

PRESS RELEASE

SEC Issues Guidelines for Issue of Shares at a Discount

ISLAMABAD – July 16, 2004: The Securities and Exchange Commission of Pakistan (SEC) has issued detailed guidelines on issue of shares at discount for listed and non-listed companies to facilitate the companies which intend to do so.

Under section 84 of the Companies Ordinance, 1984, all companies, whether listed on a stock exchange or non-listed, are required to obtain approval of the SEC before they issue shares at a discount. It had been observed that, in most cases, the companies applying for approval of the SEC did not provide adequate information, which hampered the process. In order to expedite decision-making process, based on an objective analysis of each request, the Commission has issued detailed “Guidelines on Issue of Shares at a Discount”.

The information is designed to establish that injection of fresh capital at discount will enable the company to improve its profitability and allow it to amortize the discount. Moreover, all material facts arising out of the issue are to be brought before the shareholders while seeking their approval. The issue of shares at discount should not be used as a device to increase the voting percentage of directors and preferential allotment of shares is not to be used by insiders as means to obtain quick gains through disinvestments.

In some cases, issue of shares at discount is proposed by companies that seek to increase their capital to meet the minimum paid up capital/equity requirements. Since such proposals do not achieve the objective of raising the level of capital, requests to issue shares at a discount to meet statutory requirements for minimum capital/equity shall not be permissible.

These Guidelines have been placed on the website of the Commission “www.secp.gov.pk”.

