



SECP

SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN

REPORT ON STAKEHOLDER CONSULTATION ON CORPORATE INSOLVENCY AND DEBT ENFORCEMENT



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1. Background

- 1.1 The Securities and Exchange Commission of Pakistan (“SECP”), in collaboration with the World Bank, conducted a stakeholder consultation on corporate insolvency and debt enforcement on 6th and 7th December 2024.
- 1.2 This consultation brought together legal professionals, policymakers, and key stakeholders to address the pressing challenges and potential reforms within Pakistan’s insolvency framework and debt enforcement mechanisms.
- 1.3 The initiative stemmed from the World Bank’s Report on the Observance of Standards and Codes (ROSC), which assessed Pakistan’s insolvency and creditor rights system based on international best practices. The assessment identified systemic inefficiencies due to a fragmented legal framework and judicial bottlenecks. SECP sought stakeholder input to formulate a cohesive strategy for enhancing Pakistan’s corporate insolvency regime.
- 1.4 As part of its ongoing efforts, the SECP aims to amend the regulations governing corporate mediation as well as develop a framework for the appointment and responsibilities of official liquidators, with a view to establishing a coherent and comprehensive legal regime in this area.



2. Objectives

- 2.1 The primary objectives of the stakeholder consultation were to identify deficiencies in Pakistan’s insolvency and debt enforcement frameworks; to gather recommendations for reforming the legal and regulatory landscape; to outline strategies for enhancing corporate restructuring and creditor rights; and to align Pakistan’s insolvency regime with international best practices.



3. Key Discussion Points

- 3.1 Participants deliberated on various aspects of corporate insolvency and debt enforcement. These included mechanisms for restructuring financially distressed firms, special provisions for small businesses, and the need for a consolidated approach covering all enterprises.
- 3.2 The discussion emphasized the importance of specialised training for judges and the establishment of dedicated insolvency courts. Moreover, strengthening the regulations of insolvency administrators was also considered essential. Clear guidelines on director obligations before insolvency were also highlighted.
- 3.3 Tools for proactive restructuring were recommended, along with comparative insights from regional and international regimes on debt restructuring and cross-jurisdictional insolvency.

4. Identified Systemic Challenges

- 4.1 The discussions brought to light challenges in the prevailing insolvency and debt enforcement framework. There is need for the formulation of a comprehensive and consolidated insolvency regime, so as to obviate inefficiencies occasioned by fragmentation and duplication of statutory provisions.
- 4.2 It was observed that further judicial facilitation, through sustained capacity-building initiatives, is required for securing the expeditious adjudication and finalisation of insolvency proceedings, thereby strengthening the efficacy of the insolvency regime.
- 4.3 Moreover, the absence of cross-jurisdictional provisions was identified as a substantive impediment to the facilitation of international investment and the seamless conduct of cross-jurisdictional corporate operations, particularly in the context of Pakistan's evolving corporate landscape.

- 4.4 The limited accessibility of financial data, attributable to deficiencies in the digital infrastructure governing debtor information, was also noted as an impediment. In addition, lacunas within the processes for debt collection and asset recovery were recognised as a significant hindrance to the effective enforcement of non-performing loans (NPLs).

5. Recommendations from Experts

- 5.1 Recommendations from legal and financial experts included advocacy for private sector-led insolvency frameworks and an emphasis on the judiciary's role in maintaining investor confidence. Suggestions were made to consolidate insolvency laws for clarity and efficiency, and to implement early detection tools. Some proposed the use of creditor committees for large insolvency cases to expedite decision-making.
- 5.2 Suggestions were made regarding the introduction of automatic stays to protect distressed companies during restructuring processes, the mandatory training of directors in insolvency matters, and the use of artificial intelligence to improve the efficiency and transparency of insolvency proceedings.
- 5.3 Models for cross-jurisdictional insolvency were also discussed, each with its advantages and challenges. There was support for establishing specialised insolvency benches and the use of mediation as the preferred dispute resolution mechanism. Hybrid restructuring models and technology-driven insolvency processes were proposed as viable reforms.

6. Way Forward

- 6.1 To implement the proposed reforms, the SECP, in collaboration with relevant stakeholders, is engaged in evaluating the feasibility of introducing a unified insolvency code and in harmonising domestic practices with best international practices.
- 6.2 The SECP continues to advance proposals for legislative amendments and for judicial capacity-building initiatives, with the aim to strengthen debt enforcement mechanism and ensure a structured approach to revamping the insolvency landscape.
- 6.3 Furthermore, the SECP is pursuing measures for the accreditation of official liquidators, and in this regard has submitted proposals to the Government for the grant of certain incentives. And this initiative is presently under consideration and development.

7. Conclusion

- 7.1 The Stakeholder Consultation on Corporate Insolvency and Debt Enforcement has laid the foundation for a more robust and internationally aligned insolvency framework in Pakistan. By addressing legal inefficiencies, enhancing judicial capacity, and integrating global best practices, SECP aims to foster a corporate environment that promotes business rehabilitation while safeguarding creditor rights.

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