

Press Release

CLRC Presents Concept Paper to SECP

Islamabad – 25 May, 2006: The Corporate Law Review Commission (CLRC) presented to the Securities and Exchange Commission of Pakistan (SECP) today, a Concept Paper which aims to provide direction for the review of the Companies Ordinance, 1984 and to determine the question of whether the Ordinance needs to be amended or whether a new law needs to be drafted in its stead, in order to best address the views expressed in the Concept Paper.

The CLRC was established by the SECP in November 2005 to carry out a holistic examination of the Ordinance, under the leadership and guidance of Chief Justice of Pakistan (Retd.) Mr. Ajmal Mian. The CLRC presently comprises Mr. Hameed Chaudhri, Mr. Razzak Dawood, Ms. Musharaf Hai, Mr. Sohail Hasan, Dr. Tariq Hassan, Mr. Tahsin Iqbal Khan, Mr. Qazi Jamil, Mr. Razi-ur-Rahman Khan, Mr. Rashid I. Malik, Dr. Khalid Ranjha and Mr. S. Salim Raza. Barrister Amber Darr, Executive Director (Law) at the SECP acts as the Secretary to the CLRC. The Concept Paper is the first deliverable required to be submitted by the CLRC under its Terms of Reference and has been prepared after extensive deliberations amongst the members and in light of international standards as well as oral and written submissions received from stakeholders throughout the country.

The Concept Paper makes recommendations regarding the conceptual framework of the law as well as its contents. With regard to the conceptual framework, the Concept Paper recommends that the new company law be clear, concise and comprehensible, providing certainty as well as flexibility to the investor. The CLRC further recommends that the law be a “core company law” regulating all aspects of the life cycle of the entity rather than its activity and has identified the broad areas for inclusion in such core company law. To this end, the Concept Paper has also proposed a new formulation for the objectives of the law which in view of the CLRC reflects the pressing economic concerns of today.

The Concept Paper emphasizes the importance of formation of groups of companies, as well as the conversion of companies from one form to another. The paper also places considerable emphasis on the protection of the minority shareholder and has made several recommendations in this regard. Important changes have also been recommended in the area of management and governance of companies particularly with respect to the extent of directors’ fiduciary duty towards a company. The Paper endorses the importance of alternative methods of dispute resolution and proposes that a balance may be struck between the powers of the SECP and the High Court in order to ensure that only the more complex matters are referred to the High Court.

The CLRC has recommended to SECP to engage consultants for the purpose of drafting a new Company Law. The consultants will be guided by a sub committee of the CLRC in order to ensure that the new law is drafted in light of the conceptual framework provided in the Concept Paper and the recommendations received from the Stakeholders. The SECP has decided to place the Concept Paper on its website for public consultation.