

PRESS RELEASE

For immediate release

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President approves amendments to Companies Act to facilitate Startups

ISLAMABAD, May 4: President Dr Arif Alvi has approved amendments in Companies Act 2017 to provide an enabling regulatory framework to facilitate startups in Pakistan. These amendments were proposed by the Securities and Exchange Commission of Pakistan (SECP) to help promoting and nurturing startups as well as attract local and international innovators.

The Companies Act, 2017, promulgated on May 31, 2017, was reviewed by the SECP in consultation with various external and internal stakeholders including PBC, ICAP, ICMAP, OICCI and PICG etc. On the basis of feedback received during the consultation process, various amendments were proposed by the SECP to promote ease of doing business, encourage startups, improve protection of minority shareholders and remove some anomalies noted in the provisions of the Act. These amendments have been enacted through Companies (Amendment) Ordinance, 2020 promulgated on April 30, 2020.

In order to encourage startups, besides adding definition of startup companies, employees stock options and buyback of shares has been allowed for all companies while earlier this was allowed for public and listed companies only. These amendments will help address the employee retention and reward issues particularly faced by startup companies. It would also facilitate startups in case, any founding member needs to exit the company.

Requirement relating to payment of subscription money within 30 days of incorporation by subscriber and filing of auditor certificate has been done away to facilitate small companies. Now a listed company may hold extra ordinary general meeting at a shorter notice with the approval of the Commission. Further all companies are required to file annual return with the registrar irrespective of paid-up capital. CEO shall now be appointed by board of directors in all companies.

Procedure for handling of unclaimed dividends has been revised. Now unpaid dividend account shall be maintained by companies and any markup accrued on such account shall be used by companies for corporate social responsibility initiatives.

Amendments have been introduced to lower threshold for proposing member resolution (from 10% to 5%), mandatory disclosure of company's director's remuneration and enhanced protection to minority shareholders in transactions involving conflict of interest of a company's directors. In view of complex valuations, legal entitlement of properties and requirements of other regulatory compliances the authority to approve scheme of arrangements by member or creditors has been granted to High Courts. Earlier, scheme of arrangements of small sized companies and companies

wholly owned by government were approved by the Commission while scheme of arrangement of medium sized, large sized and public interest companies were approved by the Court.

A new provision has been inserted to enable review or revision of any order passed by the registrar, Commission or any officer of the Commission to improve the efficiency of the adjudication process. Besides, provisions relating to mandatory requirement for common seal, real estate companies and inactive companies have also been omitted.

These amendments besides improving ease of doing business in general will also positively impact country's position in global rankings.

صدر عارف علوی نے کمپنیز ایکٹ میں ترامیم کی منظوری دے دی

اسلام آباد (مئی 4) صدر مملکت جناب عارف علوی نے کمپنیز ایکٹ 2017 میں اہم ترامیم کی منظوری دے دی ہے۔ کمپنیز ایکٹ میں یہ ترامیم سکیورٹیز اینڈ ایکس چینج کمیشن آف پاکستان کی جانب سے سٹارٹ اپ کے فروغ اور سرمایہ کاروں کے لئے کاروبار کو سہل بنانے کے لیے تجویز کی گئیں تھیں۔

کمپنیز ایکٹ میں آرڈینس کے ذریعے کی گئی ترامیم میں قانون میں سٹارٹ اپ کی جامع تعریف شامل کر دی گئی ہے جبکہ کمپنیوں کی جانب سے ملازمین کو کمپنیوں کے شیئرز دینے کے لئے ایمپلائز اسٹاک آپشن اسکیم اور کمپنیوں کی جانب سے مارکیٹ سے کمپنیوں کے حصص کی واپسی خریداری (Buy back of shares) کے لئے ضروری ترامیم بھی متعارف کروادی گئیں ہیں۔ چھوٹی کمپنیوں کو سہولت فراہم کرنے کے لئے 30 دن کے اندر سبسکریپشن منی جمع کروانے اور آڈیٹر سرٹیفیکٹ جمع کروانے کی شرائط بھی ختم کر دی گئی ہیں۔

کمپنیز ایکٹ میں ترامیم کے بعد اب کمپنی کا بانی رکن کمپنی کو شیئرز واپس فروخت کر کے کمپنی سے الگ ہو سکتا ہے جبکہ differential right کے ذریعے کمپنی کے شیئرز کے اجراء کی شرائط بھی نرم کر دی گئی ہیں۔ اس کے علاوہ کوئی بھی پرائیویٹ لمیٹڈ کمپنی کے ویلیو انکیشن کا طریقہ کار بھی تبدیل کی گیا ہے۔ اس کے لئے کمپنیز کے حصص کے اجراء کے ریگولیشنز میں ترامیم کی جائیں گی۔ کمپنیز ایکٹ میں ایک نئی شق متعارف کروائی گئی ہے جس کے تحت کمیشن کو کاروباری آسانیاں فراہم کرنے کے لئے اختیارات بڑھائے گئے ہیں۔