



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Press Release
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SECP places Draft of Companies Bill 2016 on the website and invites Public suggestions about the new provisions

Islamabad, July 20: The Securities and Exchange Commission of Pakistan (SECP) has posted the final draft of the Companies Bill, 2016 on its website and has formally sent the draft Bill to the Ministry of Finance for initiating necessary legislative process and its passage by the Parliament.

These new concepts are being introduced to meet the international standards and requirements. Public Suggestions regarding the Bill have also been invited to be later made part of the final Companies Bill 2016.

Earlier, the Chairman SECP briefed the Minister for Finance on the draft Bill who directed that provisions relating to Companies Global Register with respect to beneficial owners, duties of the officers of the company to take adequate measures to avoid fraud and money laundering, new concepts relating to free zone companies, real estate companies and agricultural promotion companies should be further deliberated with the stakeholders. The SECP should finalize such provisions after broader consultation and consensus of the stakeholders.

In order to ensure corporate transparency and facilitate meaningful due diligence, SECP proposes to maintain a Companies' Global Register of officers and beneficial owners of the companies having beneficial ownership in local or foreign companies. The information will be reported by the company to the registrar along with the annual return of the company; however for the first time such information will be reported through a special return on a prescribed form within a stipulated time frame. Furthermore, for prevention of fraud and money laundering every officer of the company shall be required to take necessary measures to prevent the commission

of fraud and money laundering in the respective company. Any failure on the part of such officer shall be an offence.

The SECP also proposes to introduce provisions regarding certain specialized companies including Free Zone companies, Real Estate Companies and Agricultural Promotion Companies. The free zone companies will cater for carrying out business in Export Processing Zones notified by the Federal Government. The introduction of free zone companies will support Pakistan's future export needs especially in the wake of CPEC which will potentially change the economic landscape of the country. The concept of Free Zone companies is prevalent internationally and successfully attracting foreign investors and investments. At present in Pakistan, the export processing zones and free zones are notified by the Federal Government under the Export Processing Zone Authority Ordinance, 1980 and various exemptions have been granted therein. However, the Companies Ordinance, 1984 did not cater for the concept and there was a need to provide further incentive especially to foreign nationals and entities investing in free zones. Through the proposed provision the foreign nationals shall be exempted from disclosure requirements. Further the SECP will also be able to give concessions with respect to filing requirements under the draft Bill.

Agriculture is the backbone of Pakistan economy and special purpose companies can play a positive role in alleviating the agriculture sector. A concept of agricultural promotion company is being introduced to provide impetus and support to the rural economy and induce increase in agricultural produce and its management through facilitation of warehousing of agriculture produce, issuance of credible warehouse receipts for agricultural commodity, stock and audit verification etc. Such companies may be established in either in the form of Producer Company or a Collateral Management Company for facilitating the agricultural sector.

The companies having principle line of business of real estate projects i.e. development and construction of residential or commercial buildings and compounds in order ensure protection of the investors will be required to take adequate measures inter alia maintenance of escrow accounts and additional disclosure requirements. Before taking advance from the general public NOC from the respective authorities shall be required and advertisement in print and electronic

media shall be made after fulfilling certain requirements and permission from the SECP in this respect. It is conceived that in order to bring new real estate companies and promote the business there is an impending need to increase investor confidence intending to invest in real estate ventures.

The proposed concepts besides posting on the website of the SECP, for soliciting stakeholder's opinion and feedback will be shared with the Institute of Chartered Accountants of Pakistan, the Institute of Cost and Management Accountants of Pakistan, Federation of Pakistan Chambers of Commerce and Industry, the chambers of commerce and industry across Pakistan and leading corporate lawyers and consultants in the country.

The decision with respect to inclusion of the proposed new concepts in the draft Companies Bill, 2016 will be finalized only after taking into consideration, the feedback received from the stakeholder's and by holding a consultative session for reaching a consensus in this behalf.