations of payments into the designated bank accounts of relevant shareholders for onward communication to the relevant shareholders.

(5) The company shall provide shareholders to whom payment of cash dividend is made under sub-regulation (3) or (4) above with a certificate containing at least information mentioned in the said sub-regulations for record purposes or for tax filings.

(6) In case, shares are held in book-entry form, information pertaining to designated bank account of shareholders shall be obtained through central depository in accordance with its regulations and where shares are held in physical form, such information shall be obtained from the respective shareholders.

(7) In case of listed company, every shareholder shall be responsible to provide valid information pertaining to its designated bank account including name of bank, address of bank branch and international bank account number, in a manner determined by the company in case of physical shares or, as the case may be, CDC where shares are held in book- entry form, and within a time period as may be notified by the Commission for completion of arrangements for making payment of cash dividends through electronic modes and in every case, the designated bank account details shall be of the titleholder of shares or account title in central depository system.

(8) In case of physical shares, every listed company, directly or through its share registrar, shall approach such shareholders through appropriate means where information pertaining to designated bank account has not been provided or where provided information has not been found valid.

(9) In case cash dividend is declared by a listed company in terms of provisions of section 242 of the Act, such listed company shall distribute it to the entitled shareholders in the following manner-

- (i) the company shall appoint a paying agent, directly or through its share registrar, and provide it with details of entitled shareholders including its name, identification number, information pertaining to designated bank account number, and net amount required to be paid into the designated bank account;
 - (ii) the net amount required to be paid into the designated bank accounts of relevant shareholders shall either be transferred to the bank account of paying agent or made available to paying agent through any other mean for onward distribution to the entitled shareholders;
 - (iii) the company shall ensure that payments have been made by the paying agent within a time period as stipulated in regulation (3) as per details provided by the company under clause (i) and in case of failure to transfer any amount into any designated bank account for any reason, the paying agent shall promptly communicate the same and return such amount to the company;
 - (iv) the shareholders shall be intimated by the company, its share registrar or the paying agent through short messaging service, electronic mail, registered post or any other mode regarding credit of dividend amount directly into the designated bank account of the shareholder;
 - (v) the calculation of dividend amount including number of shares held, total amount, tax and zakat deductions and net amount credited into the designated bank account of the shareholder through the paying agent and a certificate thereof shall be provided to the shareholders in electronic form through the central depository;
 - (vi) the listed company shall also provide to the central depository the details of cash dividends which could not be paid to the shareholder(s) with reasons including reasons as to why dividends are withheld or deferred by the listed company in terms of Section 243 of the Act;
 - (vii) the central depository shall make available certificate received by it under clause (e) to the respective shareholders through central depository system or any other system developed by it, for the purposes of record and tax filings; and
 - (viii) central depository shall maintain history of dividends paid to shareholders of every listed company and provide access to such information to the respective shareholder, the respective company and its share registrar.
- (10) In case, shares of listed companies are held with the custodian banks where checking accounts and/or omnibus cash accounts are maintained for the purpose of distribution of dividend, the paying agent shall be authorized to credit the checking account or omnibus account, as the case may be as provided by the custodian bank.
- (11) The custodian banks shall ensure passing on the dividend amount to the respective foreign investors within five working days of receipt of the same and in case of inability of custodian bank to pass on dividend amount with the

allowed time period, it shall forthwith return the money to the respective listed company.

(12) In case shares of a company, whether listed or not, are held by a non-resident shareholder having no designated bank account, the company may make payment of cash dividend to such shareholder in a manner and within such time period as may be allowed by the State Bank of Pakistan.

(13) Any dividend withheld under regulation 5 or 6 below shall be paid to the entitled shareholder in the same manner as provided under this regulation within a period of fifteen working days from the date of removal of reason to withhold such cash dividend.

5. Application to withhold or defer payment of dividend.—(1) A company may, within a period stipulated in sub-section (2) of Section 243 of the Act, apply to the Commission for approval to withhold or defer payment of dividend to the shareholder or person entitled to receive dividend on Annexure I along with payment of fee as specified in Seventh Schedule of the Act:

Provided that the company shall intimate the respective shareholder of its intention to withhold dividend amount and reason thereof within fifteen days from the date of its declaration.

(2) The Commission after providing an opportunity to the shareholder or person aggrieved under sub-regulation (1) may allow the company to withhold or defer payment of dividend.

6. Circumstances to withhold payment of dividend.—(1) A company may on its own and without making an application to the Commission withhold the payment of dividend of a shareholder where—

- (i) the shareholder has not provided the company with its identification number;
- (ii) in case of a listed company, the shareholder has not provided the company with complete and valid details of designated bank account for direct credit of cash dividend;
- (iii) in case of a company other than a listed company, the shareholder has instructed the company for direct credit of cash dividend to designated bank account but has not provided the company with complete and valid details of designated bank account for direct credit of cash dividend; and
- (iv) an embargo or restriction has been placed by the competent authority in respect of shares held by the entitled shareholder:

Provided that before withholding payment of dividend, the company shall send a notice to the shareholder on its registered address and advertisement in this regard shall be published in two newspapers having nationwide circulation within fifteen working days of declaration:

Provided further that no notice will be required to be sent to a shareholder to whom the company has already sent three consecutive notices under the first proviso of this regulation.

Annexure-I**APPLICATION TO WITHHOLD OR DEFER PAYMENT OF DIVIDEND**

[See Regulation 5]

PART-I

(Please complete in typescript or in bold block capitals.)

1.1 CUIIN (Incorporation Number)	
----------------------------------	--

1.2 Name of the Company	
-------------------------	--

1.3 Fee Payment Details	1.3.1 Challan No	
-------------------------	------------------	--

1.3.2 Challan No	
------------------	--

PART-II

2.1 We hereby apply pursuant to sub-section (2) of section 243 of the Companies Act, 2017, for withholding payment or defer payment of dividend declared by us may be made.

2.2 Date of declaration of dividend	dd	mm	yyyy

2.3 Date on which statutory period for payment would expire	dd	mm	yyyy

2.4 Number of days for which extension is sought:	
---	--

2.5 Reason for seeking extension:	
-----------------------------------	--

2.6 Details of dividend declared

Total Number of Shareholders	Number of shareholders whose dividend would be withheld or deferred	Total Amount of Dividend	Amount of dividend which would be withheld or deferred

2.7 Details of shareholders whose payment is to be withheld or deferred

S.No.	Name of share holder	Folio Number	Amount of entitled dividend

2.8 Declaration by applicant	I, the undersigned do hereby solemnly and sincerely declare that the information provided in the application is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom
------------------------------	--

PART-III

3.1 Name of Authorized Officer/Authorized Intermediary	
--	--

3.2 Signatures	
----------------	--

3.3 Registration No. of Authorized Intermediary, if applicable			
--	--	--	--

3.4 Date

dd	mm	yyyy	

Enclosures:

1. Original paid bank challan evidencing payment of fee
2. Any other document to substantiate the cases mentioned in sub-section (2) of section 243 of the Act.

S.R.O. 1239(I)/2017, Islamabad, the 6th December, 2017.- In exercise of powers conferred by section 510 read with clause (a) of sub-section (3) of section 199 of the Companies Act, 2017 (XIX of 2017) and in supersession of its earlier notification S.R.O. 704(I)/2011 dated July 13, 2011, the Securities and Exchange Commission of Pakistan is pleased to specify the following classes of companies to which the restriction provided in sub-section (1) of section 199 of the Act shall not apply to the extent provided hereunder:

- (a) A banking company duly licensed by the State Bank of Pakistan, to the extent of investments made in the ordinary course of its business, excluding equity investments;
- (b) A Development Finance Institution duly licensed by the State Bank of Pakistan, to the extent of investments made in the ordinary course of its business, excluding equity investments;
- (c) A Non-Banking Finance Company ("NBFC") duly licensed by the Commission, to the extent of investments made in the ordinary course of its business, excluding equity investments;
- (d) An NBFC duly licensed by the Commission to carry out Investment Advisory Services or Asset Management Services, to the extent of investments made in a Collective Investment Scheme being managed by such NBFC;
- (e) A Modaraba Management Company, to the extent of investments made in a Modaraba being managed by such company;
- (f) A holding company, to the extent of investments made in its wholly owned subsidiary:
Provided that any disinvestment by a holding company which would reduce its holding in the subsidiary, in which an investment was made pursuant to this exemption, to less than seventy percent shall be made under the authority of a special resolution;
- (g) A company whose principal business is the acquisition of shares, stock, debentures or other securities, to the extent of acquisition of such securities on behalf of its clients in the ordinary course of its business;
- (h) Associated companies of NBFCs licensed to undertake asset management services for making investment (other than seed capital) in the open end schemes managed by such NBFCs;

- (i) A private company which is not a subsidiary of a public company;
- (j) Companies making investment in the form of deposits with associated banking company duly licensed by the State Bank of Pakistan or NBFC duly licensed by the Commission provided that the rate of return should not be less than prevailing market rate of return on similar deposits;
- (k) Any investment made by an investment Company, as defined in Non-Banking Finance Companies and Notified Entities Regulations, 2008, in accordance with its investment policy given in the prospectus.

S.R.O. 423(I)/2018, Islamabad, the 3rd April, 2018.- In exercise of the powers conferred by section 238 read with section 510 of the Companies Act, 2017 (XIX of 2017) (the Act), and in supersession of the notification S.R.O. 1227/2005, dated December 12, 2005, the Securities and Exchange Commission of Pakistan (the Commission), is pleased to direct that a company shall, where applicable, while issuing notice of its general meeting, where a special business is to be transacted, in terms of the below referred sections of the Act, annex a statement, pursuant to sub-section (3) of section 134 of that Act, detailing, following information at the minimum, as applicable upon the Company, namely:-

A. MATERIAL FACTS TO BE DISCLOSED WHERE SPECIAL RESOLUTION OF MEMBERS IS REQUIRED FOR:

1. Change of name by a company (section 12)

- i) Reasons and effects of change of name by the company;
- ii) Proposed new name of the company;
- iii) Confirmation that the proposed name is not incommensurate with the principal line of business of the company; and
- iv) If change of name is due to diversification of main business activities or entering a new geography etc. same shall be disclosed.

Change in registered office of company (section 21)

- i) Information on the existing registered office and new proposed registered office;
- ii) Reasons and effects of change in registered office;
- iii) Geographical dispersion of the members of the company (of total as well as of those who attended last three annual general meetings);
- iv) A brief cost-benefit analysis; and
- v) Information on inquiry, inspection or investigation, which has been initiated against the company or prosecution pending against the company, if any.

2. Alteration of memorandum with respect to principal line of business (section 32(b))

- i) Existing and proposed principal line of business of the company;
- ii) Reasons for change in the principal line of business;

- iii) Benefits likely to accrue to the company and its members from the proposed change;
- iv) Financial projections, including, inter alia, project cost for new proposed principal business, sources of funds to cover the project cost, revenues, expenses etc. along with underlying assumptions;
- v) Impact on existing line of business of the company;
- vi) Expected time period when proposed change is expected to be implemented; and
- vii) A statement by the board that the proposed change will not be detrimental to the interest of the company or its members as a whole.

3. Alteration of memorandum - Other (section 32)

- i) Comparative analysis of existing clause with the proposed alteration along with the reasons and justification of the proposed change;
- ii) Reasons of change or alteration in the memorandum of association of the company; and
- iii) A statement by the board that the proposed alterations are in line with the applicable provisions of the law and regulatory framework.

4. Alteration of articles (section 38)

- i) Comparative analysis of existing clause with the proposed amendment along with reasons for the change;
- ii) Reasons for each change in the articles of association of the company; and
- iii) A statement by the board that the proposed alterations are in line with the applicable provisions of the law and regulatory framework.

5. Conversion of public company into private company and vice-versa (section 46)

- i) Reasons for change in status of the company;
- ii) Arrangement for acquisition of interest of members in excess of maximum number of members in terms of the requirements of clause (49) of sub-section 1 of section 2 of the Act, if applicable;
- iii) Value at which shares of members shall be acquired, if applicable;
- iv) Effect on business operations of the company of the proposed conversion; and
- v) Undertaking by the board that the company has not defaulted in filing of annual returns or financial statements or any other document / penalty due for filing with the registrar or the Commission.

6. Conversion of status of private company into a single-member company (section 47)

- i) Reasons for change in status of the company;
- ii) Arrangement for acquisition of interest of members in excess of maximum number of members in terms of the requirements of clause (49) of sub-section 1 of section 2 of Act, if applicable;

- iii) Value at which shares of members shall be acquired, if applicable;
- iv) Effect on business operations of the company of the proposed conversion; and
- v) Undertaking by the board that the company has not defaulted in filing of annual returns or financial statements or any other document / penalty due for filing with the registrar or the Commission.

7. Conversion of status of unlimited company as limited company and vice-versa (section 48)

- i) Exact information on change in status of the company from unlimited to a limited company or vice versa;
- ii) Information on the changes in the memorandum and articles of association of the company;
- iii) Information on Commission's approval in case of change from unlimited to limited company;
- iv) Reasons for change in status of the company;
- v) Effect on business operations of the company of the proposed conversion; and
- vi) Details of litigations involving the Company, its directors and officers, if any.

8. Conversion of a company limited by guarantee to a company limited by shares and vice-versa (section 49)

- i) Exact information on conversion of a company limited by guarantee to a company limited by shares or vice versa;
- ii) Information on the changes in the memorandum and articles of association of the company;
- iii) Information on Commission's approval in case of conversion of a company limited by guarantee to a company limited by shares;
- iv) Reasons for change in status of the company;
- v) Amount of share capital to be paid by members of the company upon conversion, if applicable;
- vi) Maximum amount to be contributed by company's members in the event of winding up, if applicable; and
- vii) Effect on business operations of the company of the proposed conversion.

9. Altering authorised share capital (section 85)

- i) Reasons for alteration in authorised share capital;
- ii) Existing authorised share capital Rs. [denomination] divided into [number of shares] having face value of Rs. [denomination per share]; and
- iii) Amount with which authorised share capital is proposed to be increased Rs. [denomination] divided into [number of shares] shares of [denomination per share] each.

10. Reduction of share capital (section 89)

- i) Reasons and purpose of reduction of share capital;
- ii) Brief details of terms and conditions associated with reduction of share capital;
- iii) The amount and number of shares proposed to be cancelled or paid off;
- iv) Effect of reduction of share capital along with comparison of existing share capital and post cancellation share capital;
- v) Details of assets, liabilities and shareholders' equity as per company's latest annual financial statements and subsequent interim financial statements, if any;
- vi) List of creditors of the company along with information on nature and amount involved, if substantial or material;
- vii) Brief details of qualifications, reservations or adverse remarks or disclaimer, if any, made by the auditor in his audit report on the latest annual financial statements relevant to the reduction of share capital; and
- viii) Details of any pending inspection, inquiry or investigation against the company under the Act.

11. Making liability of directors unlimited in case of a limited company (section 99)

- i) Reason for making the liability of directors unlimited;
- ii) Benefits likely to accrue to the company and its members;
- iii) Potential impact of making liability of directors unlimited on the company;
- iv) Details of assets, liabilities and shareholders' equity as per company's latest annual financial statements and subsequent interim financial statements, if any;
- v) Names of directors whose liability shall become unlimited consequent to the alteration of the memorandum;
- vi) Names of directors whose consent is required and obtained; and
- vii) A brief of terms and conditions of the proposed alteration for making the liability of director unlimited.

12. Removal of chief executive by special resolution (section 190)

- i) Name of chief executive;
- ii) Reasons for removal of chief executive;
- iii) Information on the terms and conditions of appointment of chief executive and remaining term of his office;
- iv) A brief of the terms and conditions of removal of the chief executive from his office, compensation for removal, if any, and its impact on the company;
- v) Recommendation for legal recourse, if any, against chief executive; and

vi) Details of litigations, if any, involving chief executive.

13. Removal of auditor (section 246 (5))

- i) Name of auditor(s) to be removed;
- ii) Reasons and basis of removal of the auditor(s);
- iii) Any other facts relevant to removal;
- iv) Whether or not any representation from the auditors to be removed is received by the company;
- v) Whether or not any notice has been received for removal of auditor(s) from member(s). Where such notice is received from member(s), the date of receipt of the notice and shareholding details (numbers, percentage etc.) of the member(s) giving such notice; and
- vi) Details of other services rendered/being rendered by such auditors to the company, and whether or not such services will continue to be provided by the auditors so removed, if any.

14. Passing special resolution for investigation of company's affairs (section 257)

- i) Full details regarding the circumstances, based on which the investigation is required;
- ii) Details of aspects of the company's affairs which need to be investigated;
- iii) Details of record and evidence relating to the aspects of the company that need to be investigated; and
- iv) Detail of any provisions of the Act violated by the company meriting the investigation into its affairs.

15. Passing special resolution for winding up of a company by court (clause (a) of section 301)

- i) Full details regarding circumstances which merit winding up of the company;
- ii) Justification of winding up of the company;
- iii) Latest financial position of the company;
- iv) Brief details of qualifications, reservations, adverse remarks or disclaimer made by the auditor in his audit report on the latest annual financial statements, if any; and
- v) Statement from the directors of the company that they have evaluated all the circumstances and options and their assessment on the proposed winding up of the company.

16. Passing special resolution that a company may be wound up voluntarily (clause (b) of section 347)

- i) Full details regarding circumstances which merit winding up of the company;
- ii) Justification of winding up of the company;
- iii) Latest financial position of the company;

- iv) Brief details of qualifications, reservations, adverse remarks or disclaimer made by the auditor in his audit report on the latest annual financial statements, if any; and
- v) Statement from the directors of the company that they have evaluated all the circumstances and options and their assessment on the proposed winding up of the company.

B. MATERIAL FACTS TO BE DISCLOSED WHERE ORDINARY RESOLUTION IN RESPECT OF SPECIAL BUSINESS IS REQUIRED FOR:

1. Determining director's remuneration for performing extra services (section 170)

- i) Details of the extra services performed or to be performed by the director;
- ii) Statement on suitability of the selected director for performing extra services;
- iii) Remuneration of the director, including perks and benefits, pecuniary or otherwise for the extra services;
- iv) Any other benefits or profits arising consequent to performing of extra services by the director;
- v) Benefits to the company and its members as a result of such extra services to be performed by the director; and
- vi) Period of performing such extra services.

2. Determining terms of appointment of chief executive by the company in a general meeting (section 188)

- i) A brief about terms of appointment;
- ii) Monetary value of remuneration, perks and other entitlement providing details of:
 - (a) Date and period of appointment;
 - (b) Salient features of contract for appointment;
 - (c) Fixed monthly/annual remuneration;
 - (d) Variable monthly / annual remuneration;
 - (e) Fixed and variable annual bonuses;
 - (f) Monetary value of terminal benefits on annualized basis;
 - (g) Monetary value of other perks e.g. travel allowance, medical allowance, reimbursements, conveyance, servants etc.; and
 - (h) Other entitlements employee stock option, buy back of car, insurance etc.; and
- iii) Non-monetary entitlements, perks and any other entitlement benefits.

3. Seeking sanction of the general meeting for office of profit of a director (section 171 (1) (c)(i))

- i) Details of the office of profit proposed to be held by the director;
- ii) Brief job description of the office to be held by the director;

- iii) Remuneration of the director, including perks and benefits, pecuniary or otherwise;
 - iv) Any other benefits or profits arising out of such office of profit for the director;
 - v) Benefits to the company and its members as a result of such office of profit to be held by the director; and
 - vi) Period of holding of such office.
- 4. Approval of loans, guarantees etc. to directors of a company, of a holding company or any of his relative (section 182)**
- i) In case of loan:
 - a) Name of the person;
 - b) Description and purpose of the loan;
 - c) Amount of loan;
 - d) Rate of interest, mark up etc.;
 - e) Security if any, obtained/ to be obtained by the company;
 - f) Repayment schedule;
 - g) Disclosure regarding mandatory approval of the Commission, in case of a listed company;
 - h) Other principal terms and conditions; and
 - i) A brief on company's policy regarding the loans for directors or their relatives.
 - ii) In case of providing guarantee or security:
 - a) Detail of the person in whose favor guarantee or security is to be provided;
 - b) Details of the guarantee or security to be given by the company including the amount of liability in case of default by the borrower;
 - c) Guarantee or security fee to be charged by the company to the director, if any;
 - d) Security obtained/ to be obtained by the company against the guarantee, if any;
 - e) Principal terms and conditions of guarantee or security; and
 - f) A brief on company's policy regarding the loans for directors or their relatives.
- 5. Special business relating to members' approval for sale, lease or disposal of the undertaking or sizeable part thereof or sale / disposal of subsidiary that is to be transacted under clause (a) or (b) of sub-section (3) of section 183 of the Act**
- I. In case of sale, lease or disposal of sizeable part of undertaking:
 - i) Detail of assets to be sold, leased or disposed of shall include the following:

- a) Description/Name of asset;
- b) Acquisition date of the asset;
- c) Cost;
- d) Revalued amount and date of revaluation (if applicable);
- e) Book value;
- f) Approximate current market price/fair value;
- g) In case of sale, if the expected sale price is lower than book value or fair value, then the reasons thereof;
- h) In case of lease of assets, tenure, lease rentals, increment rate; mode/basis of determination of lease rentals; and other important terms and conditions of the lease:
 - i) Additional information in case of disposal of land:
 - (i) Location;
 - (ii) Nature of land (e.g. commercial, agriculture, etc); and
 - (iii) Area proposed to be sold.
 - ii) The proposed manner of disposal of the said assets.
 - iii) In case the company has identified a buyer, who is a related party the fact shall be disclosed in the statement of material facts.
 - iv) Purpose of the sale, lease or disposal of assets along with following details:
 - a) Utilization of the proceeds received from the transaction;
 - b) Effect on operational capacity of the company, if any; and
 - c) Quantitative and qualitative benefits expected to accrue to the members.
- II. In case of sale or disposal of the undertaking of the company that may lead to closure of business or winding up of a company, the following information shall be provided in addition to the information as required in Para I above:
 - i) A brief containing all the necessary details of viable alternate business plan duly authenticated by the board; including total cost of the proposed future business plan and means of financing;
 - ii) Expected time of completion of the proposed project; and
 - iii) The mode of disposal in this case shall be through tender in newspapers.
- III. In case of sale or disposal of subsidiary of the company:
 - i) Name of the subsidiary;

- ii) Cost and book value of investment in subsidiary;
 - iii) Total market value of subsidiary based on value of the shares of the subsidiary company:
 - a) In case of listed subsidiary company: quoted price of shares of subsidiary on day of decision of the board for disposal;
 - b) In case of non-listed subsidiary: value determined by a registered valuer, who is eligible to carry out such valuation along with name of the valuer.
 - iv) Net worth of subsidiary as per latest audited financial statements and subsequent interim financial statements, if available;
 - v) Total consideration for disposal of investment in subsidiary, basis of determination of the consideration and its utilization;
 - vi) Quantitative and qualitative benefits expected to accrue to the members.
- IV. Where a listed company seeks members' approval for sale or disposal of the undertaking of the company that may lead to closure of business or winding up, the following requirements shall be applicable:
- i) The company shall simultaneously dispatch a certified copy of the viable alternate business plan duly authenticated by the board along with the notice of the general meeting to the head office of the Securities and Exchange Commission of Pakistan, through fax or email and courier service on the same day it is dispatched to the members;
 - ii) The company shall make available copy of viable alternate business plan duly authenticated by the board for members' inspection in the general meeting; and
 - iii) The company shall, in directors' report attached to all subsequent interim and annual financial statements issued after the members' approval, provide an update with regard to status of disposal of assets and implementation of the business plan. With respect to disposal of assets, all the relevant details including but not limited to book value of assets sold, sale proceeds, gain/(loss) on disposal and utilization of disposal proceeds along with book value of remaining assets to be sold shall be provided.
- V. The directors of a company shall, while presenting resolution for seeking members' approval for sale or disposal of subsidiary or of undertaking that may lead to closure of business or winding up of a company, submit an undertaking to the members of the company that they have carried out necessary due diligence for the sale or disposal. The duly signed recommendations of the due diligence report shall be made available to the members for inspection in the general meeting called for approval of the resolution.

6. Approval of arrangement for non-cash transactions involving directors or persons connected with them (section 211)

- i) Names of directors or connected persons in respect of whom the arrangement is being approved;
- ii) Particulars and description of arrangement;
- iii) Value of assets involved in the arrangement duly calculated by a registered valuer;
- iv) In case of listed shares involved in the arrangement, market value of such shares;
- v) In case of assets being disposed of by the company, carrying amount, impairment, if any, and break-up value as per financial statements;
- vi) Reasons for acquisition or disposal of assets otherwise than cash;
- vii) Details of consideration for the assets acquired and disposed of; and
- viii) Benefits likely to accrue to the company and its members from such an arrangement.

7. Authorizing representative by a holding company for inspecting books of accounts of subsidiary companies (section 230)

- i) Name of the person proposed to be authorised to inspect books of account of the subsidiary(ies);
- ii) Reasons for ordering inspection of books of accounts of the subsidiary(ies);
- iii) Scope and period to be covered in the inspection;
- iv) Terms of reference of the proposed inspection; and
- v) Period within which report on inspection is to be submitted by the authorized representative.

8. Passing resolution that the company may be wound up voluntarily (clause (a) of section 347)

- i) Detail of event in respect of which articles provide that company should be dissolved;
- ii) Justification of winding up of the company;
- iii) Information of relevant clause of the articles of association in terms of which winding up is required;
- iv) Information on the expiry of the period or occurrence of event, as the case may be, as a result of which winding up has been provided for in the articles;
- v) Latest financial position of the company;
- vi) Brief details of qualifications, reservations, adverse remarks or disclaimer made by the auditor in his audit report on the latest annual financial statements, if any;
- vii) Statement from the directors of the company that they have evaluated all the circumstances and options and their assessment on the proposed winding up of the company; and

viii) Amount likely to accrue to members from the proposed winding up.

C. In respect of all businesses to be transacted at the general meeting

1. A listed company shall simultaneously dispatch a copy of the notice of the general meeting in which a special business is to be transacted along with the statement of material facts in the head office of the Securities and Exchange Commission of Pakistan, through fax or email and courier service on the same day it is dispatched to the members.
2. In respect of all the special businesses mentioned hereinabove, a company shall disclose the nature and extent of interest, if any, therein of every director, whether directly or indirectly.
3. A company shall, in addition to the minimum information specified hereinabove and that required by the Act or rules or regulations made thereunder, provide in the notice all the material information relevant to the special business to be transacted in the meeting that is necessary for the members to make a well-informed decision.

S.R.O. 1300(I)/2018, Islamabad, the 25th October 2018.—In exercise of the powers conferred under section 510 read with section 66 of the Companies Act, 2017 (Act No. XIX of 2017) (the Act), the Securities and Exchange Commission of Pakistan is pleased to notify the following persons to whom any instrument in the nature of “redeemable capital” may be issued by a company subject to the terms and conditions as provided in section 66 of the Act, namely:-

- (i) A Securities Broker;
- (ii) A Fund and Trust as defined in the Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018; and
- (iii) A Company and Body Corporate as defined in the Companies Act, 2017.

Provided that any instrument of redeemable capital of the Government including Government Debt Securities can be issued to an individual investor in addition to the persons mentioned to above.

“Government Debt Security” means a debt security such as Treasury Bill (T-Bill), Pakistan Investment Bond (PIB), Government of Pakistan (GoP) *Ijara Sukuk* and any other debt instrument issued by the Federal Government, Provincial Government, Local Government / Authority and any other statutory body.

S.R.O. 1196(I)/2019, Islamabad, the 3rd October, 2019.— In exercise of powers conferred under Section 510 of the Companies Act 2017 (XIX of 2017) (the Act), and in supersession of earlier notifications S.R.O 634(I)/2014, dated July 10, 2014, S.R.O. 684(I)/2015, dated July 15, 2015, S.R.O. 1222 (I)/2015, dated December 10, 2015, circular 43 of 2015, dated December 10, 2015 and circular 02 dated February 01, 2019, the Securities and Exchange Commission of Pakistan (SECP) hereby directs that every public company shall maintain a functional website with immediate effect. Whereas all other companies are also encouraged to maintain their functional websites.

The companies shall be solely responsible to place complete and accurate information on their websites and are directed to comply with the following requirements of this notification:

1. Placement of information on website of public companies

While companies are encouraged to provide all relevant information to stakeholders through their functional websites, it shall be mandatory to provide the following minimum information in English and Urdu languages on website, in addition to any other material information:

a) Profile of Company

- i) Vision, mission, principle business and other permissible business activities;
- ii) Status of company (e.g. PIC, LSC, MSC or SSC under third schedule of the Act);
- iii) Company Registration Number/Date and National Tax Number;
- iv) Date/Number of license issued to the Company by the relevant authority wherever required;
- v) Address of registered office, head office and all other branch offices;
- vi) Phone and fax numbers of head office, registered office and branch offices;
- vii) Valid email address; and
- viii) Detail of subsidiaries/associated companies and their website links, if available.

b) Governance

- i) Profile of the Board of Directors;
- ii) Shareholding pattern of companies having share capital;
- iii) Name of Auditor of the Company; and
- iv) Name of Legal Advisor.

c) Investor Relations

- i) Online form/contact details of person(s) designated by the company for assisting and handling investors' complaints and grievances;
- ii) Updated logo of SECP Service Desk Managements System's ("SDMS") duly linked to the URL: <https://sdms.secp.gov.pk/> (the logo is available at www.secp.gov.pk/document/revised-sdms-logo/) along with the following disclaimer: "In case your complaint has not been properly redressed by us, you may lodge your complaint with Securities and Exchange Commission of Pakistan (the "SECP"). However, please note that SECP will entertain only those complaints which were at first directly requested to be redressed by the company and the company has failed to redress the same. Further, the complaints that are

not relevant to SECP's regulatory domain/competence shall not be entertained by the SECP."

- iii) Corporate Social Responsibility Reports, if any;
- iv) Notices of general meetings, dividends / bonus declarations and right issue;
- v) Copy of any notice given by the member (having not less than ten percent shareholding in the Company) proposing appointment of auditor (s) of the Company in the annual general meeting;
- vi) Site map; and
- vii) Search facility.

d) Media

- i) National /International Awards, recognition, if any;
- ii) Membership of industry associations and trade bodies, if any;
- iii) Any other announcements or clarifications issued by the company; and
- iv) Last Date on which website was updated.

e) Information to be provided at homepage of website

- i) Website link of SECP's investor education portal "JamaPunji" (www.jamapunji.pk) along with its logo at a prominent place on the homepage; and
- ii) Information of companies' own complaint handling cell and contact person(s) at a prominent place on homepage as a primary point of contact.

f) Information of the Group companies registered with the Commission under Group Companies Registration Regulations, 2008

- i) The public companies registered as a group under the Group Companies Registration Regulations, 2008 shall place the annual financial statements of their group along with the mandatory reports wherever required.

2. Additional disclosure requirements for listed companies

In addition to the information required under clause 1 above, a listed company shall place the following information on its website, in English and Urdu languages:

g) Election of Directors

- i) All notices relating to election of directors along with statement of material facts;
- ii) Names and profiles of persons chosen from the databank for electing them as independent directors, in terms of section 166 of the Act;

- iii) Following information with respect to election of Directors, as per the time line given below:
 - a) Proxies, in number and value, deposited by each candidate, as and when submitted;
 - b) Detailed profile of candidates contesting the elections along with their office address shall be available on website, seven days prior to the date of election till the date of election; and
 - c) 21 days prior to the date of election till the date of election:
 - i. Proxy forms to be placed on website; and
 - ii. List of shareholders and their addresses accessible by candidate intending to contest elections (protected by password issued by Company or personalized login mechanism).

h) Investor Information

- i) Symbol of the company assigned by the Pakistan Stock Exchange ("PSX") and website links of PSX;
- ii) Annual reports for the last three financial years;
- iii) Financial highlights for previous five years;
- iv) Quarterly financial statements issued during the current year as well as past three years;
- v) Earning per share (basic and diluted), price to earnings ratio and breakup value of shares, dividend payout ratio as per latest available annual audited financial statements;
- vi) Name and address of share registrar;
- vii) Free float of the shares of Company; and
- viii) Rating of company and instrument (if any).

3. Placement of financial statements

- a) Every listed company shall place annual report including financial statements and mandatory reports, at least twenty one days prior to the date of holding of annual general meeting and disclosure of its availability on website shall be given in the notice of annual general meeting disseminated to members of the company.
- b) Quarterly financial statements and reports shall be placed on website of a listed company within seven days from the date of approval by the board.
- c) Every listed company shall ensure that financial statements, reports and other information are available in internationally acceptable, user friendly, easily accessible and downloadable electronic format.

4. Dissemination of website address to PSX

Every listed company shall disseminate its functional website address to the Pakistan Stock Exchange ("PSX") to be made available on the PSX website. In case of any change in website address, the company shall notify the PSX within seven days.

5. Measure for website security

- a) Every company shall deploy appropriate measures and safeguards for security of its website against service attacks, defacements and any other vulnerability that may adversely affect the access to the website or mandatory information placed on it.
- b) In case of any maintenance activity, update or any anomaly that adversely affects the access to website or information placed thereon, the shareholders shall be notified and restoration of full access to the website shall be ensured within a reasonable time.

6. Sequential Order

Companies shall provide the mandatory information on website by substantially following the sequential order, as enumerated under clauses 1 and 2 of this notification.

7. Relaxation from the requirements

Where the Commission is satisfied that it is not practicable for a company or class of companies to comply with the requirement(s) of this notification, the Commission may, on an application by the company in this behalf, relax such requirements subject to such conditions as it may deem fit.

8. Penalty

Any contravention or non-compliance with the requirements of the notification shall be liable to a penalty of level 3, as provided under sub-section (2) of section 510 of the Act.

S.R.O.1011(I)/2021, Islamabad, the 6th August, 2021.- In exercise of the powers conferred under section 510 read with section 66 of the Companies Act, 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan, in supersession of previous notification S.R.O. 492 (I)/2021, dated April 19, 2021, is pleased to notify the following persons to whom any instrument in the nature of "redeemable capital" may be issued by a company, subject to the terms and conditions as provided under section 66 of the Act, namely:-

- (i) Mutual funds, Voluntary Pension Schemes and Private fund being managed by NBFC;
- (ii) Insurer registered under the Insurance Ordinance, 2000 (XXXIX of 2000);
- (iii) a Securities Broker;
- (iv) a Fund and Trust as defined in the Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018;
- (v) a Company and Body Corporate as defined in the Companies Act, 2017(XIX of 2017);
- (vi) all individual investors including accredited individual investors, in case of Government Debt Securities, and debt securities whose debt servicing is guaranteed by the Government;
- (vii) accredited individual investors, in case of corporate debt instruments excluding additional Tier I and Tier II capital instruments:
 - (a) instrument is not placed to more than fifty (50) accredited individual investors;
 - (b) information memorandum contains all applicable information/disclosures as prescribed under the Public Offering regulations, 2017; and
 - (c) instrument is not sold to non-accredited investors in secondary market.

Provided that the company shall ensure the following:

Explanation: - for the purposes of this notification the expressions, -

- a) accredited individual investor" means an individual investor registered with National Clearing Company of Pakistan Limited and having net assets of Rs. 5 million or more; and
- b) Government Debt Securities" means a debt security such as Treasury Bill (T-Bill), Pakistan Investment Bond (PIB), Government of Pakistan (GOP) Ijarah Sukuk and any other debt instrument issued by the Federal Government, Provisional Government, Local Government/Authority, and any other statutory body.

S.R.O. 1331(I)/2023, Islamabad, the 18th September, 2023.- In exercise of powers conferred by Section 510 read with sub-clause (c) of sub-section (1) of Section 83 of the Companies Act, 2017 (Act No. XIX), the Securities and Exchange Commission of Pakistan, is pleased to notify the following conditions and requirements for issuance of further shares to any person (by way of other than right) either for cash or for consideration other than cash in case of a private company, namely: -

- (i) power to issue shares to any person by way of other than right either for cash or for consideration other than cash is specifically provided in the articles of association;
- (ii) the issue is proposed and approved by the board;
- (iii) the issue of shares to any person by way of other than right offer is subject to approval of the shareholders through special resolution;
- (iv) the proposal by the board referred in clause (ii) above, shall clearly state as follows:
 - (a) quantum of the issue both in terms of the number of shares and percentage of existing paid up capital;
 - (b) issue price per share and justification for the same;
 - (c) consideration against which shares are proposed to be issued i.e. cash or other than cash;
 - (d) name of person(s), their brief profile, existing shareholding, if any, in the company, to whom the shares are proposed to be issued;
 - (e) purpose of the issue;
 - (f) justification for issue of the shares by way of other than right;
 - (g) benefits of the issue to the company and its members, if any;
 - (h) consent of the person(s) to whom the shares are to be issued is(are) obtained;
 - (i) the company is compliant with the requirements of the Companies Act, 2017 and rules and regulations made thereunder;
 - (j) the proposed new shares shall rank *pari passu* in all respects with the existing ordinary shares of the company. In case, the proposed new shares are different from the issued ordinary shares in any respect, then the board's decision must state the differences in detail;
 - (k) where shares are proposed to be issued for consideration other than in cash, the value of non-cash assets or services or intangible assets shall be determined by a valuer:

Provided that the valuation shall not be older than six months from the date of passing of special resolution and the

valuer must be registered as per the requirements of the Companies (Further Issue of Shares) Regulations, 2020.

- (v) The notice of general meeting for approval of members through special resolution shall contain material information/facts as provided in para (iv) above in addition to other matters contained under sub-section (3) of Section 134 of the Companies Act, 2017 along with copy of latest audited financial statements:

Provided that in case first annual general meeting is not due or the last audited financial statements are older than six months from the date of special resolution or the company is not required to get its financial statements audited under proviso to sub-section (5) of Section 223 of the Companies Act, 2017, the company shall prepare and attach interim unaudited financial statements.

- (vi) The company shall ensure to issue shares within sixty days from the date of passing of special resolution or within an extended period of time of thirty days with the approval of the Board.

COMPENDIUM
OF
CORPORATE LAWS

ICAP Code of Ethics for Chartered Accountants Revised 2019

PART 1 – COMPLYING WITH THE CODE, FUNDAMENTAL PRINCIPLES AND CONCEPTUAL FRAMEWORK

SECTION 100

COMPLYING WITH THE CODE

General

- 100.1 A1 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. A chartered accountant's responsibility is not exclusively to satisfy the needs of an individual client or employing organization. Therefore, the Code contains requirements and application material to enable chartered accountants to meet their responsibility to act in the public interest.
- 100.2 A1 The requirements in the Code, designated with the letter "R," impose obligations.
- 100.2 A2 Application material, designated with the letter "A," provides context, explanations, suggestions for actions or matters to consider, illustrations and other guidance relevant to a proper understanding of the Code. In particular, the application material is intended to help a chartered accountant to understand how to apply the conceptual framework to a particular set of circumstances and to understand and comply with a specific requirement. While such application material does not of itself impose a requirement, consideration of the material is necessary to the proper application of the requirements of the Code, including application of the conceptual framework.
- R100.3** A chartered accountant shall comply with the Code. There might be circumstances where laws or regulations preclude an accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.
- 100.3 A1 The principle of professional behavior requires a chartered accountant to comply with relevant laws and regulations. Some jurisdictions might have provisions that differ from or go beyond those set out in the Code. Accountants in those jurisdictions need to be aware of those differences and comply with the more stringent provisions unless prohibited by law or regulation.
- 100.3 A2 A chartered accountant might encounter unusual circumstances in which the accountant believes that the result of applying a specific requirement of the Code would be disproportionate or might not be in the public interest. In those circumstances, the accountant is encouraged to consult with a professional or regulatory body.

Breaches of the Code

- R100.4** Paragraphs R400.80 to R400.89 and R900.50 to R900.55 address a breach of International Independence Standards. A chartered accountant who identifies a breach of any other provision of the Code shall evaluate the significance of the breach and its impact on the accountant's ability to comply with the fundamental principles. The accountant shall also:

- (a) Take whatever actions might be available, as soon as possible, to address the consequences of the breach satisfactorily; and
 - (b) Determine whether to report the breach to the relevant parties.
- 100.4 A1 Relevant parties to whom such a breach might be reported include those who might have been affected by it, a professional or regulatory body or an oversight authority.

SECTION 110

THE FUNDAMENTAL PRINCIPLES

General

- 110.1 A1 There are five fundamental principles of ethics for chartered accountants:
- (a) Integrity – to be straightforward and honest in all professional and business relationships.
 - (b) Objectivity – not to compromise professional or business judgments because of bias, conflict of interest or undue influence of others.
 - (c) Professional Competence and Due Care – to:
 - (i) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
 - (ii) Act diligently and in accordance with applicable technical and professional standards.
 - (d) Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships.
 - (e) Professional Behavior – to comply with relevant laws and regulations and avoid any conduct that the chartered accountant knows or should know might discredit the profession.

R110.2 A chartered accountant shall comply with each of the fundamental principles.

- 110.2 A1 The fundamental principles of ethics establish the standard of behavior expected of a chartered accountant. The conceptual framework establishes the approach which an accountant is required to apply to assist in complying with those fundamental principles. Subsections 111 to 115 set out requirements and application material related to each of the fundamental principles.
- 110.2 A2 A chartered accountant might face a situation in which complying with one fundamental principle conflicts with complying with one or more other fundamental principles. In such a situation, the accountant might consider consulting, on an anonymous basis if necessary, with:

- Others within the firm or employing organization.
- Those charged with governance.
- A professional body.
- A regulatory body.
- Legal counsel.

However, such consultation does not relieve the accountant from the responsibility to exercise professional judgment to resolve the conflict or, if necessary, and unless prohibited by law or regulation, disassociate from the matter creating the conflict.

110.2 A3 The chartered accountant is encouraged to document the substance of the issue, the details of any discussions, the decisions made and the rationale for those decisions.

SUBSECTION 111

INTEGRITY

R111.1 A chartered accountant shall comply with the principle of integrity, which requires an accountant to be straightforward and honest in all professional and business relationships.

111.1 A1 Integrity implies fair dealing and truthfulness.

R111.2 A chartered accountant shall not knowingly be associated with reports, returns, communications or other information where the accountant believes that the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information provided recklessly; or
- (c) Omits or obscures required information where such omission or obscurity would be misleading.

111.2 A1 If a chartered accountant provides a modified report in respect of such a report, return, communication or other information, the accountant is not in breach of paragraph R111.2.

R111.3 When a chartered accountant becomes aware of having been associated with information described in paragraph R111.2, the accountant shall take steps to be disassociated from that information.

SUBSECTION 112

OBJECTIVITY

R112.1 A chartered accountant shall comply with the principle of objectivity, which requires an accountant not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others.

R112.2 A chartered accountant shall not undertake a professional activity if a circumstance or relationship unduly influences the accountant's professional judgment regarding that activity.

SUBSECTION 113

PROFESSIONAL COMPETENCE AND DUE CARE

R113.1 A chartered accountant shall comply with the principle of professional competence and due care, which requires an accountant to:

- (a) Attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organization receives competent professional service, based on current technical and professional standards and relevant legislation; and
- (b) Act diligently and in accordance with applicable technical and professional standards.

113.1 A1 Serving clients and employing organizations with professional competence requires the exercise of sound judgment in applying professional knowledge and skill when undertaking professional activities.

- 113.1 A2 Maintaining professional competence requires a continuing awareness and an understanding of relevant technical, professional and business developments. Continuing professional development enables a chartered accountant to develop and maintain the capabilities to perform competently within the professional environment.
- 113.1 A3 Diligence encompasses the responsibility to act in accordance with the requirements of an assignment, carefully, thoroughly and on a timely basis.
- R113.2** In complying with the principle of professional competence and due care, a chartered accountant shall take reasonable steps to ensure that those working in a professional capacity under the accountant's authority have appropriate training and supervision.
- R113.3** Where appropriate, a chartered accountant shall make clients, the employing organization, or other users of the accountant's professional services or activities, aware of the limitations inherent in the services or activities.

SUBSECTION 114

CONFIDENTIALITY

- R114.1** A chartered accountant shall comply with the principle of confidentiality, which requires an accountant to respect the confidentiality of information acquired as a result of professional and business relationships. An accountant shall:
- (a) Be alert to the possibility of inadvertent disclosure, including in a social environment, and particularly to a close business associate or an immediate or a close family member;
 - (b) Maintain confidentiality of information within the firm or employing organization;
 - (c) Maintain confidentiality of information disclosed by a prospective client or employing organization;
 - (d) Not disclose confidential information acquired as a result of professional and business relationships outside the firm or employing organization without proper and specific authority, unless there is a legal or professional duty or right to disclose;
 - (e) Not use confidential information acquired as a result of professional and business relationships for the personal advantage of the accountant or for the advantage of a third party;
 - (f) Not use or disclose any confidential information, either acquired or received as a result of a professional or business relationship, after that relationship has ended; and
 - (g) Take reasonable steps to ensure that personnel under the accountant's control, and individuals from whom advice and assistance are obtained, respect the accountant's duty of confidentiality.
- 114.1 A1 Confidentiality serves the public interest because it facilitates the free flow of information from the chartered accountant's client or employing organization to the accountant in the knowledge that the information will not be disclosed to a third party. Nevertheless, the following are circumstances where chartered accountants are or might be required to disclose confidential information or when such disclosure might be appropriate:
- (a) Disclosure is required by law, for example:

- (i) Production of documents or other provision of evidence in the course of legal proceedings; or
 - (ii) Disclosure to the appropriate public authorities of infringements of the law that come to light;
- (b) Disclosure is permitted by law and is authorized by the client or the employing organization; and
- (c) There is a professional duty or right to disclose, when not prohibited by law:
- (i) To comply with the quality review of a professional body;
 - (ii) To respond to an inquiry or investigation by a professional or regulatory body;
 - (iii) To protect the professional interests of a chartered accountant in legal proceedings; or
 - (iv) To comply with technical and professional standards, including ethics requirements.

114.1 A2 In deciding whether to disclose confidential information, factors to consider, depending on the circumstances, include:

- Whether the interests of any parties, including third parties whose interests might be affected, could be harmed if the client or employing organization consents to the disclosure of information by the chartered accountant.
- Whether all the relevant information is known and substantiated, to the extent practicable. Factors affecting the decision to disclose include:
 - Unsubstantiated facts.
 - Incomplete information.
 - Unsubstantiated conclusions.
- The proposed type of communication, and to whom it is addressed.
- Whether the parties to whom the communication is addressed are appropriate recipients.

R114.2 A chartered accountant shall continue to comply with the principle of confidentiality even after the end of the relationship between the accountant and a client or employing organization. When changing employment or acquiring a new client, the accountant is entitled to use prior experience but shall not use or disclose any confidential information acquired or received as a result of a professional or business relationship.

SUBSECTION 115

PROFESSIONAL BEHAVIOR

R115.1 A chartered accountant shall comply with the principle of professional behavior, which requires an accountant to comply with relevant laws and regulations and avoid any conduct that the accountant knows or should know might discredit the profession. A chartered accountant shall not knowingly engage in any business, occupation or activity that impairs or might impair the integrity, objectivity or good reputation of the profession, and as a result would be incompatible with the fundamental principles.

115.1 A1 Conduct that might discredit the profession includes conduct that a reasonable and informed third party would be likely to conclude adversely affects the good reputation of the profession.

SECTION 120**THE CONCEPTUAL FRAMEWORK****Introduction**

- 120.1 The circumstances in which chartered accountants operate might create threats to compliance with the fundamental principles. Section 120 sets out requirements and application material, including a conceptual framework, to assist accountants in complying with the fundamental principles and meeting their responsibility to act in the public interest. Such requirements and application material accommodate the wide range of facts and circumstances, including the various professional activities, interests and relationships, that create threats to compliance with the fundamental principles. In addition, they deter accountants from concluding that a situation is permitted solely because that situation is not specifically prohibited by the Code.
- 120.2 The conceptual framework specifies an approach for a chartered accountant to:
- Identify threats to compliance with the fundamental principles;
 - Evaluate the threats identified; and
 - Address the threats by eliminating or reducing them to an acceptable level.

Requirements and Application Material**General**

- R120.3** The chartered accountant shall apply the conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles set out in Section 110.
- 120.3 A1 Additional requirements and application material that are relevant to the application of the conceptual framework are set out in:
- Part 2 – Chartered Accountants in Business;
 - Part 3 – Chartered Accountants in Practice; and
 - International Independence Standards, as follows:
 - Part 4A – Independence for Audit and Review Engagements; and
 - Part 4B – Independence for Assurance Engagements Other than Audit and Review Engagements.
- R120.4** When dealing with an ethics issue, the chartered accountant shall consider the context in which the issue has arisen or might arise. Where an individual who is a chartered accountant in practice is performing professional activities pursuant to the accountant's relationship with the firm, whether as a contractor, employee or owner, the individual shall comply with the provisions in Part 2 that apply to these circumstances.
- R120.5** When applying the conceptual framework, the chartered accountant shall:
- Exercise professional judgment;
 - Remain alert for new information and to changes in facts and circumstances; and
 - Use the reasonable and informed third party test described in paragraph 120.5 A4.

Exercise of Professional Judgment

- 120.5 A1 Professional judgment involves the application of relevant training, professional knowledge, skill and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, and the interests

and relationships involved. In relation to undertaking professional activities, the exercise of professional judgment is required when the chartered accountant applies the conceptual framework in order to make informed decisions about the courses of actions available, and to determine whether such decisions are appropriate in the circumstances.

- 120.5 A2 An understanding of known facts and circumstances is a prerequisite to the proper application of the conceptual framework. Determining the actions necessary to obtain this understanding and coming to a conclusion about whether the fundamental principles have been complied with also require the exercise of professional judgment.
- 120.5 A3 In exercising professional judgment to obtain this understanding, the chartered accountant might consider, among other matters, whether:
- There is reason to be concerned that potentially relevant information might be missing from the facts and circumstances known to the accountant.
 - There is an inconsistency between the known facts and circumstances and the accountant's expectations.
 - The accountant's expertise and experience are sufficient to reach a conclusion.
 - There is a need to consult with others with relevant expertise or experience.
 - The information provides a reasonable basis on which to reach a conclusion.
 - The accountant's own preconception or bias might be affecting the accountant's exercise of professional judgment.
 - There might be other reasonable conclusions that could be reached from the available information.

Reasonable and Informed Third Party

- 120.5 A4 The reasonable and informed third party test is a consideration by the chartered accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made. The reasonable and informed third party does not need to be an accountant, but would possess the relevant knowledge and experience to understand and evaluate the appropriateness of the accountant's conclusions in an impartial manner.

Identifying Threats

- R120.6** The chartered accountant shall identify threats to compliance with the fundamental principles.
- 120.6 A1 An understanding of the facts and circumstances, including any professional activities, interests and relationships that might compromise compliance with the fundamental principles, is a prerequisite to the chartered accountant's identification of threats to such compliance. The existence of certain conditions, policies and procedures established by the profession, legislation, regulation, the firm, or the employing organization that can enhance the accountant acting ethically might also help identify threats to compliance with the fundamental principles. Paragraph 120.8 A2 includes general examples of such conditions, policies and procedures which are also factors that are relevant in evaluating the level of threats.

- 120.6 A2 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. It is not possible to define every situation that creates threats. In addition, the nature of engagements and work assignments might differ and, consequently, different types of threats might be created.
- 120.6 A3 Threats to compliance with the fundamental principles fall into one or more of the following categories:
- (a) Self-interest threat – the threat that a financial or other interest will inappropriately influence a chartered accountant's judgment or behavior;
 - (b) Self-review threat – the threat that a chartered accountant will not appropriately evaluate the results of a previous judgment made; or an activity performed by the accountant, or by another individual within the accountant's firm or employing organization, on which the accountant will rely when forming a judgment as part of performing a current activity;
 - (c) Advocacy threat – the threat that a chartered accountant will promote a client's or employing organization's position to the point that the accountant's objectivity is compromised;
 - (d) Familiarity threat – the threat that due to a long or close relationship with a client, or employing organization, a chartered accountant will be too sympathetic to their interests or too accepting of their work; and
 - (e) Intimidation threat – the threat that a chartered accountant will be deterred from acting objectively because of actual or perceived pressures, including attempts to exercise undue influence over the accountant.
- 120.6 A4 A circumstance might create more than one threat, and a threat might affect compliance with more than one fundamental principle.

Evaluating Threats

- R120.7** When the chartered accountant identifies a threat to compliance with the fundamental principles, the accountant shall evaluate whether such a threat is at an acceptable level.

Acceptable Level

- 120.7 A1 An acceptable level is a level at which a chartered accountant using the reasonable and informed third party test would likely conclude that the accountant complies with the fundamental principles.

Factors Relevant in Evaluating the Level of Threats

- 120.8 A1 The consideration of qualitative as well as quantitative factors is relevant in the chartered accountant's evaluation of threats, as is the combined effect of multiple threats, if applicable.

- 120.8 A2 The existence of conditions, policies and procedures described in paragraph 120.6 A1 might also be factors that are relevant in evaluating the level of threats to compliance with fundamental principles. Examples of such conditions, policies and procedures include:

- Corporate governance requirements.
- Educational, training and experience requirements for the profession.
- Effective complaint systems which enable the chartered accountant and the general public to draw attention to unethical behavior.

- An explicitly stated duty to report breaches of ethics requirements.
- Professional or regulatory monitoring and disciplinary procedures.

Consideration of New Information or Changes in Facts and Circumstances

- R120.9** If the chartered accountant becomes aware of new information or changes in facts and circumstances that might impact whether a threat has been eliminated or reduced to an acceptable level, the accountant shall re-evaluate and address that threat accordingly.
- 120.9 A1 Remaining alert throughout the professional activity assists the chartered accountant in determining whether new information has emerged or changes in facts and circumstances have occurred that:
- (a) Impact the level of a threat; or
 - (b) Affect the accountant's conclusions about whether safeguards applied continue to be appropriate to address identified threats.
- 120.9 A2 If new information results in the identification of a new threat, the chartered accountant is required to evaluate and, as appropriate, address this threat. (Ref: Paras. R120.7 and R120.10).

Addressing Threats

- R120.10** If the chartered accountant determines that the identified threats to compliance with the fundamental principles are not at an acceptable level, the accountant shall address the threats by eliminating them or reducing them to an acceptable level. The accountant shall do so by:
- (a) Eliminating the circumstances, including interests or relationships, that are creating the threats;
 - (b) Applying safeguards, where available and capable of being applied, to reduce the threats to an acceptable level; or
 - (c) Declining or ending the specific professional activity.

Actions to Eliminate Threats

- 120.10 A1 Depending on the facts and circumstances, a threat might be addressed by eliminating the circumstance creating the threat. However, there are some situations in which threats can only be addressed by declining or ending the specific professional activity. This is because the circumstances that created the threats cannot be eliminated and safeguards are not capable of being applied to reduce the threat to an acceptable level.

Safeguards

- 120.10 A2 Safeguards are actions, individually or in combination, that the chartered accountant takes that effectively reduce threats to compliance with the fundamental principles to an acceptable level.

Consideration of Significant Judgments Made and Overall Conclusions Reached

- R120.11** The chartered accountant shall form an overall conclusion about whether the actions that the accountant takes, or intends to take, to address the threats created will eliminate those threats or reduce them to an acceptable level. In forming the overall conclusion, the accountant shall:
- (a) Review any significant judgments made or conclusions reached; and
 - (b) Use the reasonable and informed third party test.

Considerations for Audits, Reviews and Other Assurance Engagements**Independence**

120.12 A1 Chartered accountants in practice are required by International Independence Standards to be independent when performing audits, reviews, or other assurance engagements. Independence is linked to the fundamental principles of objectivity and integrity. It comprises:

- (a) Independence of mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgment, thereby allowing an individual to act with integrity, and exercise objectivity and professional skepticism.
- (b) Independence in appearance – the avoidance of facts and circumstances that are so significant that a reasonable and informed third party would be likely to conclude that a firm's or an audit or assurance team member's integrity, objectivity or professional skepticism has been compromised.

120.12 A2 International Independence Standards set out requirements and application material on how to apply the conceptual framework to maintain independence when performing audits, reviews or other assurance engagements. Chartered accountants and firms are required to comply with these standards in order to be independent when conducting such engagements. The conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles applies in the same way to compliance with independence requirements. The categories of threats to compliance with the fundamental principles described in paragraph 120.6 A3 are also the categories of threats to compliance with independence requirements.

Professional Skepticism

120.13 A1 Under auditing, review and other assurance standards, including those issued by the IAASB, chartered accountants in practice are required to exercise professional skepticism when planning and performing audits, reviews and other assurance engagements. Professional skepticism and the fundamental principles that are described in Section 110 are inter-related concepts.

120.13 A2 In an audit of financial statements, compliance with the fundamental principles, individually and collectively, supports the exercise of professional skepticism, as shown in the following examples:

- Integrity requires the chartered accountant to be straightforward and honest. For example, the accountant complies with the principle of integrity by:
 - (a) Being straightforward and honest when raising concerns about a position taken by a client; and
 - (b) Pursuing inquiries about inconsistent information and seeking further audit evidence to address concerns about statements that might be materially false or misleading in order to make informed decisions about the appropriate course of action in the circumstances.

In doing so, the accountant demonstrates the critical assessment of audit evidence that contributes to the exercise of professional skepticism.

- Objectivity requires the chartered accountant not to compromise professional or business judgment because of bias, conflict of interest or the undue influence of others. For example, the accountant complies with the principle of objectivity by:

- (a) Recognizing circumstances or relationships such as familiarity with the client, that might compromise the accountant's professional or business judgment; and
- (b) Considering the impact of such circumstances and relationships on the accountant's judgment when evaluating the sufficiency and appropriateness of audit evidence related to a matter material to the client's financial statements.

In doing so, the accountant behaves in a manner that contributes to the exercise of professional skepticism.

- Professional competence and due care requires the chartered accountant to have professional knowledge and skill at the level required to ensure the provision of competent professional service, and to act diligently in accordance with applicable standards, laws and regulations. For example, the accountant complies with the principle of professional competence and due care by:

- (a) Applying knowledge that is relevant to a particular client's industry and business activities in order to properly identify risks of material misstatement;
- (b) Designing and performing appropriate audit procedures; and
- (c) Applying relevant knowledge when critically assessing whether audit evidence is sufficient and appropriate in the circumstances.

In doing so, the accountant behaves in a manner that contributes to the exercise of professional skepticism.

COMPENDIUM
OF
CORPORATE LAWS

PART 2 – Chartered Accountants in Business**SECTION 200****APPLYING THE CONCEPTUAL FRAMEWORK – CHARTERED ACCOUNTANTS IN BUSINESS****Introduction**

- 200.1 This Part of the Code sets out requirements and application material for chartered accountants in business when applying the conceptual framework set out in Section 120. It does not describe all of the facts and circumstances, including professional activities, interests and relationships, that could be encountered by chartered accountants in business, which create or might create threats to compliance with the fundamental principles. Therefore, the conceptual framework requires chartered accountants in business to be alert for such facts and circumstances.
- 200.2 Investors, creditors, employing organizations and other sectors of the business community, as well as governments and the general public, might rely on the work of chartered accountants in business. Chartered accountants in business might be solely or jointly responsible for the preparation and reporting of financial and other information, on which both their employing organizations and third parties might rely. They might also be responsible for providing effective financial management and competent advice on a variety of business-related matters.
- 200.3 A chartered accountant in business might be an employee, contractor, partner, director (executive or non-executive), owner- manager, or volunteer of an employing organization. The legal form of the relationship of the accountant with the employing organization has no bearing on the ethical responsibilities placed on the accountant.
- 200.4 In this Part, the term “chartered accountant” refers to:
- (a) A chartered accountant in business; and
 - (b) An individual who is a chartered accountant in practice when performing professional activities pursuant to the accountant’s relationship with the accountant’s firm, whether as a contractor, employee or owner. More information on when Part 2 is applicable to chartered accountants in practice is set out in paragraphs R120.4, R300.5 and 300.5 A1.

Requirements and Application Material**General**

- R200.5** A chartered accountant shall comply with the fundamental principles set out in Section 110 and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to compliance with the fundamental principles.
- 200.5 A1 A chartered accountant has a responsibility to further the legitimate objectives of the accountant’s employing organization. The Code does not seek to hinder accountants from fulfilling that responsibility, but addresses circumstances in which compliance with the fundamental principles might be compromised.
- 200.5 A2 Chartered accountants may promote the position of the employing organization when furthering the legitimate goals and objectives of their employing organization, provided that any statements made are neither false nor misleading. Such actions usually would not create an advocacy threat.

- 200.5 A3 The more senior the position of a chartered accountant, the greater will be the ability and opportunity to access information, and to influence policies, decisions made and actions taken by others involved with the employing organization. To the extent that they are able to do so, taking into account their position and seniority in the organization, accountants are expected to encourage and promote an ethics-based culture in the organization. Examples of actions that might be taken include the introduction, implementation and oversight of:
- Ethics education and training programs.
 - Ethics and whistle-blowing policies.
 - Policies and procedures designed to prevent non-compliance with laws and regulations.

Identifying Threats

- 200.6 A1 Threats to compliance with the fundamental principles might be created by a broad range of facts and circumstances. The categories of threats are described in paragraph 120.6 A3. The following are examples of facts and circumstances within each of those categories that might create threats for a chartered accountant when undertaking a professional activity:
- (a) Self-interest Threats
 - A chartered accountant holding a financial interest in, or receiving a loan or guarantee from, the employing organization.
 - A chartered accountant participating in incentive compensation arrangements offered by the employing organization.
 - A chartered accountant having access to corporate assets for personal use.
 - A chartered accountant being offered a gift or special treatment from a supplier of the employing organization.
 - (b) Self-review Threats
 - A chartered accountant determining the appropriate accounting treatment for a business combination after performing the feasibility study supporting the purchase decision.
 - (c) Advocacy Threats
 - A chartered accountant having the opportunity to manipulate information in a prospectus in order to obtain favorable financing.
 - (d) Familiarity Threats
 - A chartered accountant being responsible for the financial reporting of the employing organization when an immediate or close family member employed by the organization makes decisions that affect the financial reporting of the organization.
 - A chartered accountant having a long association with individuals influencing business decisions.
 - (e) Intimidation Threats
 - A chartered accountant or immediate or close family member facing the threat of dismissal or replacement over a disagreement about:

- o The application of an accounting principle.
 - o The way in which financial information is to be reported.
- An individual attempting to influence the decision-making process of the chartered accountant, for example with regard to the awarding of contracts or the application of an accounting principle.

Evaluating Threats

- 200.7 A1 The conditions, policies and procedures described in paragraphs 120.6 A1 and 120.8 A2 might impact the evaluation of whether a threat to compliance with the fundamental principles is at an acceptable level.
- 200.7 A2 The chartered accountant's evaluation of the level of a threat is also impacted by the nature and scope of the professional activity.
- 200.7 A3 The chartered accountant's evaluation of the level of a threat might be impacted by the work environment within the employing organization and its operating environment. For example:
- Leadership that stresses the importance of ethical behavior and the expectation that employees will act in an ethical manner.
 - Policies and procedures to empower and encourage employees to communicate ethics issues that concern them to senior levels of management without fear of retribution.
 - Policies and procedures to implement and monitor the quality of employee performance.
 - Systems of corporate oversight or other oversight structures and strong internal controls.
 - Recruitment procedures emphasizing the importance of employing high caliber competent personnel.
 - Timely communication of policies and procedures, including any changes to them, to all employees, and appropriate training and education on such policies and procedures.
 - Ethics and code of conduct policies.
- 200.7 A4 Chartered accountants might consider obtaining legal advice where they believe that unethical behavior or actions by others have occurred, or will continue to occur, within the employing organization.

Addressing Threats

- 200.8 A1 Sections 210 to 270 describe certain threats that might arise during the course of performing professional activities and include examples of actions that might address such threats.
- 200.8 A2 In extreme situations, if the circumstances that created the threats cannot be eliminated and safeguards are not available or capable of being applied to reduce the threat to an acceptable level, it might be appropriate for a chartered accountant to resign from the employing organization.

Communicating with Those Charged with Governance

- R200.9** When communicating with those charged with governance in accordance with the Code, a chartered accountant shall determine the appropriate individual(s) within the

employing organization's governance structure with whom to communicate. If the accountant communicates with a subgroup of those charged with governance, the accountant shall determine whether communication with all of those charged with governance is also necessary so that they are adequately informed.

- 200.9 A1 In determining with whom to communicate, a chartered accountant might consider:
- The nature and importance of the circumstances; and
 - The matter to be communicated.
- 200.9 A2 Examples of a subgroup of those charged with governance include an audit committee or an individual member of those charged with governance.
- R200.10** If a chartered accountant communicates with individuals who have management responsibilities as well as governance responsibilities, the accountant shall be satisfied that communication with those individuals adequately informs all of those in a governance role with whom the accountant would otherwise communicate.
- 200.10 A1 In some circumstances, all of those charged with governance are involved in managing the employing organization, for example, a small business where a single owner manages the organization and no one else has a governance role. In these cases, if matters are communicated with individual(s) with management responsibilities, and those individual(s) also have governance responsibilities, the chartered accountant has satisfied the requirement to communicate with those charged with governance.

SECTION 210

CONFLICTS OF INTEREST

Introduction

- 210.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 210.2 A conflict of interest creates threats to compliance with the principle of objectivity and might create threats to compliance with the other fundamental principles. Such threats might be created when:
- A chartered accountant undertakes a professional activity related to a particular matter for two or more parties whose interests with respect to that matter are in conflict; or
 - The interest of a chartered accountant with respect to a particular matter and the interests of a party for whom the accountant undertakes a professional activity related to that matter are in conflict.
- A party might include an employing organization, a vendor, a customer, a lender, a shareholder, or another party.
- 210.3 This section sets out specific requirements and application material relevant to applying the conceptual framework to conflicts of interest.

Requirements and Application Material

General

- R210.4** A chartered accountant shall not allow a conflict of interest to compromise professional or business judgment.
- 210.4 A1 Examples of circumstances that might create a conflict of interest include:

- Serving in a management or governance position for two employing organizations and acquiring confidential information from one organization that might be used by the chartered accountant to the advantage or disadvantage of the other organization.
- Undertaking a professional activity for each of two parties in a partnership, where both parties are employing the accountant to assist them to dissolve their partnership.
- Preparing financial information for certain members of management of the accountant's employing organization who are seeking to undertake a management buy-out.
- Being responsible for selecting a vendor for the employing organization when an immediate family member of the accountant might benefit financially from the transaction.
- Serving in a governance capacity in an employing organization that is approving certain investments for the company where one of those investments will increase the value of the investment portfolio of the accountant or an immediate family member.

Conflict Identification

R210.5 A chartered accountant shall take reasonable steps to identify circumstances that might create a conflict of interest, and therefore a threat to compliance with one or more of the fundamental principles. Such steps shall include identifying:

- (a) The nature of the relevant interests and relationships between the parties involved; and
- (b) The activity and its implication for relevant parties.

R210.6 A chartered accountant shall remain alert to changes over time in the nature of the activities, interests and relationships that might create a conflict of interest while performing a professional activity.

Threats Created by Conflicts of Interest

- 210.7 A1 In general, the more direct the connection between the professional activity and the matter on which the parties' interests conflict, the more likely the level of the threat is not at an acceptable level.
- 210.7 A2 An example of an action that might eliminate threats created by conflicts of interest is withdrawing from the decision-making process related to the matter giving rise to the conflict of interest.
- 210.7 A3 Examples of actions that might be safeguards to address threats created by conflicts of interest include:
- Restructuring or segregating certain responsibilities and duties.
 - Obtaining appropriate oversight, for example, acting under the supervision of an executive or non-executive director.

Disclosure and Consent

General

- 210.8 A1 It is generally necessary to:

- (a) Disclose the nature of the conflict of interest and how any threats created were addressed to the relevant parties, including to the appropriate levels within the employing organization affected by a conflict; and
 - (b) Obtain consent from the relevant parties for the chartered accountant to undertake the professional activity when safeguards are applied to address the threat.
- 210.8 A2 Consent might be implied by a party's conduct in circumstances where the chartered accountant has sufficient evidence to conclude that the parties know the circumstances at the outset and have accepted the conflict of interest if they do not raise an objection to the existence of the conflict.
- 210.8 A3 If such disclosure or consent is not in writing, the chartered accountant is encouraged to document:
- (a) The nature of the circumstances giving rise to the conflict of interest;
 - (b) The safeguards applied to address the threats when applicable; and
 - (c) The consent obtained.

Other Considerations

- 210.9 A1 When addressing a conflict of interest, the chartered accountant is encouraged to seek guidance from within the employing organization or from others, such as a professional body, legal counsel or another accountant. When making such disclosures or sharing information within the employing organization and seeking guidance of third parties, the principle of confidentiality applies.

SECTION 220

PREPARATION AND PRESENTATION OF INFORMATION

Introduction

- 220.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 220.2 Preparing or presenting information might create a self-interest, intimidation or other threats to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

- 220.3 A1 Chartered accountants at all levels in an employing organization are involved in the preparation or presentation of information both within and outside the organization.
- 220.3 A2 Stakeholders to whom, or for whom, such information is prepared or presented, include:
- Management and those charged with governance.
 - Investors and lenders or other creditors.
 - Regulatory bodies.

This information might assist stakeholders in understanding and evaluating aspects of the employing organization's state of affairs and in making decisions concerning the

organization. Information can include financial and non-financial information that might be made public or used for internal purposes.

Examples include:

- Operating and performance reports.
- Decision support analyses.
- Budgets and forecasts.
- Information provided to the internal and external auditors.
- Risk analyses.
- General and special purpose financial statements.
- Tax returns.
- Reports filed with regulatory bodies for legal and compliance purposes.

220.3 A3 For the purposes of this section, preparing or presenting information includes recording, maintaining and approving information.

R220.4 When preparing or presenting information, a chartered accountant shall:

- (a) Prepare or present the information in accordance with a relevant reporting framework, where applicable;
- (b) Prepare or present the information in a manner that is intended neither to mislead nor to influence contractual or regulatory outcomes inappropriately;
- (c) Exercise professional judgment to:
 - (i) Represent the facts accurately and completely in all material respects;
 - (ii) Describe clearly the true nature of business transactions or activities; and
 - (iii) Classify and record information in a timely and proper manner; and
- (d) Not omit anything with the intention of rendering the information misleading or of influencing contractual or regulatory outcomes inappropriately.

220.4 A1 An example of influencing a contractual or regulatory outcome inappropriately is using an unrealistic estimate with the intention of avoiding violation of a contractual requirement such as a debt covenant or of a regulatory requirement such as a capital requirement for a financial institution.

Use of Discretion in Preparing or Presenting Information

R220.5 Preparing or presenting information might require the exercise of discretion in making professional judgments. The chartered accountant shall not exercise such discretion with the intention of misleading others or influencing contractual or regulatory outcomes inappropriately.

220.5 A1 Examples of ways in which discretion might be misused to achieve inappropriate outcomes include:

- Determining estimates, for example, determining fair value estimates in order to misrepresent profit or loss.
- Selecting or changing an accounting policy or method among two or more alternatives permitted under the applicable financial reporting framework, for example, selecting a policy for accounting for longterm contracts in order to misrepresent profit or loss.

- Determining the timing of transactions, for example, timing the sale of an asset near the end of the fiscal year in order to mislead.
- Determining the structuring of transactions, for example, structuring financing transactions in order to misrepresent assets and liabilities or classification of cash flows.
- Selecting disclosures, for example, omitting or obscuring information relating to financial or operating risk in order to mislead.

R220.6 When performing professional activities, especially those that do not require compliance with a relevant reporting framework, the chartered accountant shall exercise professional judgment to identify and consider:

- (a) The purpose for which the information is to be used;
- (b) The context within which it is given; and
- (c) The audience to whom it is addressed.

220.6 A1 For example, when preparing or presenting pro forma reports, budgets or forecasts, the inclusion of relevant estimates, approximations and assumptions, where appropriate, would enable those who might rely on such information to form their own judgments.

220.6 A2 The chartered accountant might also consider clarifying the intended audience, context and purpose of the information to be presented.

Relying on the Work of Others

R220.7 A chartered accountant who intends to rely on the work of others, either internal or external to the employing organization, shall exercise professional judgment to determine what steps to take, if any, in order to fulfill the responsibilities, set out in paragraph R220.4.

220.7 A1 Factors to consider in determining whether reliance on others is reasonable include:

- The reputation and expertise of, and resources available to, the other individual or organization.
- Whether the other individual is subject to applicable professional and ethics standards.

Such information might be gained from prior association with, or from consulting others about, the other individual or organization.

Addressing Information that Is or Might be Misleading

R220.8 When the chartered accountant knows or has reason to believe that the information with which the accountant is associated is misleading, the accountant shall take appropriate actions to seek to resolve the matter.

220.8 A1 Actions that might be appropriate include:

- Discussing concerns that the information is misleading with the chartered accountant's superior and/or the appropriate level(s) of management within the accountant's employing organization or those charged with governance, and requesting such individuals to take appropriate action to resolve the matter. Such action might include:
 - o Having the information corrected.
 - o If the information has already been disclosed to the intended users, informing them of the correct information.
- Consulting the policies and procedures of the employing organization (for example, an ethics or whistle-blowing policy) regarding how to address such matters internally.

220.8 A2 The chartered accountant might determine that the employing organization has not taken appropriate action. If the accountant continues to have reason to believe that the information is misleading, the following further actions might be appropriate provided that the accountant remains alert to the principle of confidentiality:

- Consulting with:
 - A relevant professional body.
 - The internal or external auditor of the employing organization.
 - Legal counsel.
- Determining whether any requirements exist to communicate to:
 - Third parties, including users of the information.
 - Regulatory and oversight authorities.

R220.9 If after exhausting all feasible options, the chartered accountant determines that appropriate action has not been taken and there is reason to believe that the information is still misleading, the accountant shall refuse to be or to remain associated with the information.

220.9 A1 In such circumstances, it might be appropriate for a chartered accountant to resign from the employing organization.

Documentation

220.10 A1 The chartered accountant is encouraged to document:

- The facts.
- The accounting principles or other relevant professional standards involved.
- The communications and parties with whom matters were discussed.
- The courses of action considered.
- How the accountant attempted to address the matter(s).

Other Considerations

220.11 A1 Where threats to compliance with the fundamental principles relating to the preparation or presentation of information arise from a financial interest, including compensation and incentives linked to financial reporting and decision making, the requirements and application material set out in Section 240 apply.

220.11 A2 Where the misleading information might involve non-compliance with laws and regulations, the requirements and application material set out in Section 260 apply.

220.11 A3 Where threats to compliance with the fundamental principles relating to the preparation or presentation of information arise from pressure, the requirements and application material set out in Section 270 apply.

SECTION 230

ACTING WITH SUFFICIENT EXPERTISE

Introduction

230.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

230.2 Acting without sufficient expertise creates a self-interest threat to compliance with the principle of professional competence and due care. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material**General**

R230.3 A chartered accountant shall not intentionally mislead an employing organization as to the level of expertise or experience possessed.

230.3 A1 The principle of professional competence and due care requires that a chartered accountant only undertake significant tasks for which the accountant has, or can obtain, sufficient training or experience.

230.3 A2 A self-interest threat to compliance with the principle of professional competence and due care might be created if a chartered accountant has:

- Insufficient time for performing or completing the relevant duties.
- Incomplete, restricted or otherwise inadequate information for performing the duties.
- Insufficient experience, training and/or education.
- Inadequate resources for the performance of the duties.

230.3 A3 Factors that are relevant in evaluating the level of such a threat include:

- The extent to which the chartered accountant is working with others.
- The relative seniority of the accountant in the business.
- The level of supervision and review applied to the work.

230.3 A4 Examples of actions that might be safeguards to address such a self-interest threat include:

- Obtaining assistance or training from someone with the necessary expertise.
- Ensuring that there is adequate time available for performing the relevant duties.

R230.4 If a threat to compliance with the principle of professional competence and due care cannot be addressed, a chartered accountant shall determine whether to decline to perform the duties in question. If the accountant determines that declining is appropriate, the accountant shall communicate the reasons.

Other Considerations

230.5 A1 The requirements and application material in Section 270 apply when a chartered accountant is pressured to act in a manner that might lead to a breach of the principle of professional competence and due care.

SECTION 240**FINANCIAL INTERESTS, COMPENSATION AND INCENTIVES LINKED TO FINANCIAL REPORTING AND DECISION MAKING****Introduction**

240.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

240.2 Having a financial interest, or knowing of a financial interest held by an immediate or close family member might create a self-interest threat to compliance with the principles of objectivity or confidentiality. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material**General**

- R240.3** A chartered accountant shall not manipulate information or use confidential information for personal gain or for the financial gain of others.
- 240.3 A1 Chartered accountants might have financial interests or might know of financial interests of immediate or close family members that, in certain circumstances, might create threats to compliance with the fundamental principles. Financial interests include those arising from compensation or incentive arrangements linked to financial reporting and decision making.
- 240.3 A2 Examples of circumstances that might create a self-interest threat include situations in which the chartered accountant or an immediate or close family member:
- Has a motive and opportunity to manipulate price-sensitive information in order to gain financially.
 - Holds a direct or indirect financial interest in the employing organization and the value of that financial interest might be directly affected by decisions made by the accountant.
 - Is eligible for a profit-related bonus and the value of that bonus might be directly affected by decisions made by the accountant.
 - Holds, directly or indirectly, deferred bonus share rights or share options in the employing organization, the value of which might be affected by decisions made by the accountant.
 - Participates in compensation arrangements which provide incentives to achieve targets or to support efforts to maximize the value of the employing organization's shares. An example of such an arrangement might be through participation in incentive plans which are linked to certain performance conditions being met.
- 240.3 A3 Factors that are relevant in evaluating the level of such a threat include:
- The significance of the financial interest. What constitutes a significant financial interest will depend on personal circumstances and the materiality of the financial interest to the individual.
 - Policies and procedures for a committee independent of management to determine the level or form of senior management remuneration.
 - In accordance with any internal policies, disclosure to those charged with governance of:
 - All relevant interests.
 - Any plans to exercise entitlements or trade in relevant shares.
 - Internal and external audit procedures that are specific to address issues that give rise to the financial interest.
- 240.3 A4 Threats created by compensation or incentive arrangements might be compounded by explicit or implicit pressure from superiors or colleagues. See Section 270, Pressure to Breach the Fundamental Principles.

SECTION 250**INDUCEMENTS, INCLUDING GIFTS AND HOSPITALITY****Introduction**

- 250.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

250.2 Offering or accepting inducements might create a self-interest, familiarity or intimidation threat to compliance with the fundamental principles, particularly the principles of integrity, objectivity and professional behavior.

250.3 This section sets out requirements and application material relevant to applying the conceptual framework in relation to the offering and accepting of inducements when undertaking professional activities that does not constitute non-compliance with laws and regulations. This section also requires a chartered accountant to comply with relevant laws and regulations when offering or accepting inducements.

Requirements and Application Material

General

250.4 A1 An inducement is an object, situation, or action that is used as a means to influence another individual's behavior, but not necessarily with the intent to improperly influence that individual's behavior. Inducements can range from minor acts of hospitality between business colleagues to acts that result in non-compliance with laws and regulations. An inducement can take many different forms, for example:

- Gifts.
- Hospitality.
- Entertainment.
- Political or charitable donations.
- Appeals to friendship and loyalty.
- Employment or other commercial opportunities.
- Preferential treatment, rights or privileges.

Inducements Prohibited by Laws and Regulations

R250.5 In many jurisdictions, there are laws and regulations, such as those related to bribery and corruption, that prohibit the offering or accepting of inducements in certain circumstances. The chartered accountant shall obtain an understanding of relevant laws and regulations and comply with them when the accountant encounters such circumstances.

Inducements Not Prohibited by Laws and Regulations

250.6 A1 The offering or accepting of inducements that is not prohibited by laws and regulations might still create threats to compliance with the fundamental principles.

Inducements with Intent to Improperly Influence Behavior

R250.7 A chartered accountant shall not offer, or encourage others to offer, any inducement that is made, or which the accountant considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behavior of the recipient or of another individual.

R250.8 A chartered accountant shall not accept, or encourage others to accept, any inducement that the accountant concludes is made, or considers a reasonable and informed third party would be likely to conclude is made, with the intent to improperly influence the behavior of the recipient or of another individual.

250.9 A1 An inducement is considered as improperly influencing an individual's behavior if it causes the individual to act in an unethical manner. Such improper influence can be directed either towards the recipient or towards another individual who has some relationship with the recipient. The fundamental principles are an appropriate frame of

reference for a chartered accountant in considering what constitutes unethical behavior on the part of the accountant and, if necessary by analogy, other individuals.

- 250.9 A2 A breach of the fundamental principle of integrity arises when a chartered accountant offers or accepts, or encourages others to offer or accept, an inducement where the intent is to improperly influence the behavior of the recipient or of another individual.
- 250.9 A3 The determination of whether there is actual or perceived intent to improperly influence behavior requires the exercise of professional judgment. Relevant factors to consider might include:
- The nature, frequency, value and cumulative effect of the inducement.
 - Timing of when the inducement is offered relative to any action or decision that it might influence.
 - Whether the inducement is a customary or cultural practice in the circumstances, for example, offering a gift on the occasion of a religious holiday or wedding.
 - Whether the inducement is an ancillary part of a professional activity, for example, offering or accepting lunch in connection with a business meeting.
 - Whether the offer of the inducement is limited to an individual recipient or available to a broader group. The broader group might be internal or external to the employing organization, such as other customers or vendors.
 - The roles and positions of the individuals offering or being offered the inducement.
 - Whether the chartered accountant knows, or has reason to believe, that accepting the inducement would breach the policies and procedures of the counterparty's employing organization.
 - The degree of transparency with which the inducement is offered.
 - Whether the inducement was required or requested by the recipient.
 - The known previous behavior or reputation of the offeror.

Consideration of Further Actions

- 250.10 A1 If the chartered accountant becomes aware of an inducement offered with actual or perceived intent to improperly influence behavior, threats to compliance with the fundamental principles might still be created even if the requirements in paragraphs R250.7 and R250.8 are met.
- 250.10 A2 Examples of actions that might be safeguards to address such threats include:
- Informing senior management or those charged with governance of the employing organization of the chartered accountant or the offeror regarding the offer.
 - Amending or terminating the business relationship with the offeror.

Inducements with No Intent to Improperly Influence Behavior

- 250.11 A1 The requirements and application material set out in the conceptual framework apply when a chartered accountant has concluded there is no actual or perceived intent to improperly influence the behavior of the recipient or of another individual.
- 250.11 A2 If such an inducement is trivial and inconsequential, any threats created will be at an acceptable level.

250.11 A3 Examples of circumstances where offering or accepting such an inducement might create threats even if the chartered accountant has concluded there is no actual or perceived intent to improperly influence behavior include:

- Self-interest threats
 - o A chartered accountant is offered part-time employment by a vendor.
- Familiarity threats
 - o A chartered accountant regularly takes a customer or supplier to sporting events.
- Intimidation threats
 - o A chartered accountant accepts hospitality, the nature of which could be perceived to be inappropriate were it to be publicly disclosed.

250.11 A4 Relevant factors in evaluating the level of such threats created by offering or accepting such an inducement include the same factors set out in paragraph 250.9 A3 for determining intent.

250.11 A5 Examples of actions that might eliminate threats created by offering or accepting such an inducement include:

- Declining or not offering the inducement.
- Transferring responsibility for any business-related decision involving the counterparty to another individual who the chartered accountant has no reason to believe would be, or would be perceived to be, improperly influenced in making the decision.

250.11 A6 Examples of actions that might be safeguards to address such threats created by offering or accepting such an inducement include:

- Being transparent with senior management or those charged with governance of the employing organization of the chartered accountant or of the counterparty about offering or accepting an inducement.
- Registering the inducement in a log maintained by the employing organization of the accountant or the counterparty.
- Having an appropriate reviewer, who is not otherwise involved in undertaking the professional activity, review any work performed or decisions made by the accountant with respect to the individual or organization from which the accountant accepted the inducement.
- Donating the inducement to charity after receipt and appropriately disclosing the donation, for example, to those charged with governance or the individual who offered the inducement.
- Reimbursing the cost of the inducement, such as hospitality, received.
- As soon as possible, returning the inducement, such as a gift, after it was initially accepted.

Immediate or Close Family Members

R250.12 A chartered accountant shall remain alert to potential threats to the accountant's compliance with the fundamental principles created by the offering of an inducement:

- (a) By an immediate or close family member of the accountant to a counterparty with whom the accountant has a professional relationship; or
- (b) To an immediate or close family member of the accountant by a counterparty with whom the accountant has a professional relationship.

R250.13 Where the chartered accountant becomes aware of an inducement being offered to or made by an immediate or close family member and concludes there is intent to improperly influence the behavior of the accountant or of the counterparty, or considers a reasonable and informed third party would be likely to conclude such intent exists, the accountant shall advise the immediate or close family member not to offer or accept the inducement.

250.13 A1 The factors set out in paragraph 250.9 A3 are relevant in determining whether there is actual or perceived intent to improperly influence the behavior of the chartered accountant or of the counterparty. Another factor that is relevant is the nature or closeness of the relationship, between:

- (a) The accountant and the immediate or close family member;
- (b) The immediate or close family member and the counterparty; and
- (c) The accountant and the counterparty.

For example, the offer of employment, outside of the normal recruitment process, to the spouse of the accountant by a counterparty with whom the accountant is negotiating a significant contract might indicate such intent.

250.13 A2 The application material in paragraph 250.10 A2 is also relevant in addressing threats that might be created when there is actual or perceived intent to improperly influence the behavior of the chartered accountant or of the counterparty even if the immediate or close family member has followed the advice given pursuant to paragraph R250.13.

Application of the Conceptual Framework

250.14 A1 Where the chartered accountant becomes aware of an inducement offered in the circumstances addressed in paragraph R250.12, threats to compliance with the fundamental principles might be created where:

- (a) The immediate or close family member offers or accepts the inducement contrary to the advice of the accountant pursuant to paragraph R250.13; or
- (b) The accountant does not have reason to believe an actual or perceived intent to improperly influence the behavior of the accountant or of the counterparty exists.

250.14 A2 The application material in paragraphs 250.11 A1 to 250.11 A6 is relevant for the purposes of identifying, evaluating and addressing such threats. Factors that are relevant in evaluating the level of threats in these circumstances also include the nature or closeness of the relationships set out in paragraph 250.13 A1.

Other Considerations

250.15 A1 If a chartered accountant is offered an inducement by the employing organization relating to financial interests, compensation and incentives linked to performance, the requirements and application material set out in Section 240 apply.

250.15 A2 If a chartered accountant encounters or is made aware of inducements that might result in non-compliance or suspected non-compliance with laws and regulations by other individuals working for or under the direction of the employing organization, the requirements and application material set out in Section 260 apply.

250.15 A3 If a chartered accountant faces pressure to offer or accept inducements that might create threats to compliance with the fundamental principles, the requirements and application material set out in Section 270 apply.

SECTION 260**RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS****Introduction**

- 260.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.
- 260.2 A self-interest or intimidation threat to compliance with the principles of integrity and professional behavior is created when a chartered accountant becomes aware of non-compliance or suspected non-compliance with laws and regulations.
- 260.3 A chartered accountant might encounter or be made aware of noncompliance or suspected non-compliance in the course of carrying out professional activities. This section guides the accountant in assessing the implications of the matter and the possible courses of action when responding to non-compliance or suspected non-compliance with:
- (a) Laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the employing organization's financial statements; and
 - (b) Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the employing organization's financial statements, but compliance with which might be fundamental to the operating aspects of the employing organization's business, to its ability to continue its business, or to avoid material penalties.

Objectives of the Chartered Accountant in Relation to Non-compliance with Laws and Regulations

- 260.4 A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. When responding to noncompliance or suspected non-compliance, the objectives of the chartered accountant are:
- (a) To comply with the principles of integrity and professional behavior;
 - (b) By alerting management or, where appropriate, those charged with governance of the employing organization, to seek to:
 - (i) Enable them to rectify, remediate or mitigate the consequences of the identified or suspected non-compliance; or
 - (ii) Deter the non-compliance where it has not yet occurred; and
 - (c) To take such further action as appropriate in the public interest.

Requirements and Application Material**General**

- 260.5 A1 Non-compliance with laws and regulations ("non-compliance") comprises acts of omission or commission, intentional or unintentional, which are contrary to the prevailing laws or regulations committed by the following parties:
- (a) The chartered accountant's employing organization;
 - (b) Those charged with governance of the employing organization;
 - (c) Management of the employing organization; or
 - (d) Other individuals working for or under the direction of the employing organization.

260.5 A2 Examples of laws and regulations which this section addresses include those that deal with:

- Fraud, corruption and bribery.
- Money laundering, terrorist financing and proceeds of crime.
- Securities markets and trading.
- Banking and other financial products and services.
- Data protection.
- Tax and pension liabilities and payments.
- Environmental protection.
- Public health and safety.

260.5 A3 Non-compliance might result in fines, litigation or other consequences for the employing organization, potentially materially affecting its financial statements. Importantly, such non-compliance might have wider public interest implications in terms of potentially substantial harm to investors, creditors, employees or the general public. For the purposes of this section, non-compliance that causes substantial harm is one that results in serious adverse consequences to any of these parties in financial or non-financial terms. Examples include the perpetration of a fraud resulting in significant financial losses to investors, and breaches of environmental laws and regulations endangering the health or safety of employees or the public.

R260.6 In some jurisdictions, there are legal or regulatory provisions governing how chartered accountants are required to address non-compliance or suspected non-compliance. These legal or regulatory provisions might differ from or go beyond the provisions in this section. When encountering such noncompliance or suspected non-compliance, the accountant shall obtain an understanding of those legal or regulatory provisions and comply with them, including:

- (a) Any requirement to report the matter to an appropriate authority; and
- (b) Any prohibition on alerting the relevant party.

260.6 A1 A prohibition on alerting the relevant party might arise, for example, pursuant to anti-money laundering legislation.

260.7 A1 This section applies regardless of the nature of the employing organization, including whether or not it is a public interest entity.

260.7 A2 A chartered accountant who encounters or is made aware of matters that are clearly inconsequential is not required to comply with this section. Whether a matter is clearly inconsequential is to be judged with respect to its nature and its impact, financial or otherwise, on the employing organization, its stakeholders and the general public.

260.7 A3 This section does not address:

- (a) Personal misconduct unrelated to the business activities of the employing organization; and
- (b) Non-compliance by parties other than those specified in paragraph 260.5 A1.

The chartered accountant might nevertheless find the guidance in this section helpful in considering how to respond in these situations.

Responsibilities of the Employing Organization's Management and Those Charged with Governance

260.8 A1 The employing organization's management, with the oversight of those charged with governance, is responsible for ensuring that the employing organization's business activities are conducted in accordance with laws and regulations. Management and

those charged with governance are also responsible for identifying and addressing any non-compliance by:

- (a) The employing organization;
- (b) An individual charged with governance of the employing organization;
- (c) A member of management; or
- (d) Other individuals working for or under the direction of the employing organization.

Responsibilities of All Chartered Accountants

R260.9 If protocols and procedures exist within the chartered accountant's employing organization to address non-compliance or suspected noncompliance, the accountant shall consider them in determining how to respond to such non-compliance.

260.9 A1 Many employing organizations have established protocols and procedures regarding how to raise non-compliance or suspected non-compliance internally. These protocols and procedures include, for example, an ethics policy or internal whistle-blowing mechanism. Such protocols and procedures might allow matters to be reported anonymously through designated channels.

R260.10 Where a chartered accountant becomes aware of a matter to which this section applies, the steps that the accountant takes to comply with this section shall be taken on a timely basis. For the purpose of taking timely steps, the accountant shall have regard to the nature of the matter and the potential harm to the interests of the employing organization, investors, creditors, employees or the general public.

Responsibilities of Senior Chartered Accountants in Business

260.11A1 Senior chartered accountants in business ("senior chartered accountants") are directors, officers or senior employees able to exert significant influence over, and make decisions regarding, the acquisition, deployment and control of the employing organization's human, financial, technological, physical and intangible resources. There is a greater expectation for such individuals to take whatever action is appropriate in the public interest to respond to non-compliance or suspected non-compliance than other chartered accountants within the employing organization. This is because of senior chartered accountants' roles, positions and spheres of influence within the employing organization.

Obtaining an Understanding of the Matter

R260.12 If, in the course of carrying out professional activities, a senior chartered accountant becomes aware of information concerning non-compliance or suspected non-compliance, the accountant shall obtain an understanding of the matter. This understanding shall include:

- (a) The nature of the non-compliance or suspected non-compliance and the circumstances in which it has occurred or might occur;
- (b) The application of the relevant laws and regulations to the circumstances; and
- (c) An assessment of the potential consequences to the employing organization, investors, creditors, employees or the wider public.

260.12 A1 A senior chartered accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations greater than that which is required for the accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

260.12 A2 Depending on the nature and significance of the matter, the senior chartered accountant might cause, or take appropriate steps to cause, the matter to be investigated internally. The accountant might also consult on a confidential basis with others within the employing organization or a professional body, or with legal counsel.

Addressing the Matter

R260.13 If the senior chartered accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall, subject to paragraph R260.9, discuss the matter with the accountant's immediate superior, if any. If the accountant's immediate superior appears to be involved in the matter, the accountant shall discuss the matter with the next higher level of authority within the employing organization.

260.13 A1 The purpose of the discussion is to enable a determination to be made as to how to address the matter.

R260.14 The senior chartered accountant shall also take appropriate steps to:

- (a) Have the matter communicated to those charged with governance;
- (b) Comply with applicable laws and regulations, including legal or regulatory provisions governing the reporting of non-compliance or suspected non-compliance to an appropriate authority;
- (c) Have the consequences of the non-compliance or suspected noncompliance rectified, remediated or mitigated;
- (d) Reduce the risk of re-occurrence; and
- (e) Seek to deter the commission of the non-compliance if it has not yet occurred.

260.14 A1 The purpose of communicating the matter to those charged with governance is to obtain their concurrence regarding appropriate actions to take to respond to the matter and to enable them to fulfill their responsibilities.

260.14 A2 Some laws and regulations might stipulate a period within which reports of non-compliance or suspected non-compliance are to be made to an appropriate authority.

R260.15 In addition to responding to the matter in accordance with the provisions of this section, the senior chartered accountant shall determine whether disclosure of the matter to the employing organization's external auditor, if any, is needed.

260.15 A1 Such disclosure would be pursuant to the senior chartered accountant's duty or legal obligation to provide all information necessary to enable the auditor to perform the audit.

Determining Whether Further Action Is Needed

R260.16 The senior chartered accountant shall assess the appropriateness of the response of the accountant's superiors, if any, and those charged with governance.

260.16 A1 Relevant factors to consider in assessing the appropriateness of the response of the senior chartered accountant's superiors, if any, and those charged with governance include whether:

- The response is timely.
- They have taken or authorized appropriate action to seek to rectify, remediate or mitigate the consequences of the non-compliance, or to avert the non-compliance if it has not yet occurred.
- The matter has been disclosed to an appropriate authority where appropriate and, if so, whether the disclosure appears adequate.

R260.17 In light of the response of the senior chartered accountant's superiors, if any, and those charged with governance, the accountant shall determine if further action is needed in the public interest.

260.17 A1 The determination of whether further action is needed, and the nature and extent of it, will depend on various factors, including:

- The legal and regulatory framework.
- The urgency of the situation.
- The pervasiveness of the matter throughout the employing organization.
- Whether the senior chartered accountant continues to have confidence in the integrity of the accountant's superiors and those charged with governance.
- Whether the non-compliance or suspected non-compliance is likely to recur.
- Whether there is credible evidence of actual or potential substantial harm to the interests of the employing organization, investors, creditors, employees or the general public.

260.17 A2 Examples of circumstances that might cause the senior chartered accountant no longer to have confidence in the integrity of the accountant's superiors and those charged with governance include situations where:

- The accountant suspects or has evidence of their involvement or intended involvement in any non-compliance.
- Contrary to legal or regulatory requirements, they have not reported, or authorized the reporting of, the matter to an appropriate authority within a reasonable period.

R260.18 The senior chartered accountant shall exercise professional judgment in determining the need for, and nature and extent of, further action. In making this determination, the accountant shall take into account whether a reasonable and informed third party would be likely to conclude that the accountant has acted appropriately in the public interest.

260.18 A1 Further action that the senior chartered accountant might take includes:

- Informing the management of the parent entity of the matter if the employing organization is a member of a group.
- Disclosing the matter to an appropriate authority even when there is no legal or regulatory requirement to do so.
- Resigning from the employing organization.

260.18 A2 Resigning from the employing organization is not a substitute for taking other actions that might be needed to achieve the senior chartered accountant's objectives under this section. In some jurisdictions, however, there might be limitations as to the further actions available to the accountant. In such circumstances, resignation might be the only available course of action.

Seeking Advice

260.19 A1 As assessment of the matter might involve complex analysis and judgments, the senior chartered accountant might consider:

- Consulting internally.

- Obtaining legal advice to understand the accountant's options and the professional or legal implications of taking any particular course of action.
- Consulting on a confidential basis with a regulatory or professional body.

Determining Whether to Disclose the Matter to an Appropriate Authority

260.20 A1 Disclosure of the matter to an appropriate authority would be precluded if doing so would be contrary to law or regulation. Otherwise, the purpose of making disclosure is to enable an appropriate authority to cause the matter to be investigated and action to be taken in the public interest.

260.20 A2 The determination of whether to make such a disclosure depends in particular on the nature and extent of the actual or potential harm that is or might be caused by the matter to investors, creditors, employees or the general public. For example, the senior chartered accountant might determine that disclosure of the matter to an appropriate authority is an appropriate course of action if:

- The employing organization is engaged in bribery (for example, of local or foreign government officials for purposes of securing large contracts).
- The employing organization is regulated and the matter is of such significance as to threaten its license to operate.
- The employing organization is listed on a securities exchange and the matter might result in adverse consequences to the fair and orderly market in the employing organization's securities or pose a systemic risk to the financial markets.
- It is likely that the employing organization would sell products that are harmful to public health or safety.
- The employing organization is promoting a scheme to its clients to assist them in evading taxes.

260.20 A3 The determination of whether to make such a disclosure will also depend on external factors such as:

- Whether there is an appropriate authority that is able to receive the information, and cause the matter to be investigated and action to be taken. The appropriate authority will depend upon the nature of the matter. For example, the appropriate authority would be a securities regulator in the case of fraudulent financial reporting or an environmental protection agency in the case of a breach of environmental laws and regulations.
- Whether there exists robust and credible protection from civil, criminal or professional liability or retaliation afforded by legislation or regulation, such as under whistle-blowing legislation or regulation.
- Whether there are actual or potential threats to the physical safety of the senior chartered accountant or other individuals.

R260.21 If the senior chartered accountant determines that disclosure of the matter to an appropriate authority is an appropriate course of action in the circumstances, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.

Imminent Breach

R260.22 In exceptional circumstances, the senior chartered accountant might become aware of actual or intended conduct that the accountant has reason to believe would constitute an imminent breach of a law or regulation that would cause substantial harm to investors, creditors, employees or the general public. Having first considered whether it would be appropriate to discuss the matter with management or those charged with governance of the employing organization, the accountant shall exercise professional judgment and determine whether to disclose the matter immediately to an appropriate authority in order to prevent or mitigate the consequences of such imminent breach. If disclosure is made, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code.

Documentation

260.23 A1 In relation to non-compliance or suspected non-compliance that falls within the scope of this section, the senior chartered accountant is encouraged to have the following matters documented:

- The matter.
- The results of discussions with the accountant's superiors, if any, and those charged with governance and other parties.
- How the accountant's superiors, if any, and those charged with governance have responded to the matter.
- The courses of action the accountant considered, the judgments made and the decisions that were taken.
- How the accountant is satisfied that the accountant has fulfilled the responsibility set out in paragraph R260.17.

Responsibilities of Chartered Accountants Other than Senior Chartered Accountants

R260.24 If, in the course of carrying out professional activities, a chartered accountant becomes aware of information concerning non-compliance or suspected non-compliance, the accountant shall seek to obtain an understanding of the matter. This understanding shall include the nature of the non-compliance or suspected non-compliance and the circumstances in which it has occurred or might occur.

260.24 A1 The chartered accountant is expected to apply knowledge and expertise, and exercise professional judgment. However, the accountant is not expected to have a level of understanding of laws and regulations greater than that which is required for the accountant's role within the employing organization. Whether an act constitutes non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.

260.24 A2 Depending on the nature and significance of the matter, the chartered accountant might consult on a confidential basis with others within the employing organization or a professional body, or with legal counsel.

R260.25 If the chartered accountant identifies or suspects that non-compliance has occurred or might occur, the accountant shall, subject to paragraph R260.9, inform an immediate superior to enable the superior to take appropriate action. If the accountant's immediate superior appears to be involved in the matter, the accountant shall inform the next higher level of authority within the employing organization.

R260.26 In exceptional circumstances, the chartered accountant may determine that disclosure of the matter to an appropriate authority is an appropriate course of action. If the accountant does so pursuant to paragraphs 260.20 A2 and A3, that disclosure is permitted pursuant to paragraph R114.1(d) of the Code. When making such disclosure, the accountant shall act in good faith and exercise caution when making statements and assertions.

Documentation

260.27 A1 In relation to non-compliance or suspected non-compliance that falls within the scope of this section, the chartered accountant is encouraged to have the following matters documented:

- The matter.
- The results of discussions with the accountant's superior, management and, where applicable, those charged with governance and other parties.
- How the accountant's superior has responded to the matter.
- The courses of action the accountant considered, the judgments made and the decisions that were taken.

SECTION 270

PRESSURE TO BREACH THE FUNDAMENTAL PRINCIPLES

Introduction

270.1 Chartered accountants are required to comply with the fundamental principles and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats.

270.2 Pressure exerted on, or by, a chartered accountant might create an intimidation or other threat to compliance with one or more of the fundamental principles. This section sets out specific requirements and application material relevant to applying the conceptual framework in such circumstances.

Requirements and Application Material

General

R270.3 A chartered accountant shall not:

- (a) Allow pressure from others to result in a breach of compliance with the fundamental principles; or
- (b) Place pressure on others that the accountant knows, or has reason to believe, would result in the other individuals breaching the fundamental principles.

270.3 A1 A chartered accountant might face pressure that creates threats to compliance with the fundamental principles, for example an intimidation threat, when undertaking a professional activity. Pressure might be explicit or implicit and might come from:

- Within the employing organization, for example, from a colleague or superior.
- An external individual or organization such as a vendor, customer or lender.
- Internal or external targets and expectations.

270.3 A2 Examples of pressure that might result in threats to compliance with the fundamental principles include:

- Pressure related to conflicts of interest:

- o Pressure from a family member bidding to act as a vendor to the chartered accountant's employing organization to select the family member over another prospective vendor.

See also Section 210, Conflicts of Interest.

- Pressure to influence preparation or presentation of information:
 - o Pressure to report misleading financial results to meet investor, analyst or lender expectations.
 - o Pressure from elected officials on public sector accountants to misrepresent programs or projects to voters.
 - o Pressure from colleagues to misstate income, expenditure or rates of return to bias decision-making on capital projects and acquisitions.
 - o Pressure from superiors to approve or process expenditures that are not legitimate business expenses.
 - o Pressure to suppress internal audit reports containing adverse findings.

See also Section 220, Preparation and Presentation of Information.

- Pressure to act without sufficient expertise or due care:
 - o Pressure from superiors to inappropriately reduce the extent of work performed.
 - o Pressure from superiors to perform a task without sufficient skills or training or within unrealistic deadlines.

See also Section 230, Acting with Sufficient Expertise.

- Pressure related to financial interests:
 - o Pressure from superiors, colleagues or others, for example, those who might benefit from participation in compensation or incentive arrangements to manipulate performance indicators.

See also Section 240, Financial Interests, Compensation and Incentives Linked to Financial Reporting and Decision Making.

- Pressure related to inducements:
 - o Pressure from others, either internal or external to the employing organization, to offer inducements to influence inappropriately the judgment or decision making process of an individual or organization.
 - o Pressure from colleagues to accept a bribe or other inducement, for example to accept inappropriate gifts or entertainment from potential vendors in a bidding process.

See also Section 250, Inducements, Including Gifts and Hospitality.

- Pressure related to non-compliance with laws and regulations:
 - o Pressure to structure a transaction to evade tax.

See also Section 260, Responding to Non-compliance with Laws and Regulations.

270.3 A3 Factors that are relevant in evaluating the level of threats created by pressure include:

- The intent of the individual who is exerting the pressure and the nature and extent of the pressure.

- The application of laws, regulations, and professional standards to the circumstances.
 - The culture and leadership of the employing organization including the extent to which they reflect or emphasize the importance of ethical behavior and the expectation that employees will act ethically. For example, a corporate culture that tolerates unethical behavior might increase the likelihood that the pressure would result in a threat to compliance with the fundamental principles.
 - Policies and procedures, if any, that the employing organization has established, such as ethics or human resources policies that address pressure.
- 270.3 A4 Discussing the circumstances creating the pressure and consulting with others about those circumstances might assist the chartered accountant to evaluate the level of the threat. Such discussion and consultation, which requires being alert to the principle of confidentiality, might include:
 - Discussing the matter with the individual who is exerting the pressure to seek to resolve it.
 - Discussing the matter with the accountant's superior, if the superior is not the individual exerting the pressure.
 - Escalating the matter within the employing organization, including when appropriate, explaining any consequential risks to the organization, for example with:
 - Higher levels of management.
 - Internal or external auditors.
 - Those charged with governance.
 - Disclosing the matter in line with the employing organization's policies, including ethics and whistleblowing policies, using any established mechanism, such as a confidential ethics hotline.
 - Consulting with:
 - A colleague, superior, human resources personnel, or another chartered accountant;
 - Relevant professional or regulatory bodies or industry associations; or
 - Legal counsel.
- 270.3 A5 An example of an action that might eliminate threats created by pressure is the chartered accountant's request for a restructure of, or segregation of, certain responsibilities and duties so that the accountant is no longer involved with the individual or entity exerting the pressure.

Documentation

- 270.4 A1 The chartered accountant is encouraged to document:

- The facts.
- The communications and parties with whom these matters were discussed.
- The courses of action considered.
- How the matter was addressed.