



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
International Affairs, Communication & Coordination (IACC) Dept

PRESS RELEASE
FOR IMMEDIATE RELEASE

SECP restricts withdrawal of decision for right issue of shares

ISLAMABAD – November 11, 2009: The Securities and Exchange Commission of Pakistan has directed the companies listed on Stock Exchanges of Pakistan that right issue once announced by the board of directors shall not be varied, postponed, withdrawn or cancelled.

Section 86 of the Companies Ordinance, 1984 (the “Ordinance”) states that where directors decide to increase capital of the company by issue of further shares, such shares shall be offered to the members in proportion to the existing shares held by each member, irrespective of class, and such offer shall be made by notice specifying the number of shares to which the member is entitled, and limiting a time frame within which the offer, if not accepted, will be deemed to be declined. Further, Companies (Issue of Capital) Rules, 1996 prescribes the requirements to be complied with in case of further issue of shares by way of right.

SECP had noticed that, an increasing number of listed companies were withdrawing their announcement of right issue. This has resulted in significant volatility in the share price during the period of announcement of right issue and the date of withdrawal of right issue. Further, indecisive announcement of right issue also left a vacuum for insiders to take undue benefit of such uncertainty. International best practices also reflected that board of directors has not been empowered for such withdrawal of already announced right share decision. In Pakistan, the Companies Ordinance, 1984 and the Rules made there under were, however silent regarding the power of Board of Directors to reverse its decision of right issue. Therefore keeping in view the best interest of the shareholders and market at large, SECP has restricted the powers of board of directors to withdraw the right issue once announced. The said direction shall ensure that board of directors shall make prudent and premeditated decision for right issue. Also, the stakeholders shall be vigilant and actively follow-up the specific plans, purpose and benefits as envisaged in the announcement of right issue.

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