

Advisability of arbitration clause in the Modaraba agreements

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Circular No. 6

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It has been reported that in the existence of an arbitration clause in almost all the agreements, the Modaraba companies have been facing difficulties in getting the agreements enforced through a Court of Law. The other parties to the agreements, in most of the cases, have pleaded before the Tribunals that the Modaraba companies have first to refer the dispute to the arbitrator for an award, before going to the Court.

1. The issue has been examined and it is hereby clarified that insertion of an arbitration clause in any agreement is optional and such a clause does not constitute an integral part of the agreement.
2. In view of the above, modaraba companies may or may not include the arbitration clause in the relevant agreements.

(MUHAMMAD YUNUS KHAN)
REGISTRAR MODARABA

Distribution:-

Chief Executives of all Modaraba Companies.
Modaraba Association of Pakistan with reference to their letter date 11.02.1999.
The Institute of Chartered Accountants of Pakistan, Karachi.
The Institute of Cost and Management Accountants of Pakistan, Karachi.
Press Information Department, Karachi.
Associated Press Of Pakistan.
All Officers of SECP Headquarters and CROs.