



Press Release

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For immediate release*

SECP modifies conditions of licence to NGOs to plug loopholes

ISLAMABAD, December 17: The Securities and Exchange Commission of Pakistan (SECP) has further modified the conditions for grant of licence to NGOs registered under Section 42 of the 1984 Companies Ordinance and has issued Circular 45 of 2015 in this regard to plug in possible loopholes in the existing regime.

It has been felt that existing conditions were prone to misuse in certain circumstances. For example, subscriber members of associations may try to circumvent the requirements of restriction on payment of remuneration to members by quitting from membership of association with the sole purpose to receive remuneration or hold a salaried office in the association. Similarly, the requirement could be circumvented by remunerating a member of his/her family like son, daughter, brother, spouse, etc. Likewise, the restriction on remuneration to members was still open to misuse by indirectly receiving remuneration in a subsidiary entity of the association.

Similarly, when the promoters quit, sometimes the incumbent directors in lieu of the quitting member director do not possess sufficient skills and expertise. This was contrary to the whole exercise of ensuring fit and proper criteria observed at the time of grant of licence. With such a change of directors after grant of licence, the association might be left with directors with no hands on experience, skills, etc. for attainment of objects for which the licence was granted.

It was also noted that certain associations with promoters having political agenda or affiliation might be used as a forum for political activities which otherwise are the activities of a political party registered under relevant law. In such a case, funds of the association can be applied for political purposes in violation of Section 197 of the 1984 Ordinance which prohibits making of political contributions to any political party or for any political purpose to any individual or body.

To plug these loopholes, the new Circular requires that member as well as his family members shall not be allowed remuneration whereas the restriction shall extend as well to remuneration from subsidiary entities of the association. Further, the members shall not be allowed to quit with the sole reason to assume job of the association on remuneration whereas it further prohibits the quitting member or his/her family members to receive remuneration from the association or its subsidiary entities for at least five years after quitting of the member. Similarly, the fit and proper requirements shall also be applied to new member director proposed by the association in lieu of the quitting subscriber or director. Lastly, another new condition has been imposed in line with Section 197 of the Ordinance which prohibits political contributions and participation in

any political campaign for elective public office or other political activities akin to those of a political party.

The requirements of the Circular shall apply to all associations whether applying for fresh licence or the existing ones already licenced by the Commission.