

Press Release

July 20, 2018

For immediate release

Appointment of legal advisors: SECP achieves 85% compliance

ISLAMABAD, July 20: The SECP's effective initiatives and measures have resulted in an 85% compliance with the provisions of the Companies (Appointment of Legal Advisers) Act, 1974.

The Act requires the companies having paid-up share capital greater than Rs7.5 million to appoint at least one legal adviser on retainer ship to advise such companies regarding performance of its functions and discharge of its duties in accordance with the law.

Sub-rule (1) of rule 4 of the Companies (Appointment of Legal Advisers) Rules, 1975, stipulates that every company shall, within 15 days of appointment of a legal adviser by it, furnish in duplicate to the registrar of the region in which its registered office is situated, the name (names of the partners in case of a firm), address and remuneration of the legal adviser. Accordingly, section 7 of the Act has empowered SECP to impose penalty for contravention of the provisions of the Act or Rules and regulations made there under.

In 2017, 63% of the companies were compliant, and 37% non-compliant with regards to appointment of legal advisors. The SECP took various initiatives to strengthen the compliant corporate culture, ensuring that the companies are in a better position to manage their affairs in accordance with the law.

Such effective initiatives included holding of seminars through company registration offices (CROs) in collaboration with ICAP, ICMAP, and the Federation of Chambers of Commerce and Industries for the purposes of educating their members for appointment of legal advisors. Frequent meetings with bar councils, tax bar associations of all major cities within the territorial jurisdiction of CROs were held. In addition, regular consultative sessions with corporate consultants, accentuating their role in ensuring corporate compliance with the Act were organized, and a vigorous adjudication drive was launched by serving demand notices upon non-compliant companies, telling them to appoint legal advisors within the stipulated time. Subsequently, show cause notices were issued, and finally, proceedings by initiating penal action against non-compliant companies were concluded.

Consequently, the corporate compliance rose up to 82% in November 2017 and further improved to 85% as of June 30, 2018. In furtherance to this, numerous steps have been taken and a mechanism has been devised to identify the defunct and non-operational companies from the remaining 15% non-compliant companies. Additionally, the powers for adjudication have recently been delegated to the relevant CROs to ensure improved corporate compliance.