



Securities and Exchange Commission of Pakistan

Press Release

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For immediate release

PRESS RELEASE

SECP improves governance structure of public sector companies

ISLAMABAD, July 31: The SECP Chairman has directed the relevant department to ensure full compliance of public sector companies (PSCs) with Public Sector Companies (Corporate Governance) Rules, 2013, for better corporate governance and transparency.

He appreciated the fact that the SECP's intensive efforts have improved the PSCs' compliance with rules from 36 percent in 2015 to 60 percent in 2018. He said that all enforcement measures should be taken to achieve full compliance by all PSCs. "No complacency shall be tolerated in this respect as public interest is associated with the efficient governance of PSCs and the SECP will play its due role within its regulatory framework."

It is pertinent to mention that the SECP amended these rules in 2017 to facilitate compliance and to ensure conformity with good corporate governance principles in the PSCs, which are significant economic players, delivering critical services in important economic sectors.

The rules provide the PSCs with criteria for sound and prudent management, rationalizing the composition of board of directors by requiring a minimum of one-third independent directors. The rules also specify additional grounds to improve performance of directors, including the requirement for the government to enter into performance contracts with directors at the time of their appointment, separation of roles of chairman and chief executive, optimizing the fit and proper criteria for directors, etc.

PSCs are required to file statement of compliance duly reviewed and certified by the external auditors. It is imperative to mention that publishing and circulating a statement of compliance in the form set out in these rules is mandatory of every PSC. With the implementation of these rules, the SECP has made the CEOs of all PSCs accountable.

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The SECP has also taken various steps to facilitate PSCs and their relevant ministries and to augment their compliance with the regulatory framework. These measures included providing guidance through Public Sector Companies (Corporate Governance Compliance) Guidelines, 2018, and Public Sector Companies (Appointment of Chief Executive) Guidelines, 2015. They also include holding of seminars, workshops and roundtables, issuing of circulars, public notices, providing clarifications/guidance, and taking enforcement actions against PSCs for non-filing of the statement of compliance and non-compliance with the requirements of rules.

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