



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

SECP frames code of corporate governance for public sector companies

ISLAMABAD, March 24: The Securities and Exchange Commission of Pakistan (SECP) has formulated the draft Public Sector Companies (Corporate Governance) Regulations, 2012 in order to improve the governance framework of Public Sector Companies (PSCs). These draft regulations have principally been based upon the Code of Corporate Governance, which has been customized in the context of PSCs in the light of the OECD's Guidelines on Corporate Governance of SOEs.

PSCs are public sector enterprises, operating in corporate form, which are directly or indirectly owned and controlled by the government, whether federal, provincial or local. The draft regulations have been placed on the SECP website (www.secp.gov.pk) for soliciting the opinion, comments and suggestions from stakeholders and the public.

These regulations have been designed in view of the distinct governance challenges faced by the PSCs in Pakistan. The inefficiency of such companies is choking the economy and draining fiscal resources, necessitating urgent restructuring of their operations. Various recommendations have been made in the draft regulations aimed at optimizing the efficiency, enhancing the transparency in operations, and providing a mechanism for accountability of those charged with governance.

The Federal Government had constituted a Cabinet Committee on Restructuring of Public Sector Enterprises (PSEs) in January 2010 to improve their overall corporate governance and service delivery, and to move to a structural surplus and increased public sector savings. Subsequently, in October 2011 the Federal Government formed a task force on corporate governance of PSEs with the mandate to examine the prospects of developing a regulatory mechanism for improving the governance of PSEs and enhancing board effectiveness and empowerment through a range of measures.

The measures to improve the governance of PSCs include undertaking board composition reforms by including a certain number of independent non-executive directors on the boards of such companies, ensuring continuity in the tenure of board members, separating the roles of chairman and chief executive, forming specialized board committees, undertaking training and capacity building of the board members, strengthening the internal control mechanism, augmenting the disclosure and transparency requirements, and undertaking periodic performance evaluation of the board members, etc.

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