



Securities and Exchange Commission of Pakistan

Internal & External Communications Department

PRESS RELEASE

FOR IMMEDIATE RELEASE

SECP TO ALLOW ONLY ASSOCIATIONS NOT-FOR-PROFIT FOR THE PROMOTION OF A SINGLE OBJECT, INSTEAD OF MULTIPLE OBJECTS

ISLAMABAD – DECEMBER 05, 2008: The Securities and Exchange Commission of Pakistan (Commission) has made certain changes, in the conditions, for grant of licence under section 42 of the Companies Ordinance, 1984 (the Ordinance). The most significant change in conditions is that, an association not for profit, will, now, be allowed to carry out a single object instead of multiple objects.

Licencing of Associations not-for-profit, under the Ordinance is governed by Section 42, read with Rule 6 of the Companies (General Provisions and Forms) Rules, 1985. These associations are formed for the attainment of objects to promote commerce, art, science, religion, sports, social services, charity or any other useful object. These associations, being companies limited by guarantee, apply their profit or other income in promoting their objects and prohibit payment of any dividend to their members or their family members.

It was observed that promoters of most of such associations apply for multiple objects, ignoring the fact that they lack sufficient skills, expertise and resources for the attainment of those multiple objects. It was noticed that this practice leads to misuse of resources in an association, and raise other issues of regulation, as it becomes difficult to account for the various activities and funds spent on such pursuits may be improper. Keeping in view, an association shall be allowed for the promotion of only one object falling within the ambit of section 42 of the Ordinance.

Various other important conditions have also been added to enhance credibility and transparency in these associations, an undertaking from the promoters that they have sufficient skills, expertise and resources in the relevant field; closing of accounts of the association on 30th June each year, barring its investment in associated companies; contribution of a reasonable amount not less than Rs. 500,000/- as start up donation by each promoter, enhancing the limit of its minimum liability from RS. 50,000/- to Rs. 100,000/-; and no fund shall be received by associations otherwise than through proper banking channels, i.e., through crossed cheque, pay order, bank draft, etc.

Moreover, it was noticed that the funds received by these associations from local/foreign agencies are being mis-utilized. Considering this, a condition shall be imposed at the time of issuance of license that the income or any profit of the association, shall be applied solely towards the promotion of the objects of the association and no portion thereof shall

be distributed, paid or transferred directly or indirectly by way of profit to the members of the association or their family. Other post incorporation enforcement measures will also be undertaken to enhance transparency in these associations.

Further, it was noted that various associations get licence from the Commission; however, do not turn up for registration of company even after a lapse of considerable time. Considering this fact, the association must now be incorporated within a period of three months of the date of the licence. Secondly, the license will be issued for a definite period of five (5) years, renewable, for further term(s) of five (5) years each, on submission of an application by the association.

In the case of winding up or dissolution of the Company, any surplus assets or property after the satisfaction of all debts and liabilities shall not be paid or disbursed among the members, but shall be given or transferred to some other company established under section 42 of the Ordinance, having similar or identical objects to those of the Company.
Story ends.....

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