



Securities and Exchange Commission of Pakistan

Internal & External Communications Department

PRESS RELEASE

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COMMITTEE MEMBERS MEET REPRESENTATIVES OF PBA TO DISCUSS DRAFT CORPORATE REHABILITATION ACT

ISLAMABAD – MAY 5, 2009: The members of the Committee, constituted by the Ministry of Finance to review and finalise the draft Corporate Rehabilitation Act (CRA), met with the representatives of Pakistan Banks' Association (PBA), on May 4, 2009 at Karachi. The meeting was chaired by Mr. Salman Ali Shaikh, Chairman, Securities and Exchange Commission of Pakistan (SECP). Also present at the meeting were: Mr. Ali Raza, President National Bank of Pakistan; Mr. Zakir Mehmood, President Habib Bank Limited; Mr. Iqbal Hassan, President NIB; Mr. Aftab Manzoor, President Allied Bank Limited/ Chairman PBA; representatives of other banks; Mr. Kamran Mirza, Chairman PBC; Mr. Tariq Mehmood, Chairman APTMA; Mr. Sikandar Mustafa Khan, Chairman, Millat Tractors; Mr. Bashir Ali Muhammad, Chairman, Gul Ahmad Textiles; Mr. Tariq Iqbal Khan, Chairman NIT; Mr. Shabbar Zaidi, Senior Partner, A.F. Ferguson; and Mr. Farhan Fasiuddin, IFC. The legal team present at the meeting comprised of Mr. Sultan Mazhar Sher, Director Law, SECP; Mr. Feisal Naqvi, Senior Advocate; and Mr. Muneeb Zia, Senior Legal Expert from Ministry of Finance.

Meeting with representatives of PBA was part of the consultative process being followed by the Committee members to take the views of all stakeholders. Barring few concerns, the representatives of PBA supported and welcomed the draft CRA and emphasized the urgent need of the rehabilitation law under the present situation of growing NPLs.

Chairman SECP urged the bankers to look at the matter in the greater national interest rather than focusing on their own individual financial condition and balance sheets. He stressed that in order to understand the necessity of a CRA, it needs to be understood that the financial and social value of a going concern is normally far greater for the society than the liquidation value of that concern. A company, in other words, has a value far greater than the sum of its assets. Society therefore has an

interest in making sure that businesses continue to function even if their continued existence comes at the expense of some creditors. On the other hand, if a society leans too far in favour of defaulting businesses, banks will either stop lending or start charging higher interest rates. It is the job of a good rehabilitation law to balance these competing



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considerations and ensure that societal benefit is maximised. The draft CRA has been designed to create a perfect balance between debtors and creditors rights.

The legal team amongst the Committee members is already reviewing the law and making necessary amendments. The revised version of the law will be shared with PBA in about a week's time. Thereafter, a small delegation of PBA will visit SECP to discuss the revised version of the law. Mr. Shaikh said that the Committee expects to hand over the final draft of the CRA by May 25, 2009.

BACKGROUND OF THE COMMITTEE TO REVIEW CORPORATE REHABILITATION ACT

Imran Ghaznavi

(Head of Internal & External Communications/Official Spokesman)