



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

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

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

#### **FOR IMMEDIATE RELEASE**

### **SECTION 95A OF COMPANIES ORDINANCE, 1984 AMENDED**

**ISLAMABAD – JANUARY 10, 2009:** The declining trend in the Securities Market and the consequent reduction in the value of the shares of listed companies has made these shares quite attractive. Amongst others, this provides an opportunity to the listed companies also to buy-back their own shares.

Therefore, on an initiative and proposal of the Securities and Exchange Commission of Pakistan (SECP), section 95A of the Companies Ordinance, 1984 has been amended vide Companies (Amendment) Ordinance, 2009 to enable the listed companies to buy-back their own shares and hold them as treasury shares. Previously the Companies Ordinance permitted the listed companies to buy-back their own shares, however the purchased shares had to be cancelled forthwith resulting in the reduction of the paid-up capital of the company. After the latest amendment, the listed companies can buy-back their own shares and hold them as treasury shares, which can then be re-issued/resold in the manner to be prescribed by SECP in the regulations.

According to the amended section 95A, the decision to buy-back the shares is required to be taken by the board of directors as well as three-fourth of the members who are present and entitled to vote in a general meeting of the company. The decision shall clearly specify the number of shares proposed to be purchased, purpose of purchase i.e. cancellation or holding the shares as treasury shares, the purchase price, period within which purchase shall be made, source of funds, justification for the purchase and effect on the financial position of the company. The shares can be purchased either through tender process or through the stock exchange in the manner to be prescribed by the regulations. The law also provides that the purchase shall always be made in cash and only out of the distributable profits or reserves specially maintained for the purpose by the company. Importantly, it also provides that the voting rights and the right to receive dividend of the shares so purchased shall remain suspended as long as they are held as treasury shares by the company itself. A hefty fine of up to thirty million rupees has been provided for violation of the law in addition to liability for any losses or damages caused by such violation.

It is expected that listed companies which feel that their shares are under-valued at the stock market and have cash reserves available with them will grab the opportunity to buy-back their shares. In case the shares are cancelled after purchase, the earning per share of companies will be improved. If they are retained as treasury shares, they can be resold at a higher price later. In any case the purchase will bring stability in market price of such shares.

SECP is preparing regulations for this purpose which shall be notified in the Official Gazette for seeking public opinion during the coming week.

Sd.

Imran Ghaznavi (Head of Internal & External Communications/Official Spokesman)