



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NEWSLETTER

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Corporate Laws Review Commission Set up

The Securities and Exchange Commission of Pakistan (SECP) established a Corporate Laws Review Commission (CLRC) to assess adequacy of the Companies Ordinance, 1984 (Companies Ordinance) for the sustained development of a liberal, deregulated, efficient and cost effective corporate sector. Chief Justice of Pakistan (Retd.), Mr. Ajmal Mian would head the CLRC, which will examine the objectives, structure and content of the Companies Ordinance and develop a conceptual framework for the balanced growth of the corporate sector in harmonization with emerging market norms and international best practices. The CLRC will amend or redraft the law, as it may deem necessary.

In the twenty one years since the Companies Ordinance came into force, the Pakistani economy, particularly the corporate sector, has witnessed considerable growth and expansion. Two significant developments in this regard are the inclusion of the non-banking finance companies within the regulatory framework of the Companies Ordinance and introduction of single member companies. Although the Companies Ordinance has been amended from time to time to cater for these

developments, this will be the first effort to examine it as a whole.

The CLRC will hold its meetings in all the major cities of the country to take opinion of the experts. Besides, it will also seek comments from stakeholders and general public, in order to arrive at a law which best addresses indigenous conditions. The CLRC expects to complete this exercise by 30 June 2006 and prepare a draft bill to be presented to the parliament soon after.

The CLRC is an independent body of eminent members of the legal, accountancy and business community and the government from all provinces of Pakistan. Mr. Razzak Dawood, Ms. Musharraf Hai, Mr. Sohail Hassan, Dr. Tariq Hassan, Mr. Tehseen Iqbal, Mr. Sikander Jamali, Mr. Qazi Jamil, Mr. Hafeez Pirzada, Senator Khalid Ranjha, and Mr. Abdul Hameed Chaudhry are members, while Barrister Amber Darr, Executive Director (Law) SECP will serve as the Secretary to the CLRC.

Commissioner Shahid Ghaffar Leaves SECP



Commissioner Securities Market, Mr. Shahid Ghaffar being given shield by the Chairman SECP, Dr. Tariq Hassan during a meeting of the Commission. Mr. Shahid Ghaffar left the SECP and joined the private sector in November 2005.

SECP, KSE Discuss Demutualisation of Stock Exchanges

A meeting of the SECP and members of Karachi Stock Exchange (KSE) Members' Committee on Demutualization was held to discuss the business plan of KSE. The meeting was presided over by Dr. Tariq Hassan, Chairman SECP, and was attended by Mr. Arif Mian from SECP, Mr. Yasin Lakhani, Mr. Arif Habib, Mr. Amin Issa Tai, Mr. Shahzad Chamdia, Mr. Firozuddin Cassim and Mr. Rafique Umer from KSE.

Representatives of KSE presented its strategic and business plan that covered a brief history of KSE, institutional overview (legal and corporate structure), financial overview, environmental analysis, market analysis, legal and regulatory framework, organizational structure and issues, capital and ownership, trading and operational framework, business and market strategy, risk management and control structure and financial performance. Moreover, KSE also reaffirmed its decision to demutualize and reassured its full cooperation to accelerate the process of demutualization of KSE.

SECP Launches New Online Systems

The SECP launched two new online systems including a system for non-banking finance companies (NBFCs) and an online name reservation facility. The NBFC online system encompasses a wide range of functions, including online submission of returns, comprehensive reporting to facilitate auditing, analysis, and comparisons of various reports. Through this system, companies will be able to gauge their performance. The system will also act as a data warehouse enabling quick information retrieval and informed decision making. The SECP itself will benefit from quick access to information leading to improved monitoring, analysis, auditing, and reporting of pertinent information.

The online name reservation facility will facilitate companies seeking registration with the SECP. The system will allow promoters to check name availability and also reserve the name for a period of ten days. The SECP has developed these systems in-house to facilitate all stakeholders through a judicious use of information technology and increase the organisation's efficiency in routine matters.

New Registrations

The SECP registered 268 companies during the month as compared to 194 companies registered during the same period last year, reflecting an increase of 38 percent. Of the total companies, 262 were companies limited by shares comprising of ten public companies, 239 private companies and thirteen single member companies. Apart from these, four foreign companies and two companies limited by guarantee were also registered.

The Company Registration Office (CRO) in Lahore registered 101 companies while Karachi and Islamabad offices registered ninety five and forty six companies, respectively. CROs at Multan, Faisalabad and Peshawar, registered eleven, ten and five companies, respectively. A total of forty four companies were registered in the services sector, thirty seven in trading, twenty six in communications, twenty one in textile, fifteen in information technology, thirteen in food and beverages, eleven in chemical and pharmaceutical and ten in real estate development sectors.

Four Companies Penalized

The SECP penalized four companies for violation of different legal provisions. Three of these, including Ahmed Spinning Mills Limited, Khairpur Sugar Mills Limited and Saleem Sugar Mills Limited, were penalized for not filing quarterly accounts of the first two quarters of 2005. Another company, Pak Elektron Limited was penalized for non-compliance with the SECP's directive to recover unauthorized investments along with mark up from its associated undertakings. The SECP imposed fine on chief executives and directors of these companies.

PICG Holds First Workshop in Karachi

A one-day workshop, "Sharing Experience: Building an Effective Board," was organized by the Pakistan Institute of Corporate Governance (PICG), in collaboration with the SECP, in Karachi. It was an interactive session with the directors and other senior officials of Pakistan Telecommunication Company Limited, Hub Power Company, Shell Pakistan, ICI, and Sui Northern Gas Pipelines Limited. Chairman SECP, Dr. Tariq Hassan, Chairman, ICI Pakistan, Mr. M J. Jaffer, and Partner, Taseer Hadi Khalid and Co., Mr. Masoud Naqvi participated in the panel discussion.

In his opening address, Dr. Hassan, who is also Chairman of PICG, said that a strong, transparent, accountable, well documented and socially aware corporate sector is the foundation that our economy needs to base its development on. The SECP, he said, is strongly committed to bringing about this positive change in the Pakistani business arena.

Dr. Hassan informed that SECP was working towards the promotion of Corporate Social Responsibility (CSR) in Pakistan and had recently concluded a research study on the state of CSR in the country to determine the way forward for promotion and implementation of this concept. Mr. Abdul Jabbar Kasim shared the international best practices and legal requirements with the participants. Mr. Danishmand, CEO of PICG, thanked the participants for their support towards establishing an effective corporate governance framework in Pakistan.

The PICG is a not-for-profit company aimed at promoting awareness and encouraging good corporate governance practices in Pakistan. It would strive to encourage best practices in corporate governance in public and private sectors, with focus on capacity building of board of directors, management, policy makers, investors, and other stakeholders. PICG has members from stock exchanges, academia, professional institutions, corporate sector, financial sector, State Bank of Pakistan and the SECP.

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The Chairman of SECP asked KSE to ensure that the business plan is in line with the international best practices as outlined in the report of the demutualization committee. He also informed that the SECP has finalized work on special legislation on demutualization and would shortly send the same to the Government for approval and initiate the process of consultation with all the exchanges.

Comments, queries and suggestions about this newsletter may please be addressed to:

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