

Dec 31, 2001 SEC has Launched a Scheme Called “Companies Regularization Scheme” to Provide an Opportunity to Non-listed Public and Private Limited Companies to Regularize their Defaults of Filing of Statutory Returns under the Companies Ordinance, 1984

The Securities and Exchange Commission of Pakistan (SEC) has launched a Scheme to give relief to those companies and their management, which have, in the past, defaulted in the filing of various statutory returns under the Companies Ordinance. The decisions, taken in the larger public interest, will provide such companies an opportunity to regularize their affairs in a period of three months starting from January 01, 2002 without any penalty.

In Pakistan there are 697 listed companies (quoted at the stock markets) 2209 non-listed companies and 39270 private companies. In the developed / developing societies, ‘limited companies’ are the most acceptable form of business platforms but no concrete efforts had been made in Pakistan in the past to corporatise the economy and the CROs have been working in typical bureaucratic style and had in fact failed to facilitate public in corporatisation of business which is a route to documentation of the economy. During computerization of companies record, it has been noticed that many companies have defaulted in past in filing of statutory returns. Such defaults are very seriously dealt by the Law which provides penalties, prosecution of management leading to imprisonment and three times additional filing fee. The defaults are of two types i.e. (1) filing of returns with delay and (2) no returns filed at all.

2. Since SEC considers the private limited companies and public non-listed companies as nurseries for ultimate listed corporate sector in the country, it was decided to take a lenient view in the matter of late filing of returns and through general order by SEC in February 2001, CROs were directed to record the statutory returns filed with minor delay without initiating penalty proceedings against management. A large number of companies were benefited through this order. Meantime the Commission has been thinking to provide one time opportunity to those companies as well which have altogether failed to file the statutory returns. Accordingly a scheme called “Companies Regularisation Scheme” with the following salient features is being launched:-

- (i) The defaulting companies would file the overdue returns by payment of additional fee equal to the normal fee in addition to normal fee, instead of paying three times additional fee.
- (ii) The companies filing statutory returns under this Scheme would not be adjudicated for penalties under section 476 of the Companies Ordinance, 1984
- (iii) The Scheme would be applicable to the overdue returns required to be filed upto December 31, 2000.

(iv) The Scheme would be operative for a period of three months i.e. from January 01, 2002 to March 31, 2002.

(v) The Scheme would not be applicable to listed companies.

3. The very purpose of this scheme is to provide a “once for all” opportunity to sponsors / directors of these companies to regularize their affairs and concentrate on their business. This decision has been taken by the Commission at this point of time, as SEC believes that the economy of the country is reviving and these companies may play a significant role in the revival of economy. The Commission wants these companies to take off and managements may get into business activities with total peace of mind.

4. This Scheme not only provide for non-initiation of penalty proceedings but also allows the companies to file overdue statutory returns with only additional fee equal to the normal fee instead of three times additional fee plus penalties – thus the financial benefit being offered to companies is considerable. On expiry of the time given for the Scheme i.e. upto March 31, 2002, the CROs (which have by now been reasonably strengthened in matter of officers and staff and are also fully automated), will initiate penalty proceedings as warranted under the Law without any exception.

5. SEC, in its first phase of reform, focused on improving the services rendered by CROs relating to incorporation of companies, availability of names, issuance of certified copies, facilitating inspection of the files, registration of mortgage charges etc. SEC can now claim that these matters are now expeditiously disposed off. (Even for less time as compared to other countries in the region). A company is incorporated within two days, names for proposed companies are made available on same day and other applications are disposed off on same day or at the most on following day. To encourage corporatization of economy, the SEC in October 2000, reduced the rate of registration fee for smaller companies. (The registration fee of companies with authorized capital upto Rs. 10 million is lesser as compared to India, Malaysia and other neighbouring countries).

6. It may be further mentioned that the Commission is developing a centralized register / record of sponsors / directors of the companies to verify their corporate behaviour before allowing incorporation of companies in future. Similarly a system has been developed by State Bank of Pakistan for verification of credit history of individuals.

7. It may also be mentioned that the Commission realizing its responsibility for nourishing the corporate sector has already taken up with the CBR, the case of limited companies for some relief as compared to other entities