S.R.O. 1145(I)/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 [1][ or a central depository] appointed by a company for making payment of cash dividend directly into the designated bank account of entitled shareholder;

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1 Deleted the words “or a central depository” vide SRO 485(I)/2018 dated April 18, 2018
2 Inserted vide SRO S.R.O. 441 (I)/2020 dated May 14, 2020
(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.

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.
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.

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.

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.

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.

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.

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-
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 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 \(^3\) [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-

(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.

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\(^3\) Inserted vide S.R.O. 1263(I)/2020 dated November 24, 2020
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.

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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 CUIN (Incorporation Number) 

1.2 Name of the Company 

1.3 Fee Payment Details
   1.3.1 Challan No 
   1.3.2 Challan Amount 

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 

2.3 Date on which statutory period for payment would expire

2.4 Number of days for which extension is sought:

2.5 Reason for seeking extension:

2.6 Details of dividend declared

<table>
<thead>
<tr>
<th>Total Number of Shareholders</th>
<th>Number of shareholders whose dividend would be withheld or deferred</th>
<th>Total Amount of Dividend</th>
<th>Amount of dividend which would be withheld or deferred</th>
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<tbody>
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2.7 Details of shareholders whose payment is to be withheld or deferred

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of share holder</th>
<th>Folio Number</th>
<th>Amount of entitled dividend</th>
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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**

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<tr>
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<tbody>
<tr>
<td>3.1 Name of Authorized Officer/Authorized Intermediary</td>
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<tr>
<td>3.2 Signatures</td>
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<tr>
<td>3.3 Registration No of Authorized Intermediary, if applicable</td>
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<td>3.4 Date</td>
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**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