



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Company Registrars Conference held in Islamabad

A one-day conference of the Company Registrars of the Securities and Exchange Commission of Pakistan (SECP) was held in Islamabad to review the progress of reforms in corporate registration and to discuss strategy to further improve performance. Chairman SECP, Dr. Tariq Hassan presided over the conference, which was attended by Registrars from the eight Company Registration Offices (CROs) of the SECP located in Karachi, Lahore, Islamabad, Peshawar, Multan, Faisalabad, Quetta and Sukkur. Moreover, Commissioner, Executive Director (Company Law), Registrar of Companies and other senior officers of the SECP attended the conference.

The Registrars made presentations on performance of their respective CROs and exchanged views on current issues in corporate registry management. They set out their future

strategic targets, keeping in view the SECP's mid-term strategy to augment corporatization and strengthen enforcement of corporate laws. Mr. Nazir Ahmad Shaheen, Registrar of Companies presented the synopsis of the first generation reforms, corporate sector overview and the market development initiatives undertaken by the SECP.

The Chairman SECP appreciated the efforts made by CROs to implement the reform agenda and to encourage corporatization. He urged them to take necessary initiatives for raising awareness among the business community on the benefits of corporatization. Earlier, Commissioner SECP, Mr. Rashid I. Malik, in his welcome address, highlighted that the SECP's first generation reform had significantly accelerated the growth momentum in the country's corporate sector.

SECP Penalizes Nine Brokerage Houses

The SECP penalized nine companies of the Karachi Stock Exchange (KSE) for failing to maintain high levels of integrity, promptitude and fairness in the conduct of their business. Eight of these firms were found to have been engaged in or have allowed trades in the market merely for the purpose of creating a false impression of trading activity in particular scrips.

These companies were given a chance of hearing. After careful deliberations, the SECP found the brokerage houses in violation of Rule 8(iv) of the Brokers and Agents Registration Rules, 2001 and penalized them accordingly.

SECP Contributes Generously to President's Earthquake Relief Fund

In an effort to supplement the government's program for disaster relief after the October 8 earthquake, the SECP contributed generously to the President's Relief Fund. The Chairman SECP, Dr. Tariq Hassan announced the contribution of Rs. 10 million and deposited it in the relief fund. Apart from this, an amount of Rs.450,000 was contributed out of employees' salaries.

Major Changes Announced in Prudential Regulations for NBFCs

Announcing major changes in the Prudential Regulations for Non-banking Finance Companies (NBFCs) by modifying the part dealing with housing finance for individual borrowers, the SECP raised maximum limit of loan that a NBFC may provide to a customer from Rs.7.5 million to Rs.20 million.

In order to benefit customers, NBFCs have been allowed to advance loans to customers where all the instalments of consumer loan, obtained by any customer, can go up to 60 percent of that customer's net disposable income. Furthermore, NBFCs have been allowed to advance loans for the purchase of new piece of land, construction of houses or renovation of an existing house against the security of land/plot, already owned by the customer. The maximum tenure of such loans is set to 20 years at a debt-to-equity ratio of 85:15.

The SECP has also directed NBFCs' management to put in place a mechanism to monitor conditions in the real estate market, at least on a quarterly basis, to ensure that their policies are aligned to current market conditions. The new changes would benefit NBFCs dealing in housing finance besides channelling customer savings into creating a productive asset.

New Registration

The SECP registered 264 companies during the month, as compared to 202 companies registered during the corresponding month of the previous year, reflecting an increase of 31 percent.

Of the 264 companies, 258 were companies limited by shares including nine public unlisted companies, 244 private companies and five single member companies. Apart from these, two non-profit associations, three foreign companies and one company limited by guarantee were also registered.

The Company Registration Office (CRO) in Lahore registered the highest number of ninety three companies, followed by CROs in Karachi and Islamabad with registration of eighty three and sixty companies each. CRO Faisalabad registered fourteen companies, CRO Peshawar registered eight, CRO Multan registered four and CROs Quetta and Sukkur registered one company each.

Of the total, fifty one companies were registered in the services sector, followed by twenty six in communications, twenty one in real estate development, twenty in trading and nineteen in information technology sectors.

Total authorized and paid-up capital of the 258 limited by shares companies registered during the month amounted to Rs. 3,517.95 million and Rs. 314.51 million. A total of twenty two companies raised their authorized capital to the extent of Rs. 1,363.8 million.

Disclosure of Comparative Figures for the Textile Industry

The SECP allowed listed textile companies to restate comparative figures for the period July-September 2004 in the accounts for the quarter ended 30 September 2005. The SECP also allowed them the option of not disclosing comparative figures in the quarterly accounts for September 2005 to avoid practical difficulties.

The Central Board of Revenue vide SRO No. 684 dated 10 August 2004 had directed the cotton textile industry to close its financial year on 30 June instead of 30 September. Accordingly, the SECP, in November 2004, vide Circular No. 29 of 2004 advised the cotton textile industry to prepare

SECP Takes Enforcement Actions Against Listed Companies

The SECP fined a listed company, Al-Jadeed Textile Mills Limited, for non-filing of quarterly accounts for the quarter ended March 31, 2005. A penalty of Rs. 70,000 was imposed on its chief executive and directors. Another company, First Capital Equities Limited was advised to drop the agenda item regarding long-term investment from notice of annual general meeting (AGM), as the investee company had not yet been incorporated. Another company, Chenab Textile Mills Limited was restrained from passing a resolution, for which statement of material facts had not been circulated as required under the law.

Apart from these actions, fourteen companies, which had not disclosed material facts in the statements annexed with the notices of AGMs were advised to disclose material information relating to the special business. Furthermore, six companies were advised to provide deficient material information, relating to the special business, to shareholders in AGMs.

annual accounts for nine months ending on 30 June 2005.

Recently, the SECP received a number of queries from textile companies with regard to comparative figures to be disclosed in the first quarterly accounts for the three months ended 30 September 2005. In light of these requests, the SECP allowed the listed textile companies the two options of restating or not disclosing comparative figures.

The SECP has further clarified that from the second quarter of 2005 and onwards, the listed textile companies shall disclose comparative figures as per the requirements of law.

Comments, queries and suggestions about this
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