



## **Securities and Exchange Commission of Pakistan**

### **Internal & External Communications Department**

#### ***PRESS RELEASE***

#### **FOR IMMEDIATE RELEASE**

#### **SECP APPROVES DRAFT COMPANIES (BUY-BACK SHARES) REGULATIONS, 2009 FOR SOLICITING PUBLIC OPINION**

**ISLAMABAD – JANUARY 22, 2009:** Pursuant to the amendments in Section 95 A of the Companies Ordinance, 1984 (the Ordinance), the Securities and Exchange Commission of Pakistan (SECP) has approved the draft, “The Companies (Buy-Back of Shares) Regulations, 2009”. The draft of the said Regulations has been placed on the Commission’s website, [http://www.secp.gov.pk/DraftAmendments/trs\\_draft\\_09.pdf](http://www.secp.gov.pk/DraftAmendments/trs_draft_09.pdf) and is being published in the official gazette for soliciting public opinion as required under Section 506 A of the Ordinance.

Section 95A of the Ordinance, recently notified by the Federal Government allows the listed companies to buy-back/repurchase their own shares and hold such shares as Treasury Shares, whereas under the old Section 95A, the repurchased shares were required to be cancelled. The buy-back /repurchase may be used as a tool to bring stability in market prices of the shares that are undervalued on the stock market. Buy-back/repurchase of shares by listed companies may consequently improve earning per share.

The draft Regulations provide detailed *modus operandi* for buy-back/repurchase of shares including eligibility of the purchasing companies, purchase procedures, role and responsibilities of the purchasing companies, the manager to the purchase & purchase agents, contents of the public announcement & procedures for its publication, maximum holding of treasury shares and the manner in which treasury shares can be disposed off.

The draft Regulations require the board of directors of a purchasing company to make a declaration that the purchasing company is solvent and is capable of meeting its liabilities on time, for the period of at least twelve months from the date of such declaration.

The shares may be purchased either by way of tender offer through a manager to the purchase or from the stock market through a purchase agent. Manager to the purchase may be a corporate brokerage house, a commercial bank, a development financial institution or an investment bank not being an associated company or associated undertaking of the Purchasing Company. Whereas, a Purchase Agent should be a corporate brokerage house, not being an associated company or associated undertaking of the Purchasing Company holding valid brokerage license and membership of the stock exchange on which the Purchasing Company is listed.

The draft Regulations restrict the maximum holding of treasury shares to 10 percent of the paid-up capital of the purchasing company and require that the accounting treatment of the purchase, cancellation and disposal of treasury shares shall be disclosed in the ensuing

financial statements of the purchasing companies in accordance with the requirements of the International Financial Reporting Standards.

*Sd.*

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