PAKISTAN STOCK BROKERS ASSOCIATION

(A company setup under section 42 of the Companies Act 2017)

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PSBA/Notice-242 **January 14, 2026**

NOTICE FOR MEMBERS

CONCEPT PAPER PROPOSED AMENDMENTS IN COMPANIES ACT 2017

Dear Members,

This is in reference to the concept paper dated January 13, 2026 (attached), whereby the SECP has invited the comments:

In this regard, the members are hereby requested to kindly submit your comments, if any, at psamail024@gmail.com latest by **February 13, 2026,** so that a consolidated response can be forwarded to the authorities for their consideration.

sd

AKBER ALI
Officer - Secretariat

Copy to:

1. PSBA Website

Securities and Exchange Commission of Pakistan

SECP

Concept Paper

Proposed Amendments to the Companies Act, 2017

Email for comments: feedback.ca2017@secp.gov.pk

Deadline: 15th February, 2026

Corporate Registry Department

Licensing and Registration Division

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Preamble

A robust company law framework plays a pivotal role in fostering a country's commercial landscape and driving economic stability and growth. Recognizing that the Companies Ordinance, 1984 was no longer adequate to address the rapidly evolving domestic and global business environment, Pakistan took a significant step forward with the enactment of the Companies Act, 2017 (the ***"Act"***). This legislative reform was designed to modernize the corporate regulatory framework, aligning it with emerging needs and international standards. However, the pace of change in the business landscape, driven by the digital revolution and the advent of new technologies, has since necessitated further amendments to ensure the legal framework remains relevant and effective.

In response to these evolving dynamics, the Securities and Exchange Commission of Pakistan ***("SECP")*** and Board of investment ***("BOI")*** constituted a Committee to review and recommend amendments to the Act. The Committee adopted a holistic approach, considering factors such as international best practices, feedback from stakeholders, operational challenges, and the alignment of legislation with SECP's digitalization initiative, Leading Efficiency through Automation Prowess (LEAP). The proposed amendments *inter alia* aim to achieve several key objectives, including reducing the regulatory burden on businesses, enhancing ease of doing business through improved efficiency, increasing digitalization, promoting corporatization, and eliminating ambiguities and redundancies in existing legislation. These reforms also emphasize increased transparency in internal company processes and dealings with SECP, clearer responsibilities and heightened accountability for key company officials, and swifter enforcement measures.

Collectively, these measures are designed to ensure that the Companies Act, 2017 becomes a catalyst for business growth by reducing unnecessary regulatory hurdles, streamlining processes, and fostering an environment conducive to entrepreneurship and innovation. At the same time, it aims to instil a culture of compliance, governance, and transparency that strengthens trust and confidence within the corporate ecosystem. By prioritizing the needs of businesses while maintaining robust oversight, these reforms seek to enable companies to thrive in a competitive and rapidly evolving economic landscape.

The proposed amendments to the Companies Act are a forward-looking initiative designed to ensure that Pakistan's corporate regulatory framework remains relevant, robust, and conducive to growth. By addressing emerging challenges and incorporating global best practices, these reforms aim to position Pakistan as a competitive, transparent, and business-friendly destination for corporate activity.

I. Strengthening Corporate Pakistan: SECP & BoI Joint Initiative

The Securities and Exchange Commission of Pakistan (SECP) and the Board of Investment (BoI) are closely coordinating on legislative reforms to the Companies Act, 2017, under the Government's regulatory modernization agenda. Both institutions are advancing a comprehensive reform package that seeks to strengthen Pakistan's corporate sector, align with international best practices, and improve the investment climate. These proposals are currently under the review and consideration of Cabinet Committee of Regulatory Reforms (CCoRR)

1. **Ultra-Fast Track Package (UFT Regulatory Reform Package)**

    i. The Cabinet Committee on Regulatory Reforms (CCoRR) has proposed five amendments to the Act.
    ii. SECP has prepared a comprehensive draft bill comprising 49 proposed amendments**,** aimed at advancing ease of doing business, digitization, corporate governance, regulatory oversight, and decriminalization of penalties.
    iii. The draft bill, together with a comparative statement, was submitted to CCoRR on **24 July 2025**.
    iv. BoI's UFT regulatory reform package is enclosed as **Annexure A**.

2. **Regulatory Reform Package 01**

    i. BoI's Package 01 consolidates reforms across four focus areas which copy is enclosed as **Annexure B.**

        - Review of Special Resolutions (recommendations and international benchmarks).
        - Removal of arbitrary thresholds and greater flexibility in corporate structures.
        - Amendments tailored to unlisted companies.
        - Broadened public access to company information.

3. **Regulatory Reforms for Listed Companies**
    i. BoI has shared regulatory reform package for listed companies proposing 56 elimination and simplifications in Companies Act, 2017.
    ii. BoI's regulatory reform package for listed companies are enclosed as **Annexure C**.

II. KEY AREAS OF FOCUS FOR PROPOSED AMENDMENTS

The proposed amendments aim to reduce regulatory burden on companies, improve the ease of doing business in Pakistan by streamlining the process of regulatory compliances, alignment of current corporate regime with international standards and use of digitalization in day to day corporate affairs of companies. The scope of these amendments is expected to be comprehensive, touching upon various aspects of corporate functioning and addressing the practical difficulties being faced by companies.

1) Ease of Doing Business:

a) Streamlining regulatory compliance processes for development of corporate sector.

b) Reducing administrative burdens on companies to facilitate corporatization.

c) Simplified compliance requirements.

d) Reduced reporting obligations.

2) Principles of corporate governance

a) Adopting globally recognized corporate governance principles.

b) Bringing proportionality in applicability of financial audit and filing of financial statement with size of company.

3) Promotion of digitalization and use of technology

a) Encouraging electronic filing and record-keeping

b) Facilitating remote participation in corporate meetings

c) Enhancing digital means for maintenance of account and data protection measures

4) Decriminalization

a) Shift from penal sanctions to regulatory remedies /pecuniary penalties

b) Promote business confidence and compliance

c) Align with global best practice

III. SIGNIFICANT PROPOSED AMENDMENTS IN THE COMPANIES ACT, 2017

1. Section (2(1)(10A). Definition- new insertion-book-entry form

Existing Provision

Newly inserted definition

Proposed Amendment

Source: Central Depository Company (CDC)

Objective: Regulatory oversight/Corporate Governance

2(10A): "book-entry form", in relation to a central depository, means book-entry security as defined in the Central Depositories Act, 1997 (XIX of 1997), whether listed or not, and includes the manner of issuance, maintenance, recording and transfer of shares of a company in electronic or digital form, by central depository formed under the Central Depositories Act, 1997 (XIX of 1997).

Rationale

The term "book-entry form" is repeatedly used in Sections 62, 72 and other provisions of the Companies Act, 2017 without being defined, creating ambiguity in interpretation and implementation. Its definition is essential to align the Act with the depository framework, ensure clarity for stakeholders, and support dematerialization and capital market reforms.

2. Section 2(1)(12A). Definition- new insertion- Central Depository System

Existing Provision:

Newly inserted definition

Proposed Amendment

Source: Central Depository Company (CDC)

Objective: Regulatory oversight/Corporate Governance

2(1)(12A): "Central Depository System" shall have the same meaning as assigned to it under the Central Depositories Act 1997 (XIX of 1997).

Rationale

The term "Central Depository System" is used in 60 & 62. Moreover, this term is used in amended section 72 & 74 of the Act, hence, defined for clarity.

3. Section 2(1)(40). Definition- deletion of memorandum

Current Provision

2(1)(40) “memorandum” means the memorandum of association of a company as originally framed or as altered from time to time in pursuance of company law or of this Act;

Proposed Amendment

Source: BoI’s reform Package 01

Objective: Ease of doing business

~~2(1)(40) “memorandum” means the memorandum of association of a company as originally framed or as altered from time to time in pursuance of company law or of this Act;~~

Rationale

The proposal is to eliminate the concept of a *memorandum of association* and retain only the *articles of association*.

Historically, the memorandum served as an instrument defining the company’s scope of activities, while the articles regulated internal governance. However, this dichotomy has become redundant with the global shift toward a single flexible constitutional document that accommodates both the company’s objectives and governance framework. An article of association will serve as the charter or constitutive document of the company setting out both its objects and internal regulation in a single consolidated document.

4. Section 2(1)(40A). Definition- new insertion- member

Existing Provision

Newly inserted definition

Proposed Amendment

Source: BoI’s regulatory reform Package 01

Objective: Regulatory oversight/Corporate Governance

2(1)(40A) “member”, in relation to a company, means—

a) every subscriber to the articles of association, who is deemed to have agreed to become a member and becomes a member upon the registration of the company;
b) every other person to whom shares of any class or kind have been allotted, or who has otherwise become the holder of such shares; and
c) in the case of a company not having a share capital, every person who has agreed to become a member of the company;

and whose name is entered in the register of members of the company.

Rationale

Definition of member is proposed to be inserted consequent upon elimination of section 118. The Companies Act, 2017 currently lacks an express definition of *"member"*, which creates ambiguity in interpretation and application of various provisions relating to legitimate shareholder rights, obligations, and corporate governance. The introduction of a clear statutory definition will remove this gap and bring the law in line with international standards.

5. Section (2(1)(49). Definition- private company

Existing Provision

2(1)(49) "private company" means a company which, by its articles-

(a) restricts the right to transfer its shares, save as otherwise provided under this Act;

(b) limits the number of its members to fifty not including persons who are in the employment of the company; and

(c) prohibits any invitation to the public to subscribe for the shares, if any, or debentures or redeemable capital of the company:

Provided that, where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this definition, be treated as a single member;

Proposed Amendment

Source: BoI's regulatory reform Package 01

Objective: Ease of doing Business

2(1)(49) "private company" means a company which, by its articles-

(a) restricts the right to transfer its shares, save as otherwise provided under this Act; and

~~(b) limits the number of its members to fifty not including persons who are in the employment of the company; and~~

(c**)** prohibits any invitation to the public to subscribe for the shares, if any, or debentures or redeemable capital of the company:

Provided that, where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this definition, be treated as a single member;

Rationale

The requirement under sub-clause (b) limiting the number of members of a private company to fifty has become outdated and unnecessarily restrictive. Modern corporate practice increasingly emphasizes flexibility of ownership structures, particularly to facilitate start-ups, family-owned businesses, and closely held enterprises that may need to expand their shareholder base without transitioning to public company status, maximum limit of members of private company is proposed to be abolished.

Internationally, comparable jurisdictions have either eliminated or significantly relaxed numerical restrictions on private company membership, recognizing that such thresholds no longer serve a meaningful regulatory purpose in the era of digital corporate registries and enhanced disclosure frameworks.

6. Section (2) (1) (57): Definition- Registrar

Existing Provision

(57) "registrar" means registrar, an additional registrar, an additional joint registrar, a joint registrar, a deputy registrar, an assistant registrar or such other officer as may be designated by the Commission, performing duties and functions under this Act;

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

(57) "registrar" means registrar of companies, registrar, an additional registrar, an additional joint registrar, a joint registrar, a deputy registrar, an assistant registrar or such other officer as may be designated by the Commission, performing duties and functions under this Act;

Rationale

Registrar of companies was missing in the definition of registrar, hence, inserted now.

7. Section (2) (1) (57) (A): Definition- registrar of companies

Existing Provision

Insertion of new definition

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

(57) (A) "Registrar of Companies" means the Registrar of Companies designated as such by the Commission and posted at head office of the Commission and who is head of the offices for the registration of companies in Pakistan and performing other work under the Act;

Rationale

The term is used in sec 462(8) and Companies Regulations, 2024 frequently, hence, defined for clarity.

8. Section (2(1)(66). Definition- special resolution

Existing Provision

2(1)(66) "**special resolution**" means a resolution which has been passed by a majority of not less than three-fourths of such members of the company entitled to vote as are present in person or by proxy or vote through postal ballot at a general meeting of which not less than twenty-one days' notice specifying the intention to propose the resolution as a special resolution has been duly given:

Provided that if all the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one days notice has been given.

Proposed Amendment

Source: BoI's ultra fast track (UFT) regulatory package

Objective: Ease of doing business

2(1)(66) "special resolution" means

(a) a resolution which has been passed by a majority of not less than three-fourths of such members of the company entitled to vote as are present in person or by proxy or vote through postal ballot at a general meeting of which not less than ~~twenty-one days'~~ a notice of period as notified in section 132 and 133 of the Act. The said notice shall specify~~ing~~ the intention to propose the resolution as a special resolution has been duly given:

Provided that if seventy-five percent of ~~all~~ the members entitled to attend and vote at any such meeting so agree, a resolution may be proposed and passed as a special resolution at a meeting of any shorter notice been given; or~~. which less than twenty-one days notice been given.~~

(b) a resolution approved by the Board of Directors representing not less than seventy-five percent of the total voting rights in the company, where the company is exempted from holding a general meeting under sub-section (1) of sections 132 and 133 of the Act.

Rationale

A special resolution at shorter notice cannot be passed unless all members entitled to attend and vote an EGM agreed, a per Section 2 (1)(66). It hinders company's ability to make timely strategic decision and delay business operation. Hence, threshold is reduced to 75%. Now special resolution can be passed at shorter notice period if 75% of members are agreed.

Insertion of clause (b) provides procedural flexibility for single-member companies and private companies, not being public interest companies and subsidiary of listed companies, where the Board of Directors collectively represents at least seventy-five percent of the total voting rights. In such cases, convening a general meeting merely to approve matters already endorsed by an overwhelming majority of shareholders through the Board serves little practical purpose and adds unnecessary compliance burden. By allowing a Board resolution representing 75% voting rights to substitute for a general meeting resolution, the change aligns with the principles of ease of doing business, corporate efficiency, and proportional regulation.

Other changes in notice period are consequential to amendment proposed in section 132 & 133 of the Act.

9. Section 9. Obligation to register certain associations, partnerships as companies

Existing Provision

9. Obligation to register certain associations, partnerships as companies.—(1) No association, partnership or entity consisting of more than twenty persons shall be formed for the purpose of carrying on any business that has for its object the acquisition of gain by the association, partnership or entity, or by the individual members thereof, unless it is registered as a company under this Act and any violation of this section shall be an offence punishable under this section.

(a) any society, body or association, other than a partnership, formed or incorporated under any law for the time being in force in Pakistan; or

(b) a joint family carrying on joint family business; or

(c) a partnership of two or more joint families where the total number of members of such families, excluding the minor members, does not exceed twenty; or

(d) a partnership formed to carry on practice as lawyers, accountants or any other profession where practice as a limited liability company is not permitted under the relevant laws or regulations for such practice.

Proposed Amendment

Source: BoI's regulatory reform package 01

Objective: Ease of doing Business

~~**9. Obligation to register certain associations, partnerships as companies.—**(1) No association, partnership or entity consisting of more than twenty persons shall be formed for the purpose of carrying on any business that has for its object the acquisition of gain by the association, partnership or entity, or by the individual members thereof, unless it is registered as a company under this Act and any violation of this section shall be an offence punishable under this section.~~

~~(a) any society, body or association, other than a partnership, formed or incorporated under any law for the time being in force in Pakistan; or~~

~~(b) a joint family carrying on joint family business; or~~

~~(c) a partnership of two or more joint families where the total number of members of such families, excluding the minor members, does not exceed twenty; or~~

~~(d) a partnership formed to carry on practice as lawyers, accountants or any other profession where practice as a limited liability company is not permitted under the relevant laws or regulations for such practice.~~

Rationale

This section imposes a rigid cap of twenty members on associations, partnerships, or entities formed for the purpose of carrying on business for profit, unless registered as a company. While historically intended to channel larger business entities into the corporate framework, this restriction has become outdated and unnecessarily burdensome in the current economic and regulatory landscape. By omitting Section 9, businesses are free to choose any legal form of their choice- company, partnership, society, cooperative, or other permissible structures- without being forced by law to incorporate as a company. This enhances business autonomy and aligns with the principle of regulatory neutrality. Businesses should be allowed to freely choose their form: sole proprietorship, partnership, or incorporation.

10. Section 12. Change of name by a company

Existing Provision

12. Change of name by a company. —A company may, by special resolution and with approval of the registrar signified in writing, change its name:

Provided that no approval under this section shall be required where the change in the name of a company is only the addition thereto, or the omission therefrom, of the expression "(Private)" or "(SMC-Private)" or "(Guarantee) Limited" or "Limited" or "Unlimited", as the case may be, consequent upon the conversion of the status of a company in accordance with the provisions of sections 46 to 49.

Proposed Amendment

Source: BoI's regulatory reform package 01

Objective: Ease of doing Business

12. Change of name by a company. —Subject to section 10, ~~A~~ a company may, by special resolution ~~and with approval of the registrar signified in writing,~~ change its name:

Provided that no such approval shall be required where the change in the name of a company is only the addition thereto, or the omission therefrom, of the expression "(Private)" or "(SMC-Private)" or "(Guarantee) Limited" or "Limited" or "Unlimited", as the case may be, consequent upon the conversion of the status of a company in accordance with the provisions of sections 46 to 49.

Rationale

The proposed amendment removes the requirement of registrar approval for change of name and allows a company to change its name through a special resolution, subject only to compliance under section 10.

This change is intended to simplify and expedite the process of name change for companies, consistent with SECP's broader objective of promoting ease of doing business and reducing unnecessary regulatory steps that do not add substantive oversight value. The registrar's existing powers under section 10 to review proposed name appropriateness remain intact, thereby ensuring that regulatory safeguards are still maintained.

Accordingly, the amendment strikes a balance between regulatory control and operational efficiency, enabling faster administrative processing for legitimate corporate name changes. (Ease of Doing Business)

11. Section 13. Registration of change of name and effect thereof.

Existing Provision

13. Registration of change of name and effect thereof.—(1) Where a company changes its name the registrar shall enter the new name on the register in place of the former name, and shall issue a certificate of incorporation altered to meet the circumstances of the case and, on the issue of such a certificate, the change of name shall be complete.

(2) Where a company changes its name it shall, for a period of **ninety days** from the date of issue of a certificate by the registrar under sub-section (1), continue to mention its former name along with its new name on the outside of every office or place in which its business is carried on and in every document or notice referred to in section 22.

(3) The change of name shall not affect any rights or obligations of the company, or render defective any legal proceedings by or against the company and any legal proceedings that might have been continued or commenced against the company by its former name may be continued by or commenced against the company by its new name.

Proposed Amendment

Source: BoI's regulatory reform package 01

Objective: Ease of doing business

13. Registration of change of name and effect thereof.— (1) Where a company changes its name the registrar shall enter the new name on the register in place of the former name, and shall issue a certificate of incorporation altered to meet the circumstances of the case and, on the issue of such a certificate, the change of name shall be complete.

(2) Where a company changes its name it shall, for a period of ninety days from the date of issue of a certificate by the registrar under sub-section (1), continue to mention its former name along with its new name on the outside of every office or place in which its business is carried on and in every document or notice referred to in section 22.

Provided that this requirement shall not apply to a single member company and private company, not being Public Interest Company and subsidiary of listed company.

(3) The change of name shall not affect any rights or obligations of the company, or render defective any legal proceedings by or against the company and any legal proceedings that might have been continued or commenced against the company by its former name may be continued by or commenced against the company by its new name.

Rationale

Proposed amendment shall reduce unnecessary compliance burden for small and closely held entities while preserving transparency where wider stakeholders are involved i.e PICs. It streamlines post-incorporation formalities, lowers costs, and aligns with a risk-based regulatory approach.

12. Section 15. Liability for carrying on business with less than three or, in the case of a private company, two members

Existing Provision

15. Liability for carrying on business with less than three or, in the case of a private company, two members.—If at any time the number of members of a company is reduced, in the case of a private company other than a single member company, below two or in the case of any other company, below three and the company carries on business for more than one hundred and eighty days while the number is so reduced, every person who is a member of the company during the time that it so carries on business after those one hundred and eighty days and is cognizant of the fact that it is carrying on business with fewer than two members or three members, as the case may be, shall be severally liable for payment of whole debts of the company contracted during that time and may be sued therefor without joinder in the suit of any other member.

Proposed Amendment

Source: BoI's regulatory reform package 01

Objective: Ease of doing Business

15. Liability for carrying on business with less than the required number of ~~three or, in the case of a private company, two~~ **members.—**If at any time the number of members of a company is reduced, in the case of a ~~private~~ company other than a single member company, below two ~~or in the case of any other company, below three~~ and the company carries on business for more than one hundred and eighty days while the number is so reduced, every person who is a member of the company during the time that it so carries on business after those one hundred and eighty days and is cognizant of the fact that it is carrying on business with fewer than two members ~~or three members, as the case may be,~~ shall be severally liable for payment of whole debts of the company contracted during that time and may be sued therefor without joinder in the suit of any other member.

Rationale

Since the minimum membership requirement for unlisted companies- whether private or public- is proposed to be reduced to two members, corresponding amendments are made to align related provisions of the Act.

The existing requirement of three members for public companies serves little substantive purpose and has proven to be an administrative hurdle, especially for small, closely held, or family-owned enterprises seeking corporate status. Allowing incorporation and operation with a minimum of two members will reduce entry barriers, encourage formalization, and

facilitate ease of doing business, while maintaining sufficient checks and balances through existing governance provisions of the Act.

13. Section 16. Registration of memorandum and articles.

Existing Provision

16. Registration of memorandum and articles.—(1) There shall be filed with the registrar an application on the specified form containing the following information and documents for incorporation of a company, namely:—

(a) a declaration on the specified form, by an authorized intermediary or by a person named in the articles as a director, of compliance with all or any of the requirements of this Act and the rules and regulations made thereunder in respect of registration and matters precedent or incidental thereto;

(b) memorandum of association of the proposed company signed by all subscribers, duly witnessed and dated;

(c) there may, in the case of a company limited by shares and there shall, in the case of a company limited by guarantee or an unlimited company, be the articles of association signed by the subscribers duly witnessed and dated; and

(d) an address for correspondence till its registered office is established and notified.

(2) Where the registrar is of the opinion that any document or information filed with him in connection with the incorporation of the company contains any matter contrary to law or does not otherwise comply with the requirements of law or is not complete owing to any defect, error or omission or is not properly authenticated, the registrar may either require the company to file a revised document or remove the defects or deficiencies within the specified period.

(3) Where the applicant fails under sub-section (2) to remove the deficiencies conveyed within the specified period, the registrar may refuse registration of the company.

(4) If the registrar is satisfied that all the requirements of this Act and the rules or regulations made thereunder have been complied with, he shall register the memorandum and other documents delivered to him.

(5) On registration of the memorandum of a company, the registrar shall issue a certificate that the company is incorporated.

(6) The certificate of incorporation shall state—

(a) the name and registration number of the company;

(b) the date of its incorporation;

(c) whether it is a private or a public company;

(d) whether it is a limited or unlimited company; and

(e) if it is limited, whether it is limited by shares or limited by guarantee.

(7) The certificate under sub-section (5) shall be signed by the registrar or authenticated by the registrar's official seal.

(8) The certificate under sub-section (5) shall be conclusive evidence that the requirements of this Act as to registration have been complied with and that the company is duly registered under this Act.

(9) If registration of the memorandum is refused, the subscribers of the memorandum or any one of them authorised by them in writing may, within thirty days of the order of refusal, prefer an appeal to the Commission.

(10) An order of the Commission under sub-section (9) shall be final and shall not be called in question before any court or other authority.

Proposed Amendment

Source: BoI's regulatory reform package 01

16(1)(e): Central Depository Company Limited

16(1)(f), (11), (12), (13): SECP

Objective: Ease of doing Business

16. Registration of ~~memorandum and~~ articles of association.—

(1) There shall be filed with the registrar an application on the specified form containing the following information and documents for incorporation of a company, namely:—

(a) a declaration on the specified form, by an authorized intermediary or by a person named in the articles as a director, of compliance with all or any of the requirements of this Act and the rules and regulations made thereunder in respect of registration and matters precedent or incidental thereto;

(b) ~~memorandum~~ articles of association of the proposed company signed by all subscribers, duly witnessed and dated;

~~(c) there may, in the case of a company limited by shares and there shall, in the case of a company limited by guarantee or an unlimited company, be the articles of association signed by the subscribers duly witnessed and dated; and~~

(d) an address for correspondence or registered office address, as the case may be. ~~till its registered office is established and notified.~~

(e) to accept the terms and conditions by all the subscribers for the declaration of the shares of the proposed company as book-entry form, opening accounts in the Central Depository

System and entering the shares in such accounts in accordance with the Central Depositories Act, 1997 (XIX of 1997) and the regulations made thereunder.

(2) Where the registrar is of the opinion that any document or information filed with him in connection with the incorporation of the company contains any matter contrary to law or does not otherwise comply with the requirements of law or is not complete owing to any defect, error or omission or is not properly authenticated, the registrar may either require the ~~company~~ applicant to file a revised document or remove the defects or deficiencies within the specified period.

(3) Where the applicant fails under sub-section (2) to remove the deficiencies conveyed within the specified period, the registrar may refuse registration of the company.

(4) If the registrar is satisfied that all the requirements of this Act and the rules or regulations made thereunder have been complied with, he shall register the ~~memorandum~~ articles of association and other documents delivered to him.

(5) On registration of the ~~memorandum~~ articles of a company, the registrar shall issue a certificate that the company is incorporated.

(6) The certificate of incorporation shall state—

(a) the name and registration number of the company;

(b) the date of its incorporation;

(c) whether it is a private or a public company;

(d) whether it is a limited or unlimited company; and

(e) if it is limited, whether it is limited by shares or limited by guarantee.

(7) The certificate under sub-section (5) shall be signed by the registrar or authenticated by the registrar's official seal.

(8) The certificate under sub-section (5) shall be conclusive evidence that the requirements of this Act as to registration have been complied with and that the company is duly registered under this Act.

(9) If registration of the ~~memorandum~~ articles is refused, the subscribers of the ~~memorandum~~ articles or any one of them authorised by them in writing may, within thirty days of the order of refusal, prefer an appeal to the Commission.

(10) An order of the Commission under sub-section (9) shall be final and shall not be called in question before any court or other authority.

(11) Notwithstanding the omission of the memorandum of association under this Act, any company incorporated prior to the commencement of this amendment shall continue to operate lawfully, and its memorandum of association, as filed with the registrar, shall be deemed to form part of its articles of association.

(12) All references to the memorandum of association in any law, rule, regulation, contract, or other legal instrument shall, in relation to existing companies, be construed as references to the articles of association.

(13) Nothing in this amendment shall affect the validity of the incorporation, existence, or any act done or right accrued by or against a company under the repealed provisions relating to the memorandum of association.

Explanation.— For the purposes of this section and any other provision of this Act, the expression *"memorandum"* shall, in relation to a company incorporated prior to the commencement of this amendment, mean the *memorandum of association* as originally filed or as altered from time to time under any previous company law, and shall, after such commencement, be deemed to form part of the company's articles of association.

Rationale

The amendments to section 16 are introduced with the objective of modernizing, simplifying, and digitizing the process of company incorporation in Pakistan, while ensuring legal continuity for previously incorporated entities.

1. **Omission of the Memorandum of Association:** The requirement of a separate memorandum of association has been merged into the articles of association to create a single constitutive document governing the company's objectives, internal management, and corporate powers. This change aligns Pakistan's corporate framework with modern international practices where only articles of association serve as the foundational document. The reform eliminates duplication, simplifies incorporation, and enhances clarity for users.

2. **Insertion of Sub-sections (11) to (13)**: Transitional and Saving Provisions: These provisions ensure that companies incorporated prior to the amendment remain legally protected. Their existing memoranda are deemed to form part of the articles, preserving the validity of incorporation, rights, and obligations under prior law. This avoids any retrospective disruption or uncertainty for ongoing corporate operations.

3. **Inclusion of clause e of sub section (1):** The new clause facilitates dematerialization of shares at the incorporation stage by allowing subscribers to accept terms for holding shares in the Central Depository System (CDS). This enhances transparency, reduces fraud risks, and supports SECP's digitalization agenda in line with the Central Depositories Act, 1997.

Overall, these amendments are aimed at simplifying incorporation, integrating digital processes, and aligning Pakistan's corporate law with global standards, while maintaining full protection for companies already incorporated under the previous regime.

14. Section 17. Effect of memorandum and articles

Existing Provision

17. Effect of memorandum and articles.—(1) The memorandum and articles shall, when registered, bind the company and the members thereof to the same extent as if they respectively had been signed by each member and contained a covenant on the part of each member, his heirs and legal representatives, to observe and be bound by all the provisions of the memorandum and of the articles, subject to the provisions of this Act.

(2) All moneys payable by a subscriber in pursuance of his undertaking in the memorandum of association against the shares subscribed shall be a debt due from him and be payable in such time, manner and condition as may be notified by the Commission.

(3) omitted

(4) Any violation of this section direction given by the registrar shall be an offence liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BoI's regulatory reform package 01

Objective: Ease of doing Business

17. Effect of ~~memorandum and~~ articles.—(1) The ~~memorandum and~~ articles shall, when registered, bind the company and the members thereof to the same extent as if they respectively had been signed by each member and contained a covenant on the part of each member, his heirs and legal representatives, to observe and be bound by all the provisions of the ~~memorandum and of the~~ articles, subject to the provisions of this Act.

(2) All moneys payable by a subscriber in pursuance of his undertaking in the ~~memorandum~~ articles of association against the shares subscribed shall be a debt due from him and be payable in such time, manner and condition as may be notified by the Commission.

(3) omitted

(4) Any violation of this section direction given by the registrar shall be an offence liable to a penalty of level 1 on the standard scale.

Rationale

Consequential changes of omission of memorandum of association (refer to amendments proposed in section 16 of the Act).

15. Section 19. Commencement of business by a public company

Existing Provision

19. Commencement of business by a public company.—

(1) A public company shall not start its operations or exercise any borrowing powers unless—

(a) shares held subject to payment of the whole amount thereof in cash have been allotted to an amount not less in the whole than the minimum subscription and the money has been received by the company;

(b) every director of the company has paid to the company full amount on each of the shares taken or contracted to be taken by him and for which he is liable to pay in cash;

(c) no money is or may become liable to be repaid to applicants for any shares which have been offered for public subscription;

(d) there has been filed with the registrar a duly verified declaration by the chief executive or one of the directors and the secretary in the
specified form that the aforesaid conditions have been complied with; and

(e) in the case of a company which has not issued a prospectus inviting the public to subscribe for its shares, there has been filed with the registrar a statement in lieu of prospectus as per the Second Schedule annexed to this Act.

Explanation.—"**minimum subscription**" means the amount, if any, fixed by the memorandum or articles of association as minimum subscription upon which the directors may proceed to allotment or if no amount is so fixed and specified, the whole amount of the share capital other than that issued or agreed to be issued as paid up otherwise than in cash.
(2) The registrar shall, on filing of a duly verified declaration in accordance with the provisions of sub-section (l) and after making such enquiries as he may deem fit to satisfy himself that all the requirements of this Act have been complied with in respect of the commencement of business and matters precedent and incidental thereto, accept and register all the relevant documents.
(3) The acceptance and registration of documents under sub-section (2) shall be a conclusive evidence that the company is entitled to start its operations and exercise any borrowing powers.
(4) Nothing in this section shall apply—
(a) to a company converted from private to a public;

(b) to a company limited by guarantee and not having a share capital.

Proposed Amendment

Source: BoI's regulatory reform Package 01

Objective: Ease of doing Business

~~**19. Commencement of business by a public company.—** (1) A public company shall not start its operations or exercise any borrowing powers unless—~~

~~(a) shares held subject to payment of the whole amount thereof in cash have been allotted to an amount not less in the whole than the minimum subscription and the money has been received by the company;~~

~~(b) every director of the company has paid to the company full amount on each of the shares taken or contracted to be taken by him and for which he is liable to pay in cash;~~

~~(c) no money is or may become liable to be repaid to applicants for any shares which have been offered for public subscription;~~

~~(d) there has been filed with the registrar a duly verified declaration by the chief executive or one of the directors and the secretary in the specified form that the aforesaid conditions have been complied with; and~~

~~(e) in the case of a company which has not issued a prospectus inviting the public to subscribe for its shares, there has been filed with the registrar a statement in lieu of prospectus as per the Second Schedule annexed to this Act.~~

~~***Explanation.***—"**minimum subscription**" means the amount, if any, fixed by the memorandum or articles of association as minimum subscription upon which the directors may proceed to allotment or if no amount is so fixed and specified, the whole amount of the share capital other than that issued or agreed to be issued as paid up otherwise than in cash.~~

~~(2) The registrar shall, on filing of a duly verified declaration in accordance with the provisions of sub-section (l) and after making such enquiries as he may deem fit to satisfy himself that all the requirements of this Act have been complied with in respect of the commencement of business and matters precedent and incidental thereto, accept and register all the relevant documents.~~

~~(3) The acceptance and registration of documents under sub-section (2) shall be a conclusive evidence that the company is entitled to start its operations and exercise any borrowing powers.~~

~~(4) Nothing in this section shall apply—~~

~~(a) to a company converted from private to a public;~~

~~(b) to a company limited by guarantee and not having a share capital.~~

Rationale

The requirement under section 19 for a separate declaration of "commencement of business" has become redundant and unnecessary in view of the existing legal and procedural framework. The deposit and verification of subscription money are already regulated under section 17 of the Companies Act, 2017. The requirement for filing a separate declaration prior to commencement of business was found to have limited practical utility. (Ease of doing Business)

16. Section 20. Consequences of non-compliance of section 19:

Existing Provision

20. Consequences of non-compliance of section 19.— (1) If any company starts its business operations or exercises borrowing powers in contravention of section 19, every officer or other person who is responsible for contravention shall without prejudice to other liabilities be liable to a penalty not exceeding level 2 on the standard scale.

(2) Any contract made by a company before the date at which it is entitled to commence business shall be provisional only and shall not be binding on the company until that date and on that date it shall become binding.

Proposed Amendment

Source: BoI's regulatory reform Package 01

Objective: Ease of doing Business

~~**20. Consequences of non-compliance of section 19.—** (1) If any company starts its business operations or exercises borrowing powers in contravention of section 19, every officer or other person who is responsible for contravention shall without prejudice to other liabilities be liable to a penalty not exceeding level 2 on the standard scale.~~
~~(2) Any contract made by a company before the date at which it is entitled to commence business shall be provisional only and shall not be binding on the company until that date and on that date it shall become binding.~~

Rationale

Consequential change of omission of section 19 of the Act. (Ease of doing Business)

17. Section 21: Registered office of company

Existing Provision

21. Registered office of company. —(1) A company shall have a registered office to which all communications and notices shall be addressed and within a period of thirty days of its incorporation, notify to the registrar in the specified manner.

(2) Notice of any change in situation of the registered office shall be given to the registrar in a specified form within a period of fifteen days after the date of change:

Provided that the change of registered office of a company from—

(a) one city in a Province to another; or

(b) a city to another in any part of Pakistan not forming part of a Province;

shall require approval of general meeting through special resolution.

(3) If a company fails to comply with the requirements of sub-section (1) or (2), the company and its every officer who is responsible for such noncompliance shall be liable to a penalty not exceeding of level 1 on the standard scale.

Proposed Amendment

Source: 21(1): SECP

21(2): BoI's regulatory reform Package 01

Objective: Ease of doing business

21. Registered office of company. —(1) A company shall have a correspondence or registered office to which all communications and notices shall be addressed. In case no registered office address is notified by the Company at time of incorporation, correspondence address shall be deemed as registered office address of the Company for all purposes of the Act~~. and within a period of thirty days of its incorporation, notify to the registrar in the specified manner.~~

(2) A company shall change its registered office address subject to passing of special resolution in the general meeting and ~~N~~notice of any change in situation of the registered office shall be given to the registrar in a specified form within a period of fifteen days after the date of change:

~~Provided that the change of registered office of a company from—~~

~~(a) one city in a Province to another; or~~

~~(b) a city to another in any part of Pakistan not forming part of a Province;~~

~~shall require approval of general meeting through special resolution.~~

Provided that where the alteration involves a transfer of registered office from the jurisdiction of one company registration office to another, record of the company shall be transferred to the registrar concerned of the company registration office in whose jurisdiction the registered office of the company has been shifted.

(3) If a company fails to comply with the requirements of sub-section ~~(1) or~~ (2), the company and its every officer who is responsible for such noncompliance shall be liable to a penalty not exceeding of level 1 on the standard scale.

Rationale

21(1): The amendment aims to ensure continuity of communication and regulatory correspondence from the date of incorporation, even where a company has not yet established its permanent registered office. By deeming the correspondence address as the registered office until formal notification is made, the provision eliminates procedural gaps, enhances regulatory traceability, and facilitates ease of doing business.

21(2): any change in registered office address shall be subject to special resolution. However, holding of general meeting will be exempted in cases as provided in sec 132 & 133 of the Act. (Ease of doing Business)

18. Section 26. Business and objects of a company

Existing Provision

26. Business and objects of a company.—(1) A company may carry on or undertake any lawful business or activity and do any act or enter into any transaction being incidental and ancillary thereto which is necessary in attaining its business activities:
Provided that—

(i) the principal line of business of the company shall be mentioned in the memorandum of association of the company which shall always commensurate with name of the company; and
(ii) any change in the principal line of business shall be reported to the registrar within thirty days from the date of change, on the form as may be specified and registrar may give direction of change of name if it is in violation of this section.
Explanation.—"**principal line of business**" means the business in which substantial assets are held or likely to be held or substantial revenue is earned or likely to be earned by a company, whichever is higher.

(2) A company shall not engage in a business which is—
(a) prohibited by any law for the time being in force in Pakistan; or

(b) restricted by any law, rules or regulations, unless necessary licence, registration, permission or approval has been obtained or compliance with any other condition has been made:

Provided nothing in sub-section (1) shall be applicable to the extent of such companies.

Proposed Amendment

Source: BoI's regulatory reform Package 01

Objective: Ease of doing business

26. Business and objects of a company.—
(1) A company may carry on or undertake any lawful business or activity and do any act or enter into any transaction being incidental and ancillary thereto which is necessary in attaining its business activities:
Provided that

(i) ~~Principal line of business of the company~~ The sector in which the company is substantially operating shall be mentioned in the ~~memorandum~~ articles of association of the company which shall not be in contradiction with name of the Company ~~which shall always commensurate with name of the company~~; and
(ii) any change in the substantially operating sector ~~principal line of business~~ shall be reported to the registrar within thirty days from the date of change, on the form as may be specified and registrar may give direction of change of name if it is in violation of this section.

Provided that any change in substantially operating sector to adopt any business activity which is subject to licence, registration, permission or approval under any law, shall be subject to approval of the Commission.

Explanation.—"sector in which company is substantially operating ~~principal line of business~~" means the business in which substantial assets are held or likely to be held or substantial revenue is earned or likely to be earned by a company, whichever is higher.
(2) A company shall not engage in a business which is—

(a) prohibited by any law for the time being in force in Pakistan; or

(b) restricted by any law, rules or regulations, unless necessary licence, registration, permission or approval has been obtained or compliance with any other condition has been made:

Provided nothing in sub-section (1) shall be applicable to the extent of ~~such~~ companies involved in business mentioned under this sub-section.

Rationale

Principle line may be replaced with sector name only in order to simplify procedure and cater requirement of economic survey and other government organization. The International Standard Industrial Classification (ISIC) will be adopted for sector classification for which concept paper has already been issued. Moreover, change in sector is also not required to be reported on any separate form, such change will be updated in annual return and updated AoA shall be filed with annual return. (Ease of doing Business)

19. Section 27. Memorandum of company limited by shares

Existing Provision

27. Memorandum of company limited by shares. —In the case of a company limited by shares-
(A) the memorandum shall state—
(i) the name of the company with the word "Limited" as last word of the name in the case of a public limited company, the parenthesis and words "(Private) Limited" as last words of the name in the case of a private limited company, and the parenthesis and words "(SMC-Private) Limited" as last words of the name in the case of a single member company;

(ii) the Province or the part of Pakistan not forming part of a Province, as the case may be, in which the registered office of the company is to be situate;

(iii) principal line of business:

Provided that—
(a) the existing companies shall continue with their existing memorandum of association and the object stated at serial number 1 of the object clause shall be treated as the principal line of business;

(b) if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and

(c) the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention

the businesses as required under the respective law and the rules and regulations made thereunder;

(iv) an undertaking as may be specified;

(v) that the liability of the members is limited; and

(vi) the amount of share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount;

(B) no subscriber of the memorandum shall take less than one share; and
(C) each subscriber of the memorandum shall write opposite to his name the number of shares he agrees to take.

Proposed Amendment

Source: BoI's Regulatory reform Package 01
Objective: Ease of doing business

27. Articles ~~Memorandum~~ of company limited by shares.—In the case of a company limited by shares-
(A) the articles ~~memorandum~~ shall state—

(i) the name of the company with the word "Limited" as last word of the name in the case of a public limited company, the parenthesis and words "(Private) Limited" as last words of the name in the case of a private limited company, and the parenthesis and words "(SMC-Private) Limited" as last words of the name in the case of a single member company;

(ii) the Province or the part of Pakistan not forming part of a Province, as the case may be, in which the registered office of the company is to be situate;

(iii) ~~principal line of business~~ Sector in which company is substantially operating:

Provided that—
(a) the existing companies shall continue with their existing memorandum of association as being deemed part of the articles of association and the object stated at serial number 1 of the object clause shall be treated as the substantially operating sector ~~principal line~~ of business;

~~(b) if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and~~

(c)the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention the businesses as required under the respective law and the rules and regulations made thereunder;

(iv) an undertaking as may be specified;

(v) that the liability of the members is limited; and

(vi) the amount of share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount;

(vii) Articles of association of a company limited by shares may adopt all or any of the regulations contained in Table A in the First Schedule to this Act.

(B) no subscriber of the articles ~~memorandum~~ shall take less than one share; and
(C) each subscriber of the articles ~~memorandum~~ shall write opposite to his name the number of shares he agrees to take.

Rationale

Elimination of concept of memorandum association is proposed.
The proposal to eliminate the concept of a memorandum of association is intended to modernize Pakistan's corporate law framework in line with international best practices. The memorandum largely duplicates the role of the articles of association, as all substantive provisions relating to business objects, powers, and internal governance can be effectively captured within the articles. Maintaining two separate foundational documents adds unnecessary complexity, creates interpretive inconsistencies, and increases compliance costs for companies. By consolidating into a single governing document- the articles of association- the incorporation process will be simplified.

Other change related to replacing principle line of business with sector is consequential to section 26 of the Act. Moreover, clause 27(A)(ii) regarding province of registered office address is omitted as company is permitted to do business in whole Pakistan and there seems no logic to state province in Articles. (Ease of doing business)

20. Section 28. Memorandum of company limited by guarantee.

Existing Provision

28. Memorandum of company limited by guarantee.—(1) In the case of a company limited by guarantee the memorandum shall state—

(a) the name of the company with the parenthesis and words "(Guarantee) Limited" as last words of its name;

(b) the Province or the part of Pakistan not forming part of a Province, as the case may be, in which the registered office of the company is to be situate;

(c) principal line of business:

Provided that—
(i) the existing companies shall continue with their existing memorandum of association and the object stated at serial number 1 of the object clause shall be treated as the principal line of business;

(ii) if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from the commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and

(iii) the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention the businesses as required under the respective law;

(d) an undertaking as may be specified;

(e) that the liability of the members is limited; and
(f) such amount as may be required, not exceeding a specified amount that each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year afterwards for payment of the debts and liabilities of the company contracted before he ceases to be a member and of the costs, charges and expenses of winding up and for adjustment of rights of the contributories among themselves.

(2) If the company has a share capital, the memorandum shall also state the amount of share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount and the number of shares taken by each subscriber.

Proposed Amendment

Source: BoI's Regulatory reform Package 01

Objective: Ease of doing business

28. Articles ~~Memorandum~~ of company limited by guarantee.—(1) In the case of a company limited by guarantee the articles ~~memorandum~~ shall state—

(a) the name of the company with the parenthesis and words "(Guarantee) Limited" as last words of its name;

(b) ~~the Province or the part of Pakistan not forming part of a Province, as the case may be, in which the registered office of the company is to be situate;~~

(c) ~~principal line of business~~ sector in which company is substantially operating:

Provided that—

(i) the existing companies shall continue with their existing memorandum of association as being deemed part of the articles of association and the object stated at serial number 1 of the object clause shall be treated as ~~the principal line~~ substantially operating sector of business;

~~(ii) if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from the commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and~~

(iii) the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention the businesses as required under the respective law;

(d) an undertaking as may be specified;

(e) that the liability of the members is limited; ~~and~~
(f) such amount as may be required, not exceeding a specified amount that each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year afterwards for payment of the debts and liabilities of the company contracted before he ceases to be a member and of the costs, charges and expenses of winding up and for adjustment of rights of the contributories among themselves;
(g) Articles of association of a company limited by Guarantee, not having share capital, may adopt all or any of the regulations contained in Table C in the First Schedule to this Act; and
(h) Articles of association of a company limited by Guarantee, having share capital, may adopt all or any of the regulations contained in Table D in the First Schedule to this Act.

(2) If the company has a share capital, the articles ~~memorandum~~ shall also state the amount of share capital with which the company proposes to be registered and the division thereof into shares of a fixed amount and the number of shares taken by each subscriber.

Rationale

Consequential amendments to omit concept of memorandum. Rationale as provided in Section 27 above. (Ease of doing business)

21. Section 29. Memorandum of unlimited company

Existing Provision

29. Memorandum of unlimited company.—In the case of an unlimited company the memorandum shall state—

(a) the name of the company with the word "Unlimited" as last words of its name;

(b) the Province or the part of Pakistan not forming part of a Province, as the case may be, in which registered office of the company is to be situate;

(c) principal line of business:

Provided that—

(i) the existing companies shall continue with their existing memorandum of association and the object stated at serial number 1 of the object clause shall be treated as the principal line of business;

(ii) if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from the commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and

(iii) the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention the businesses as required under the respective law; and

(d) an undertaking as may be specified;

(e) that the liability of the members is unlimited.

(2) If the company has a share capital, the memorandum shall also state the amount of share capital with which the company proposes to be registered and the number of shares taken by each subscriber.

Proposed Amendment

Source: BoI's Regulatory reform Package 01

Objective: Ease of doing business

29. Articles ~~Memorandum~~ of unlimited company.—In the case of an unlimited company the ~~memorandum~~ article shall state—

(a) the name of the company with the word "Unlimited" as last words of its name;

(b) ~~the Province or the part of Pakistan not forming part of a Province, as the case may be, in which registered office of the company is to be situate;~~

(c) ~~principal line of business~~ sector in which company is substantially operating:

Provided that—

(i) the existing companies shall continue with their existing articles ~~memorandum~~ of association and the object stated at serial number 1 of the object clause shall be treated as the ~~principal line~~ substantially operating sector of business; and

(ii) ~~if the object stated at serial number 1 of the object clause is not the principal line of business of the company, it shall be required to intimate to the registrar their principal line of business within such time from the commencement of this Act and in the form as may be specified. A revised copy of the memorandum of association indicating therein its principal business at serial number 1 of the object clause shall also be furnished to the registrar; and~~

(iii) the existing companies or the companies to be formed to carry on or engage in any business which is subject to a licence or registration, permission or approval shall mention the businesses as required under the respective law; and

(d) an undertaking as may be specified;

(e) that the liability of the members is unlimited.

(f) Articles of association of a unlimited company may adopt all or any of the regulations contained in Table D in the First Schedule to this Act.

(2) If the company has a share capital, the articles ~~memorandum~~ shall also state the amount of share capital with which the company proposes to be registered and the number of shares taken by each subscriber.

Rationale

Consequential amendments to omit concept of memorandum. Rationale as provided in Section 27 above. (Ease of doing business)

22. Section 30. Borrowing powers to be part of the Memorandum

Existing Provision

30. Borrowing powers to be part of memorandum.—Notwithstanding anything contained in this Act or in any other law for the time being in force or the memorandum and articles, the memorandum and articles of a company shall be deemed to include and always to have included the power to enter into any arrangement for obtaining loans, advances, finances or credit, as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and to issue other securities not based on interest for raising resources from a scheduled bank, a financial institution or general public.

Proposed Amendment

Source: BoI's Regulatory reform Package 01 & listed companies

Objective: Ease of doing business

30. Borrowing powers to be part of articles ~~memorandum~~.—Notwithstanding anything contained in this Act or in any other law for the time being in force or the ~~memorandum and~~ articles, the ~~memorandum and~~ articles of a company shall be deemed to include and always to have included

the power to enter into any arrangement for obtaining loans, advances, finances or credit, as defined in the Banking Companies Ordinance, 1962 (LVII of 1962) and to issue other securities not based on interest for raising resources from a scheduled bank, a financial institution or general public.

Rationale

Consequential changes of elimination of memorandum of association.

23. Section 31. Memorandum to be printed, signed and dated

Existing Provision

31. Memorandum to be printed, signed and dated.—The memorandum shall be—

(a) printed in the manner generally acceptable;

(b) divided into paragraphs numbered consecutively;

(c) signed by each subscriber, who shall add his present name in full, his occupation, nationality, usual residential address and such other particulars as may be specified, in the presence of a witness who shall attest the signature and shall likewise add his particulars; and

(d) dated.

Proposed Amendment

Source: BoI's Regulatory reform Package 01

Objective: Ease of doing business

~~**31. Memorandum to be printed, signed and dated.—**The memorandum shall be—~~

~~(a) printed in the manner generally acceptable;~~

~~(b) divided into paragraphs numbered consecutively;~~

~~(c) signed by each subscriber, who shall add his present name in full, his occupation, nationality, usual residential address and such other particulars as may be specified, in the presence of a witness who shall attest the signature and shall likewise add his particulars; and~~

~~(d) dated.~~

Rationale

Concept of memorandum is being eliminated. Rationale as provided in Section 27.

Consequential change will be made in all provisions pertaining to memorandum of association. (Ease of doing business)

24. Section 32. Alteration of memorandum

Existing Provision

32. Alteration of memorandum.—(1) Subject to the provisions of this Act, a company may by special resolution alter the provisions of its memorandum so as to—

(a) change the place of its registered office from.—
(i) one Province to another Province or Islamabad Capital Territory and *vice versa*; or
(ii) one Province or Islamabad Capital Territory to a part of Pakistan not forming part of a Province and vice versa; or
(b) change its principal line of business; or

(c) adopt any business activity or any change therein which is subject to licence, registration, permission or approval under any law.

(2) The alteration shall not take effect until and except in so far as it is confirmed by the Commission on petition:
Provided that an alteration so as to change its principal line of business shall not require confirmation by the Commission.
(3) A copy of the order confirming the alteration duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.
(4) A copy of the memorandum of association as altered pursuant to the order under this section shall within thirty days from the date of the order be filed by the company with the registrar, who shall register the same and issue a certificate which shall be conclusive evidence that all the requirements of this Act with respect to the alteration and the confirmation thereof have been complied with and thenceforth the memorandum so filed shall be the memorandum of the company:
Provided that the Commission may by order, at any time on an application by the company, on sufficient cause shown extend the time for the filing of memorandum with the registrar under this section for such period as it thinks proper.
(5) Where the alteration involves a transfer of registered office from the jurisdiction of one company registration office to another, physical record of the company shall be transferred to the registrar concerned of the company registration office in whose jurisdiction the registered office of the company has been shifted.
(6) Where the alteration involves change in principal line of business, the company shall file the amended memorandum of association with the registrar within thirty days, which shall be recorded for the purposes of this Act.

Proposed Amendment

Source: BoI's Regulatory reform Package 01

Objective: Ease of doing business

~~**32. Alteration of memorandum. —**(1) Subject to the provisions of this Act, a company may by special resolution alter the provisions of its memorandum so as to—~~

~~(a) change the place of its registered office from. —~~
~~(i) one Province to another Province or Islamabad Capital Territory and *vice versa*; or~~
~~(ii) one Province or Islamabad Capital Territory to a part of Pakistan not forming part of a Province and vice versa; or~~
~~(b) change its principal line of business; or~~

~~(c) adopt any business activity or any change therein which is subject to licence, registration, permission or approval under any law.~~

~~(2) The alteration shall not take effect until and except in so far as it is confirmed by the Commission on petition:~~
~~Provided that an alteration so as to change its principal line of business shall not require confirmation by the Commission.~~
~~(3) A copy of the order confirming the alteration duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.~~
~~(4) A copy of the memorandum of association as altered pursuant to the order under this section shall within thirty days from the date of the order be filed by the company with the registrar, who shall register the same and issue a certificate which shall be conclusive evidence that all the requirements of this Act with respect to the alteration and the confirmation thereof have been complied with and thenceforth the memorandum so filed shall be the memorandum of the company:~~
~~Provided that the Commission may by order, at any time on an application by the company, on sufficient cause shown extend the time for the filing of memorandum with the registrar under this section for such period as it thinks proper.~~
~~(5) Where the alteration involves a transfer of registered office from the jurisdiction of one company registration office to another, physical record of the company shall be transferred to the registrar concerned of the company registration office in whose jurisdiction the registered office of the company has been shifted.~~
~~(6) Where the alteration involves change in principal line of business, the company shall file the amended memorandum of association with the registrar within thirty days, which shall be recorded for the purposes of this Act.~~

Rationale

Concept of memorandum is being eliminated. Rationale as provided in S. No. 27. (ease of doing business)

25. Section 33. Powers of Commission when confirming alteration

Existing Provision

33. Powers of Commission when confirming alteration. —The Commission may make an order confirming the alteration on such terms and conditions as it thinks fit and make such order as to costs as it thinks proper.

Proposed Amendment

Source: BoI's Regulatory reform Package 01
Objective: Ease of doing business

~~**33. Powers of Commission when confirming alteration. —**The Commission may make an order confirming the alteration on such terms and conditions as it thinks fit and make such order as to costs as it thinks proper.~~

Rationale

Since the concept of memorandum /alteration of memorandum is being eliminated, consequently section pertains to confirmation of alteration of memorandum is also proposed to be deleted. (ease of doing business)

26. Section 34. Exercise of discretion by Commission

Existing Provision

34. Exercise of discretion by Commission.—The Commission shall in exercising its discretion under sections 32 and 33 have regard to the rights and interests of the members of the company or of any class of them, as well as to the rights and interests of the creditors and may, if it thinks fit, give such directions and make such orders as it may think expedient for facilitating or carrying into effect any such arrangement.

Proposed Amendment

Source: BoI's Regulatory reform Package 01

Objective: Ease of doing business

~~**34. Exercise of discretion by Commission. —**The Commission shall in exercising its discretion under sections 32 and 33 have regard to the rights and interests of the members of the company or of any class of them, as well as to the rights and interests of the creditors and may, if it thinks fit, give such directions and make such orders as it may think expedient for facilitating or carrying into effect any such arrangement.~~

Rationale

Deletion is consequential to the elimination of memorandum of association. (ease of doing business)

27. Section 35. Effect of alteration in memorandum or articles

Existing Provision

35. Effect of alteration in memorandum or articles.—Not withstanding anything contained in the memorandum or articles of a company, no member of the company shall be bound by an alteration made in the memorandum or articles after the date on which he became a member if and so far as the alteration requires him to take or subscribe for more shares than the number held by him at the date on which the alteration is made or in any way increases his liability as at that date to contribute to the share capital of or otherwise to pay money to the company:

Provided that this section shall not apply in any case where the member agrees in writing either before or after the alteration is made to be bound thereby.

Proposed Amendment

Source: BoI's Regulatory reform Package for listed companies

Objective: Ease of doing business

35. Effect of alteration in ~~memorandum or~~ articles.—Not withstanding anything contained in the ~~memorandum or~~ articles of a company, no member of the company shall be bound by an alteration made in the ~~memorandum or~~ articles after the date on which he became a member if and so far as the alteration requires him to take or subscribe for more shares than the number held by him at the date on which the alteration is made or in any way increases his liability as at that date to contribute to the share capital of or otherwise to pay money to the company:

Provided that this section shall not apply in any case where the member agrees in writing either before or after the alteration is made to be bound thereby.

Rationale

Amendment is consequential to the elimination of memorandum of association. (ease of doing business)

28. Section 37. Articles to be printed, signed and dated

Existing Provision

37. Articles to be printed, signed and dated.—The articles shall be—

(a) printed in the manner generally acceptable;

(b) divided into paragraphs numbered consecutively;

(c) signed by each subscriber, who shall add his present name in full, his occupation10[, nationality,] usual residential address and such other particulars as may be specified, in the presence of a witness who shall attest the signature and shall likewise add his particulars; and

(d) dated.

Proposed Amendment

Source: BoI's Regulatory reform Package 01
Objective: Digitization

37. Articles to be printed, signed and dated.—The articles shall be—
(a) printed in the manner generally acceptable;

(b) divided into paragraphs numbered consecutively;

(c) digitally or physically signed by each subscriber, who shall add his present name in full, his occupation, nationality, usual residential address and such other particulars as may be specified, ~~in the presence of a witness who shall attest the signature and shall likewise add his particulars~~.

Provided that in case of physical filing, the signatures and particulars of the subscriber (s) shall be attested by witness; and

(d) dated.

Rationale

The amendment streamlines and modernizes the process of executing the Articles of Association by expressly recognizing both digital and physical signatures. This ensures legal validity of electronically filed incorporation documents in line with e-governance initiatives and SECP's online filing systems.
The addition of the proviso clarifies the attestation/witness requirement only for physically filed documents, thereby removing unnecessary procedural burdens in digital filings while maintaining authenticity and verification standards for manual submissions.
Overall, the amendment promotes procedural efficiency, legal clarity, and ease of doing business through alignment with contemporary electronic filing practices. (digitization)

29. Section 38. Alteration of articles
Existing Provision

38. Alteration of articles(1) Subject to the provisions of this Act and to the conditions contained in its memorandum, a company may, by special resolution, alter its articles and any alteration so made shall be as valid as if originally contained in the articles and be subject in like manner to alteration by special resolution:

Provided that, where such alteration affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least three-fourths of the members or of the class of members affected by such alteration, as the case may be, exercise the option through vote personally or through proxy vote for such alteration.

(2) A copy of the articles of association as altered shall, within thirty days from the date of passing of the resolution, be filed by the company with the registrar and he shall register the same and thenceforth the articles so filed shall be the articles of the company.

Proposed Amendment

Source: SECP
Objective: Regulatory oversight/Corporate Governance
38. Alteration of articles.—

(1) Subject to the provisions of this Act and to the conditions contained in its ~~memorandum~~articles, a company may, by special resolution, alter its articles and any alteration so made shall be as valid as if originally contained in the articles and be subject in like manner to alteration by special resolution:

Provided that, where such alteration affects the substantive rights or liabilities of members or of a class of members, it shall be carried out only if a majority of at least three-fourths of the present members or of the class of members affected by such alteration, as the case may be, exercise the option through vote personally or through proxy vote for such alteration.

Provided further that any change in articles pertaining to any business activity which is subject to licence, registration, permission or approval under any law, shall be subject to approval of the Commission.

(2) A copy of the articles of association as altered shall, within thirty days from the date of passing of the resolution, be filed by the company with the registrar and he shall register the same and thenceforth the articles so filed shall be the articles of the company.

(3) Where an alteration is made in the articles of association of a company, every copy of the articles of association issued after the date of the alteration shall conform to the articles as so altered.

(4) If, where any such alteration has been made, the company at any time after the date of the alteration issues any copies of the articles of association which do not conform to the articles of association as so altered, it shall be liable to a penalty not exceeding of level 1 on the standard scale for each copy so issued and every officer of the company who is in default shall be liable to the like penalty.

Rationale

The insertion of the word **"present"** clarifies that the required three-fourths majority for approving an alteration affecting the substantive rights or liabilities of members must be computed based on members actually present and voting at the meeting, rather than the total membership. This ensures procedural clarity and aligns with standard corporate governance practice, where voting thresholds for special resolutions are determined by those present in person or by proxy and exercising their right to vote.

Since section 40 is proposed to be deleted. Hence, to prevent circulation of outdated documents that may mislead stakeholders or cause compliance disputes, same has been inserted in this section.

30. Section40. Alteration of memorandum or articles to be noted in every copy

Existing Provision

40. Alteration of memorandum or articles to be noted in every copy.—(1) Where an alteration is made in the memorandum or articles of a company, every copy of the memorandum or articles issued after the date of the alteration shall conform to the memorandum or articles as so altered.
(2) If, where any such alteration has been made, the company at any time after the date of the alteration issues any copies of the memorandum or articles which do not conform to the memorandum or articles as so altered it shall be liable to a penalty not exceeding of level 1on the standard scale for each copy so issued and every officer of the company who is in default shall be liable to the like penalty.

Proposed Amendment

Source: BoI's regulatory reform package 01

Objective: Ease of doing business

~~**40. Alteration of memorandum or articles to be noted in every copy.—**~~
~~(1) Where an alteration is made in the memorandum or articles of a company, every copy of the memorandum or articles issued after the date of the alteration shall conform to the memorandum or articles as so altered.~~
~~(2) If, where any such alteration has been made, the company at any time after the date of the alteration issues any copies of the memorandum or articles which do not conform to the memorandum or articles as so altered it shall be liable to a penalty not exceeding of level 1on the standard scale for each copy so issued and every officer of the company who is in default shall be liable to the like penalty.~~

Rationale

It has been included in sec 38 (alteration in articles of association).(Regulatory oversight)

31. Section 42: Licencing of associations with charitable and not for profit objects

Existing Provision

42. Licencing of associations with charitable and not for profit objects.—(1) Where it is proved to the satisfaction of the Commission that an association is to be formed as a limited company—

(a) for promoting commerce, art, science, religion, health, education, research, sports, protection of environment, social welfare, charity or any other useful object;

(b) such company— (i) intends to apply the company's profits and other income in promoting its objects; and (ii) prohibits the payment of dividends to the company's members; and

(c) such company's objects and activities are not and shall not, at any time, be against the laws, public order, security, sovereignty and national interests of Pakistan, the Commission may, by licence for a period to be specified, permit the association to be registered as a public limited company, without addition of the word "Limited" or the expression "(Guarantee) Limited", to its name.

(2) A licence under sub-section (1) may be granted on such conditions and subject to such regulations as the Commission thinks fit and those conditions shall be inserted in and deemed part of the memorandum and articles, or in one of those documents.

(3) Memorandum and articles of association of a company, licenced under this section, shall be in accordance with the form set out in Table F in the First Schedule or as near thereto as circumstances admit and approved by the Commission.

(4) The association on registration under this section shall enjoy all the privileges and be subject to all the obligations of a limited company.

(5) The Commission may at any time by order in writing, revoke a licence granted under sub-section (1), with such directions as it may deem fit, on being satisfied that—

(a) the company or its management has failed to comply with any of the terms or conditions subject to which a licence is granted; or

(b) any of the requirements specified in sub-section (1) or any regulations made under this section are not met or complied with; or

(c) affairs of the company are conducted in a manner prejudicial to public interest; or

(d) the company has made a default in filing with the registrar its financial statements or annual returns for immediately preceding two consecutive financial years; or

(e) the company has acted against the interest, sovereignty and integrity of Pakistan, the security of the State and friendly relations with foreign States; or

(f) the number of members is reduced, below three; or

(g) the company is—

(i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or

(ii) run and managed by persons who fail to maintain proper and true accounts or they commit fraud, misfeasance or malfeasance in relation to the company; or

(iii) run and managed by persons who are involved in terrorist financing or money laundering; or

(iv) managed by persons who refuse to act according to the requirements of the memorandum or articles or the provisions of this Act or failed to carry out the directions or decisions of the Commission or the registrar given in exercise of the powers conferred by this Act; or

(v) not carrying on its business or is not in operation for one year; or

(h) it is just and equitable that the licence should be revoked: Provided that before a licence is so revoked, the Commission shall give to the company a notice, in writing of its intention to do so, and shall afford the company an opportunity to be heard.

(6) Notwithstanding anything contained in this Act or any other law, no association shall be registered as a company with the objects as mentioned in clause (a) and the conditions provided in clause (b) of sub-section (1) without a licence granted in pursuance of this section.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

42. Licencing of associations with charitable and not for profit objects.—(1) Where it is proved to the satisfaction of the Commission that an association is to be formed as a limited company—

(a) for promoting commerce, art, science, religion, health, education, research, sports, protection of environment, social welfare, charity or any other useful object;

(b) such company— (i) intends to apply the company's profits and other income in promoting its objects; and (ii) prohibits the payment of dividends to the company's members; and

(c) such company's objects and activities are not and shall not, at any time, be against the laws, public order, security, sovereignty and national interests of Pakistan, the Commission may, by licence for a period to be specified, permit the association to be registered as a public limited company, without addition of the word "Limited" or the expression "(Guarantee) Limited", to its name.

(2) A licence under sub-section (1) may be granted on such conditions and subject to such regulations as the Commission thinks fit and those conditions shall be inserted in and deemed part of the memorandum and articles, or in one of those documents.

(3) Memorandum and articles of association of a company, licenced under this section, shall be in accordance with the form set out in Table F in the First Schedule or as near thereto as circumstances admit and approved by the Commission.

(4) The association on registration under this section shall enjoy all the privileges and be subject to all the obligations of a limited company.

(5) The Commission may at any time by order in writing, revoke a licence granted under sub-section (1), with such directions as it may deem fit, on being satisfied that—

(a) the company or its management has failed to comply with any of the terms or conditions subject to which a licence is granted; or

(b) any of the requirements specified in sub-section (1) or any regulations made under this section are not met or complied with; or

(c) affairs of the company are conducted in a manner prejudicial to public interest; or

(d) the company has made a default in filing with the registrar its financial statements or annual returns for immediately preceding two consecutive financial years; or

(e) the company has acted against the interest, sovereignty and integrity of Pakistan, the security of the State and friendly relations with foreign States; or

(f) the number of members is reduced, below three; or

(g) the company is—

(i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or

(ii) run and managed by persons who fail to maintain proper and true accounts or they commit fraud, misfeasance or malfeasance in relation to the company; or

(iii) run and managed by persons who are involved in terrorist financing or money laundering; or

(iv) managed by persons who refuse to act according to the requirements of the memorandum or articles or the provisions of this Act or failed to carry out the directions or decisions of the Commission or the registrar given in exercise of the powers conferred by this Act; or

(v) not carrying on its business or is not in operation for one year; or

(h) it is just and equitable that the licence should be revoked: Provided that before a licence is so revoked, the Commission shall give to the company a notice, in writing of its intention to do so, and shall afford the company an opportunity to be heard.

(5A) Notwithstanding anything contained in this Act or any other law for the time being in force, the Commission may, permit a Waqf Management company to be licensed as a not-for-profit company in such form and manner and subject to such fee as may be specified. Moreover,

(i) The Waqaf management Company shall manage and administer Waqf assets in accordance with Shariah principles and the objectives of the Waqf as declared by the Waqif at the time of its creation under their respective laws for the time being in force.

(ii) Waqf management company shall perform its functions and operation subject to such terms and conditions as may be specified, including but not limited to,-

(a) the objectives of the Waqf, once declared and incorporated through the Waqf deed, shall be subject to Shariah principles and rules, and it shall be immutable and shall not be amended, altered, or replaced in any manner;

(b) the corpus of the Waqf (Asal-e-Waqf) shall be clearly identified, preserved and protected in perpetuity, and shall not be subject to sale, pledge, mortgage, encumbrance, or be used as security for any purpose whatsoever, except where expressly permitted for a specified term by the Commission subject to Shariah principles and rules, and objectives of the Waqf;

(c) the Waqf management company shall comply with such Shariah standards and principles as may be notified by the Commission, in all its operations, investments, financing, financial dealings, marketing, etc.;

(d) the governance, administration, accounting and financial reporting of the Waqf management company shall be conducted in accordance with the provisions of this Act, and such other requirements or conditions or limitations as may be specified subject to Shariah principles and rules in relation to Waqf; and

(e) such other conditions as may be specified.

(iii) The Commission shall, have all the power to monitor, examine, inspect, and enforce compliance of Waqf management companies under this Act and any regulations made thereunder, including the appointment of directors, Shariah supervisory board and submission of periodic report by the Shariah supervisory board and the Shariah auditors.

(iv) Where the Commission is satisfied that it is necessary and expedient so to do –

(a) in the public interest; or

(b) to prevent the affairs of any Waqf management company being conducted in a manner detrimental to or in violation of Shariah principles or rules; or

(c) to secure the proper management of any Waqf management company to do or desist from doing such acts as the Commission may deem fit and to carry out such changes as are necessary to rectify the situation and the Waqf management company shall be bound to comply with such directions:

Provided that the Commission may, on representation made to it or on its own motion, modify or cancel any direction issued under this section and in so modifying or cancelling any direction may impose such conditions as it thinks fit.

(v) Any contravention of the provisions of this section, the terms and conditions notified by the Commission, or regulations or directive made or issued thereunder, shall render the company, its directors and its responsible officers shall be liable to a penalty of level 2 on the standard scale.

(vi) Provided that all provisions of the Act, as are applicable to a company licensed under section 42 having not-for-profit objects, shall, mutatis mutandis, apply to a Waqf Management Company licensed under this section unless otherwise expressly provided.

(6) Notwithstanding anything contained in this Act or any other law, no association shall be registered as a company with the objects as mentioned in clause (a) and the conditions provided in clause (b) of sub-section (1) without a licence granted in pursuance of this section.

Rationale

The insertion of sub-Section (5A) seeks to establish a clear legal framework for licensing of Waqf Management Companies under the Companies Act, 2017, enabling the structured and Shariah-compliant management of Waqf assets through not-for-profit corporate entities. The provision ensures that such companies operate with proper governance, transparency, and accountability under SECP oversight while preserving the sanctity and perpetuity of Waqf assets in accordance with Islamic principles. It aims to modernize Waqf administration by aligning it with contemporary corporate and financial standards, thereby strengthening public confidence and ensuring effective utilization of Waqf resources for social and charitable objectives.

32. Section 43. Effect of revocation of licence

Existing Provision

43. Effect of revocation of licence.— (1) On revocation of licence of a company under section 42, by the Commission—

(a) the company shall stop all its activities except the recovery of money owed to it, if any;
(b) the company shall not solicit or receive donations from any source; and
(c) all the assets of the company after satisfaction of all debts and liabilities shall, in the manner as may be specified, be transferred to another company licenced under section 42, preferably having similar or identical objects to those of the company, within ninety days from the revocation of the licence or such extended period as may be allowed by the Commission:

Provided that a reasonable amount to meet the expenses of voluntary winding up or making an application to the registrar for striking the name of the company off the register in terms of sub-section (3), may be retained by the company.

(2) After compliance of the requirements mentioned in sub-section (1), the board of the company shall file within fifteen days from the date of such compliance, a report to the registrar containing such information and supported with such documents as may be specified.

(3) Within thirty days of acceptance of the report by the registrar, submitted by the company under sub-section (2), the board shall initiate necessary proceedings for winding up of the company voluntarily or where it has no assets and liabilities make an application to the registrar for striking the name of the company off the register.

(4) If the company fails to comply with any of the requirements of this section within the period specified or such extended period as may be allowed by the Commission, the Commission may, without prejudice to any other action under the law, appoint an

administrator to manage affairs of the company subject to such terms and conditions as may be specified in the order and initiate necessary proceedings for winding up of the company.

(5) The provisions of section 291, except those of sub-section (1) thereof, shall apply *mutatis mutandis* to the administrator appointed under this section.

(6) Where any assets of the company are transferred, in consequence of revocation of licence, to another company licenced under section 42, the members and officers of the first mentioned company or any of their family members shall not be eligible to hold any office in the later company for a period of five years from the date of transfer of such assets.

(7) Where the licence of a company has been revoked before the commencement of this Act and such company is not in the process of winding up, this section shall apply as if the licence was revoked immediately after the commencement of this Act.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

43. Effect of revocation of licence.— (1) On revocation of licence of a company under section 42, by the Commission—

(a) the company shall stop all its activities except the recovery of money owed to it, if any;

(b) the company shall not solicit or receive donations from any source; and

(c) all the assets of the company after satisfaction of all debts and liabilities shall, in the manner as may be specified, be transferred to another company licenced under section 42, preferably having similar or identical objects to those of the company, within ~~ninety days~~ one year from the revocation of the licence or such extended period as may be allowed by the Commission:

Provided that a reasonable amount to meet the expenses of voluntary winding up or making an application to the registrar for striking the name of the company off the register in terms of sub-section (3), may be retained by the company.

(d) section 42 public sector company, directly or indirectly wholly owned by Government, may be merged into another public sector for-profit company, directly or indirectly wholly owned by Government, or its assets can be transferred to another public sector for-profit company, directly or indirectly wholly owned by Government, provided that the transferor company has obtained funds or donations or seed money or capital only from the Government.

Provided that section 42 company may be merged into another section 42 company, preferably having similar or identical objects subject to the provisions contained in section 284 of the Act.

(2) After compliance of the requirements mentioned in sub-section (1), the board of the company shall file within fifteen days from the date of such compliance, a report to the registrar containing such information and supported with such documents as may be specified.

(3) Within thirty days of acceptance of the report by the registrar, submitted by the company under sub-section (2), the board shall initiate necessary proceedings for winding up of the company voluntarily or where it has no assets and liabilities make an application to the registrar for striking the name of the company off the register.

(4) If the company fails to comply with any of the requirements of this section within the period specified or such extended period as may be allowed by the Commission, the Commission may, without prejudice to any other action under the law, appoint an administrator to manage affairs of the company subject to such terms and conditions as may be specified in the order and initiate necessary proceedings for winding up of the company.

(5) The provisions of section 291, except those of sub-section (1) and (1A) thereof, shall apply *mutatis mutandis* to the administrator appointed under this section.

(6) Where any assets of the company are transferred, in consequence of revocation of licence, to another company licenced under section 42, the members and officers of the first mentioned company or any of their family members shall not be eligible to hold any office in the later company for a period of five years from the date of transfer of such assets.

(7) Where the licence of a company has been revoked before the commencement of this Act and such company is not in the process of winding up, this section shall apply as if the licence was revoked immediately after the commencement of this Act.

Rationale

43(1)(c): It was noted that the existing revocation process is not smooth and companies take additional time which is for more from more than 90 days to complete the process. The existing ninety (90) day period for transfer of assets after revocation of a license is therefore insufficient, as the process must be completed with settlement of all debts and liabilities, which requires additional time. To ensure proper compliance and orderly completion, it is proposed to extend this period from ninety (90) days to one (01) year.

43(1)(d): In order to smoothen the revocation process of Section 42 public sector companies, the proposed amendment is suggested.

33. Section 47. Conversion of status of private company into a single-member company and vice-versa

Existing Provision

47. Conversion of status of private company into a single-member company and vice-versa.—(1) A private company may be converted into a single-member company with prior approval of the Commission in writing by passing a special resolution in this behalf by the private company amending its memorandum and articles of association, in such a manner that they include the provisions relating to a single-member company in the articles and complying with all the requirements as may be specified.

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.

(3) A copy of the order, confirming the conversion under sub-section (2), duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.

(4) A copy of the memorandum and articles of association as altered pursuant to the order under sub- section (2) shall, within fifteen days from the date of the order, be filed by the company with the registrar and he shall register the same and thenceforth the memorandum and articles so filed shall be the memorandum and articles of the newly converted company.

(5) If a company, being a single member company, alters its articles in such a manner that they no longer include the provisions which are required to be included in the articles of a company in order to constitute it a single member company, the company shall—
(a) as on the date of the alteration, cease to be a single member company; and

(b) file with the registrar a copy of the memorandum and articles of association as altered along with the special resolution.

(6) If default is made in complying with the provisions of any of the preceding sub-sections, the company, and every officer of the company who is in default, shall be liable to a penalty not exceeding of level 2 on the standard scale.

Proposed Amendment

Source: BoI's regulatory reform Package 01

Objective: Ease of Doing business

47. Conversion of status of private company into a single-member company and vice-versa.—(1) A private company may be converted into a single-member company with prior approval of the Commission in writing by passing a special resolution in this behalf by the private company amending its ~~memorandum and~~ articles of association, in such a manner that they include the provisions relating to a single-member company in the articles and complying with all the requirements as may be specified.
(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.

Provided that this sub-section will not apply to a private company, not being public interest company and subsidiary of listed company.

(3) A copy of the order, confirming the conversion under sub-section (2), duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.
(4) A copy of the ~~memorandum and~~ articles of association as altered pursuant to the order under sub- section (2) shall, within fifteen days from the date of the order, be filed by the company with the registrar and he shall register the same and thenceforth the ~~memorandum and~~ articles so filed shall be the ~~memorandum and~~ articles of the newly converted company.
(5) If a company, being a single member company, alters its articles in such a manner that they no longer include the provisions which are required to be included in the articles of a company in order to constitute it a single member company, the company shall—
(a) as on the date of the alteration, cease to be a single member company; and

(b) file with the registrar a copy of the ~~memorandum and~~ articles of association as altered along with the special resolution.

(6) If default is made in complying with the provisions of any of the preceding sub-sections, the company, and every officer of the company who is in default, shall be liable to a penalty not exceeding of level 2 on the standard scale.

Rationale

The proviso has been inserted to exempt private companies (that are not public interest company and subsidiary of listed company) from seeking the Commission's approval for conversion into or from a single-member company. This change aims to rationalize regulatory oversight by focusing the Commission's approval mechanism on entities of systemic or public significance, while allowing smaller, closely held private companies to undertake such conversions through a simplified procedure. The amendment aligns with the principles of proportional regulation and ease of doing business. Consequential amendments to omit memorandum of association.

34. Section 48. Conversion of status of unlimited company as limited company and vice-versa

Existing Provision

48. Conversion of status of unlimited company as limited company and vice-versa.—(1) An unlimited company may be converted into a limited company with prior approval of the Commission in writing by passing a special resolution in this behalf by the unlimited company amending its memorandum and articles of association in such a manner that they include the provisions relating to a company limited by shares in the articles and complying with all the requirements as may be specified. (a) as on the date of the alteration, cease to be a limited company; and

(b) file with the registrar a copy of the memorandum and articles of association as altered along with the special resolution.

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.

(3) A copy of the order, confirming the conversion under sub-section (2) duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.

(4) If a company, being a limited company, alters its memorandum and articles in such a manner that they include the provisions which constitute it as a company having unlimited liability of its members, the company shall—

(5) If default is made in complying with the provisions of any of the preceding sub-sections, the company and every officer of the company who is in default shall be liable to a penalty not exceeding of level 2 on the standard scale.

Proposed Amendment

Source: BoI's regulatory reform Package 01

Objective: Ease of Doing business

48. Conversion of status of unlimited company as limited company and vice-versa.—(1) An unlimited company may be converted into a limited company with prior approval of the Commission in writing by passing a special resolution in this behalf by the unlimited company amending its ~~memorandum and~~ articles of association in such a manner that they include the provisions relating to a company limited by shares in the articles and complying with all the requirements as may be specified. (a) as on the date of the alteration, cease to be a limited company; and
(b) file with the registrar a copy of the ~~memorandum and~~ articles of association as altered along with the special resolution.

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.

Provided that this sub-section shall not apply to a single member company and private company, not being public interest company and subsidiary of listed company.

(3) A copy of the order, confirming the conversion under sub-section (2) duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.

(4) If a company, being a limited company, alters its ~~memorandum and~~ articles in such a manner that they include the provisions which constitute it as a company having unlimited liability of its members, the company shall—
(5) If default is made in complying with the provisions of any of the preceding sub-sections, the company and every officer of the company who is in default shall be liable to a penalty not exceeding of level 2 on the standard scale.

Rationale

The proviso under sub-section (2) has been inserted to exempt single-member companies and private companies (not being public interest companies and subsidiary of listed company) from the requirement of obtaining prior approval of the Commission for conversion of status between unlimited and limited company. The rationale for this amendment is to streamline the conversion process for smaller, closely held entities that have limited public interface and lower systemic risk. Removing the requirement of Commission approval for such companies reduces regulatory burden and facilitates ease of doing business, while retaining oversight for public interest companies where broader stakeholder and public funds are involved. Consequential amendments to omit memorandum of association.

35. Section 49. Conversion of a company limited by guarantee to a company limited by shares and vice-versa

Existing Provision

49. Conversion of a company limited by guarantee to a company limited by shares and vice-versa.—(1) A company limited by guarantee may be converted into a company limited by shares with prior approval of the Commission in writing by passing a special resolution in this behalf by the company limited by guarantee amending its memorandum and articles of association in such a manner that they include the provisions relating to a company limited by shares in the articles and complying with all the requirements as may be specified. (a) as on the date of the alteration, cease to be a company limited by shares; and

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.
(3) A copy of the order, confirming the conversion under sub-section (2) duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.
(4) A copy of the memorandum and articles of association as altered pursuant to the order under sub-section (2) shall within fifteen days from the date of the order be filed by the company with the registrar and he shall register the same and thenceforth the memorandum and articles so filed shall be the memorandum and articles of the newly converted company.
(5) If a company, being limited by shares, alters its memorandum and articles in such a manner that they include the provisions which constitute it a company limited by guarantee, the company shall—
(b) file with the registrar a copy of the memorandum and articles of association as altered along with the special resolution.

(6) If default is made in complying with the provisions of any of the preceding sub-sections, the company and every officer of the company who is in default shall be liable to a penalty not exceeding of level 2 on the standard scale.

Proposed Amendment

Source: BoI's regulatory reform Package 01
Objective: Ease of Doing business

49. Conversion of a company limited by guarantee to a company limited by shares and vice-versa.—(1) A company limited by guarantee may be converted into a company limited by shares with prior approval of the Commission in writing by passing a special resolution in this behalf by the company limited by guarantee amending its ~~memorandum and~~ articles of association in such a manner that they include the provisions relating to a company limited by shares in the articles and complying with all the requirements as may be specified. (a) as on the date of the alteration, cease to be a company limited by shares; and

(2) On an application for change in status of a company under sub-section (1), if the Commission is satisfied that the company is entitled to be so converted, such conversion shall be allowed by an order in writing.
(3) A copy of the order, confirming the conversion under sub-section (2) duly certified by an authorised officer of the Commission shall be forwarded to the company and to the registrar within seven days from the date of the order.
(4) A copy of the ~~memorandum and~~ articles of association as altered pursuant to the order under sub-section (2) shall within fifteen days from the date of the order be filed by the company with the registrar and he shall register the same and thenceforth the ~~memorandum and~~ articles so filed shall be the ~~memorandum and~~ articles of the newly converted company.
(5) If a company, being limited by shares, alters its ~~memorandum and~~ articles in such a manner that they include the provisions which constitute it a company limited by guarantee, the company shall—
(b) file with the registrar a copy of the ~~memorandum and~~ articles of association as altered along with the special resolution.

(6) If default is made in complying with the provisions of any of the preceding sub-sections, the company and every officer of the company who is in default shall be liable to a penalty not exceeding of level 2 on the standard scale.

Rationale

Consequential amendments to omit memorandum of association.

36. Section 50. Issue of certificate and effects of conversion
Existing Provision

50. Issue of certificate and effects of conversion.—(1) The registrar upon registration of the memorandum and articles of association as altered by the company upon conversion under sections 46 to 49, shall issue a certificate to that effect.

(2) The conversion of status of a company under sections 46 to 49 shall not affect—
(a) any debts, liabilities, obligations or contracts incurred or entered into, by or on behalf of the company before conversion and such debts, liabilities, obligations and contracts may be enforced in the manner as if such registration had not been done; and

(b) any rights or obligations of the company or render defective any legal proceedings by or against the company and any legal proceedings that might have been continued or commenced against the company before conversion may be continued or commenced upon its conversion.

Proposed Amendment

Source: BoI's regulatory reform Package 01
Objective: Ease of Doing business

50. Issue of certificate and effects of conversion.—(1) The registrar upon registration of the ~~memorandum and~~ articles of association as altered by the company upon conversion under sections 46 to 49, shall issue a certificate to that effect.
(2) The conversion of status of a company under sections 46 to 49 shall not affect—
(a) any debts, liabilities, obligations or contracts incurred or entered into, by or on behalf of the company before conversion and such debts, liabilities, obligations and contracts may be enforced in the manner as if such registration had not been done; and

(b) any rights or obligations of the company or render defective any legal proceedings by or against the company and any legal proceedings that might have been continued or commenced against the company before conversion may be continued or commenced upon its conversion.

Rationale

Consequential amendments to omit memorandum of association.

37. Section 57. Issuance of prospectus
Existing Provision

57. Prospectus.—(1) No prospectus shall be issued by or on behalf of a company unless on or before the date of its publication, a copy thereof signed by every person who is named therein as a director or proposed director of the company has been filed with the registrar.
(2) In case of any contravention of this section, the company and every person who is a party to the issue, publication or circulation of the prospectus shall be liable to a penalty not exceeding of level 2 on the standard scale.

Proposed Amendment

Source: BoI's regulatory reform Package for listed companies
Objective: Digitization

57. Prospectus.—(1) No prospectus shall be issued by or on behalf of a company unless on or before the date of its publication, a copy thereof signed by every person who is named therein as a director or proposed director of the company has been filed physical with the registrar.

Provided that, with effect from a date to be notified by the Commission, every company shall be required to file its prospectus through the eServices, in such manner as may be notified by the Commission.

(2) In case of any contravention of this section, the company and every person who is a party to the issue, publication or circulation of the prospectus shall be liable to a penalty not exceeding of level 2 on the standard scale.

Rationale

Provision for electronic filing of prospectus with Registrar is inserted.

38. Section 58. Classes and kinds of share capital

Existing Provision

58. Classes and kinds of share capital.—A company having share capital shall issue only fully paid shares which may be of different kinds and classes as provided by its memorandum and articles:
Provided that different rights and privileges in relation to the different kinds and classes of shares may only be conferred in such manner as may be specified.

Proposed Amendment

Source: BoI's regulatory reform Package 01 & Listed companies

Objective: Ease of Doing business

58. Classes and kinds of share capital.—A company having share capital shall issue only fully paid shares which may be of different kinds and classes as provided by its ~~memorandum and~~ articles:

Provided that different rights and privileges in relation to the different kinds and classes of shares may only be conferred in such manner as may be specified.

Rationale

Consequential amendments to omit memorandum of association.

39. Section 60. Numbering of shares.

Existing Provision

60. Numbering of shares.—Every share in a company having a share capital shall be distinguished by its distinctive number:

Provided that nothing in this section shall apply to a share held by a person whose name is entered as holder of beneficial interest in such share in the records of a central depository system.

Proposed Amendment

Source: BOI's Regulatory reform package for Listed Companies

Objective: Digitalization

60. Numbering of shares.—Every share in a company having a share capital shall be distinguished by its distinctive number:

Provided that nothing in this section shall apply to a share held by a person ~~whose name is entered as holder of~~ ~~beneficial interest~~, kept in book-entry form ~~in such share~~ in the records of a central depository system.

Provided that a listed company shall issue share certificates electronically in a manner as may be specified and from the date notified by the Commission, within a period not exceeding two years from insertion of this proviso:

Rationale

Changes made on suggestion of BoI

40. Section 62. Shares certificate to be evidence

Existing Provision

62. Shares certificate to be evidence.—(1) A certificate, if issued in physical form under [signature of authorized officer of the company as may be specified] or issued in book-entry form, specifying the shares held by any person or shares held in central depository system shall be prima facie evidence of the title of the person to such shares.

(2) Notwithstanding anything contained in the articles of a company, the manner of issue of a certificate of shares, the form of such certificate and other matters shall be such as may be specified.

Proposed Amendment

Source: BOI's Regulatory reform package for listed companies

Objective: Digitization

62. Shares certificate to be evidence.—(1) A certificate, if issued in physical or electronic form under [signature of authorized officer of the company as may be specified] or issued in book-entry form, specifying the shares held by any person or shares held in central depository system shall be prima facie evidence of the title of the person to such shares.

(2) Notwithstanding anything contained in the articles of a company, the manner of issue of a certificate of shares, the form of such certificate and other matters shall be such as may be specified.

Rationale

Word 'electronic' is inserted to enable electronic share certificates.

41. Section 70. Return as to allotments.

Existing Provision

70. Return as to allotments.—(1) Whenever a company having a share capital makes any allotment of its shares, the company shall, within forty-five days thereafter-

(a) file with the registrar a return of the allotment, stating the number and nominal amount of the shares comprised in the allotment and such particulars as may be specified, of each allottee, and the amount paid on each share; and

(b) in the case of shares allotted as paid up in cash, submit along with the return of allotment, a report from its auditor to the effect that the amount of consideration has been received in full by the company and shares have been issued to each allottee: Provided that in case, the appointment of auditor is not mandatory by a company, the report for the purpose shall be obtained from a practicing chartered accountant or a cost and management accountant;

(c) in the case of shares allotted as paid up otherwise than in cash, submit along with the return of allotment, a copy of the document evidencing the transfer of non-cash asset to the company, or a copy of the contract for technical and other services, intellectual property or other consideration, along with copy of the valuation report (verified in the specified manner) for registration in respect of which that allotment was made;

(d) file with the registrar—

(i) in the case of bonus shares, a return stating the number and nominal amount of such shares comprised in the allotment and the particulars of allottees together with a copy of the resolution authorising the issue of such shares;

(ii) in the case of issue of shares at a discount, a copy of the resolution passed by the company authorising such issue and where the maximum rate of discount exceeds ten per cent, a copy of the order of the Commission permitting the issue at the higher percentage. Explanation.— Shares shall not be deemed to have been paid for in cash except to the extent that the company shall actually have received cash therefor at the time of, or subsequent to, the agreement to issue the shares, and where shares are issued to a person who has sold or agreed to sell property or rendered or agreed to render services to the company, or to persons nominated by him, the amount of any payment made for the property or services shall be deducted from the amount of any cash payment made for the shares and only the balance, if any, shall be treated as having been paid in cash for such shares, notwithstanding any bill of exchange or cheques or other securities for money.

(2) If the registrar is satisfied that in the circumstances of any particular case the period of forty five days specified in sub-sections (1) for compliance with the requirements of this section is inadequate, he may extend that period as he thinks fit, and, if he does so, the provisions of sub-sections (1) shall have effect in that particular case as if for the said period of forty five days the extended period allowed by the registrar were substituted.

(3) No return of allotment shall be required to be filed for the shares taken by the subscribers to the memorandum on the formation of the company.

(4) Any violation of this section shall be an offence liable to a penalty of level 1 on the standard scale.

(5) This section shall apply mutatis mutandis to shares which are allotted or issued or deemed to have been issued to a scheduled bank or a financial institution in pursuance of any obligation of a company to issue shares to such scheduled bank or financial institution: Provided that where default is made by a company in filing a return of allotment in respect of the shares referred to in this sub-section, the scheduled bank or the financial institution to whom shares have been allotted or issued or deemed to have been issued may file a return of allotment in respect of such shares with the registrar together with such documents as may be specified by the Commission in this behalf, and such return of allotment shall be deemed to have been filed by the company itself and the scheduled bank the financial institution shall be entitled to recover from the company the amount of any fee properly paid by it to the registrar in respect of the return.

Proposed Amendment

Source: BOI's Regulatory reform package for listed companies

Objective: Ease of doing business

70. Return as to allotments.—

(1) Whenever a company having a share capital makes any allotment of its shares, the company shall, within forty-five days thereafter-

(a) file with the registrar a return of the allotment, stating the number and nominal amount of the shares comprised in the allotment and such particulars as may be specified, of each allottee, and the amount paid on each share; and

(b) in the case of shares allotted as paid up in cash, submit along with the return of allotment, a report from its ~~auditor~~ chief executive supported with bank statement to the effect that the amount of consideration has been received in full by the company and shares have been issued to each allottee:

~~Provided that in case, the appointment of auditor is not mandatory by a company, the report for the purpose shall be obtained from a practicing chartered accountant or a cost and management accountant;~~

(c) in the case of shares allotted as paid up otherwise than in cash, submit along with the return of allotment, a copy of the document evidencing the transfer of non-cash asset to the company, or a copy of the contract for technical and other services, intellectual property or other consideration, along with copy of the valuation report (verified in the specified manner) for registration in respect of which that allotment was made;

(d) file with the registrar—

(i) in the case of bonus shares, a return stating the number and nominal amount of such shares comprised in the allotment and the particulars of allottees together with a copy of the resolution authorising the issue of such shares;

(ii) in the case of issue of shares at a discount, a copy of the resolution passed by the company authorising such issue and where the maximum rate of discount exceeds ten per cent, a copy of the order of the Commission permitting the issue at the higher percentage. Explanation.— Shares shall not be deemed to have been paid for in cash except to the extent that the company shall actually have received cash therefor at the time of, or subsequent to, the agreement to issue the shares, and where shares are issued to a person who has sold or agreed to sell property or rendered or agreed to render services to the company, or to persons nominated by him, the amount of any payment made for the property or services shall be deducted from the amount of any cash payment made for the shares and only the balance, if any, shall be treated as having been paid in cash for such shares, notwithstanding any bill of exchange or cheques or other securities for money.

(2) If the registrar is satisfied that in the circumstances of any particular case the period of forty five days specified in sub-sections (1) for compliance with the requirements of this section is inadequate, he may extend that period as he thinks fit, and, if he does so, the provisions of sub-sections (1) shall have effect in that particular case as if for the said period of forty five days the extended period allowed by the registrar were substituted.

(3) No return of allotment shall be required to be filed for the shares taken by the subscribers to the articles ~~memorandum~~ on the formation of the company.

(4) Any violation of this section shall be an offence liable to a penalty of level 1 on the standard scale.

(5) This section shall apply mutatis mutandis to shares which are allotted or issued or deemed to have been issued to a scheduled bank or a financial institution in pursuance of any obligation of a company to issue shares to such scheduled bank or financial institution: Provided that where default is made by a company in filing a return of allotment in respect of the shares referred to in this sub-section, the scheduled bank or the financial institution to whom shares have been allotted or issued or deemed to have been issued may file a return of allotment in respect of such shares with the registrar together with such documents as may be specified by the Commission in this behalf, and such return of allotment shall be deemed to have been filed by the company itself and the scheduled bank the financial institution shall be entitled to recover from the company the amount of any fee properly paid by it to the registrar in respect of the return.

Rationale

The rationale for deleting the proviso of sub-section (b) and replacing the auditor's report with a CEO's report supported by a bank statement is to simplify and streamline the verification process for shares allotted as paid-up in cash. This amendment removes an additional compliance burden by anchoring verification in primary banking evidence & CEO report rather than secondary professional certification.

42. Section 72. Issuance of shares in book-entry form

Existing Provision

72. Issuance of shares in book-entry form.—(1) After the commencement of this Act from a date notified by the Commission, a company having share capital, shall have shares in book-entry form only.

(2) Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of this Act:

Provided that the Commission may notify different dates for different classes of companies:

Provided further that the Commission may, if it deems appropriate, extend the period for another two years besides the period stated herein.

(3) Nothing contained in this section shall apply to the shares of such companies or class of companies as may be notified by the Commission.

Proposed Amendment

Source: CDC

Objective: Digitalization

72. Issuance of shares in book-entry form.—(1) After the commencement of this Act from a date notified by the Commission, a company having share capital, shall have shares in book-entry form only held in the central depository system established by the central depository formed under the Central Depositories Act, 1997 (XIX of 1997).

(2) Every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, ~~within a period not exceeding four years from the commencement of this Act:~~ .

Provided that the Commission may notify different dates for different classes of companies:

~~Provided further that the Commission may, if it deems appropriate, extend the period for another two years besides the period stated herein.~~

(3) Nothing contained in this section shall apply to the shares of such companies or class of companies as may be notified by the Commission.

Rationale

Insertion is made in sub-section (1) to provide legal clarity and specificity regarding the mechanism through which book-entry shares are to be maintained. This amendment ensures alignment between the Companies Act, 2017 and the Central Depositories Act, 1997, by explicitly linking the issuance and holding of book-entry shares to the regulated central depository framework. The insertion eliminates ambiguity about the mode of holding electronic shares and reinforces investor protection and transparency. Moreover, changes are made in sub-section (2) as such time period are no more relevant and has already been elapsed since enactment of this Act. (Digitization)

43. Section 73. Issue of duplicate certificates

Existing Provision

73. Issue of duplicate certificates.— (1) A duplicate of a certificate of shares, or other securities, shall be issued by the company within thirty days from the date of application if the original-

(a) is proved to have been lost or destroyed, or

(b) having been defaced or mutilated or torn is surrendered to the company.

(2) The company, after making such inquiry as to the loss, destruction, defacement or mutilation of the original, as it may deem fit to make, shall, subject to such terms and conditions, if any, as it may consider necessary, issue the duplicate:

Provided that the company may charge fee and the actual expenses incurred on such inquiry.

(3) If the company for any reasonable cause is unable to issue duplicate certificate, it shall notify this fact, along with the reasons within twenty days from the date of the application, to the applicant.

(4) Any violation of this section shall be an offence liable to a penalty of level 1 on the standard scale.

(5) If a company with intent to defraud, issues a duplicate certificate thereof, the company shall be punishable with fine which may extend to one hundred thousand rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to **one hundred and eighty days**, or with fine which may extend to fifty thousand rupees, or with both.

Proposed Amendment

Source: SECP

Objective: Decriminalization

73. Issue of duplicate certificates. (1) A duplicate of a certificate of shares, or other securities, shall be issued by the company within thirty days from the date of application if the original-

(a) is proved to have been lost or destroyed, or

(b) having been defaced or mutilated or torn is surrendered to the company.

(2) The company, after making such inquiry as to the loss, destruction, defacement or mutilation of the original, as it may deem fit to make, shall, subject to such terms and conditions, if any, as it may consider necessary, issue the duplicate:
Provided that the company may charge fee and the actual expenses incurred on such inquiry.

(3) If the company for any reasonable cause is unable to issue duplicate certificate, it shall notify this fact, along with the reasons within twenty days from the date of the application, to the applicant.

~~(4) Any violation of this section shall be an offence to a penalty of level 1 on the standard scale.~~

(5) If a company with intent to defraud, issues a duplicate certificate thereof, the company, its chief executive officer, company secretary and other responsible officer shall be liable:

(a) in case of a listed company, to a penalty of level 3 on the standard scale; and

(b) in case of any other company, to a penalty of level 2 on the standard scale.

~~punishable with fine which may extend to and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one hundred and eighty days, or with fine which may extend to fifty thousand rupees, or with both.~~

(6) Notwithstanding anything contained in this section, nothing shall restrict any aggrieved person from instituting legal proceedings or seeking relief under any other applicable law.

(7) This section shall not apply to companies for which notification has been issued by the commission under section 72.

Rationale

Decriminalization of penalty provisions: To impose penalty for default in complying with provisions of section 73 on the chief executive officer, and company secretary, if available.

The insertion of **sub-sections (6) and (7)** serves two key purposes of legal clarity and regulatory alignment.

Sub-section **(6)** has been added to explicitly safeguard the rights of aggrieved persons by clarifying that the remedies available under this section do not preclude or limit their right to pursue relief through courts or other legal forums under any applicable law. This ensures due process and protects investors from potential misuse or administrative inaction by the company.

Sub-section **(7)** has been inserted to provide regulatory consistency by exempting companies notified under section 72 (i.e. those maintaining securities in book-entry form) from the requirements of this section, as the concept of “duplicate share certificates” does not apply

to dematerialized or electronic securities. This avoids duplication of regulatory obligations and aligns the Companies Act with the Central Depositories Act, 1997, ensuring a clear demarcation between physical and electronic shareholding regimes.

44. Section 74. Transfer of shares and other securities

Existing Provision

74. Transfer of shares and other securities.—(1) An application for registration of transfer of shares and other transferable securities along with proper instrument of transfer duly stamped and executed by the transferor and the transferee may be made to the company either by the transferor or the transferee, and subject to the provisions of this section, the company shall within fifteen days after the application for the registration of the transfer of any such securities, complete the process and—

(a) ensure delivery of the certificates to the transferee at his registered address; and

(b) enter in its register of members the name of the transferee:

Provided that in case of conversion of physical shares and other transferable securities into book-entry form, the company shall, within ten days after an application is made for the registration of the transfer of any shares or other securities to a central depository, register such transfer in the name of the central depository:
Provided further that nothing in this section shall apply to any transfer of shares or other securities pursuant to a transaction executed on the securities exchange.

(2) Where a transfer deed is lost, destroyed or mutilated before its lodgment, the company may on an application made by the transferee and bearing the stamp required by an instrument of transfer, register the transfer of shares or other securities if the transferee proves to the satisfaction of the board that the transfer deed duly executed has been lost, destroyed or mutilated:
Provided that before registering the transfer of shares or other securities, the company may demand such indemnity as it may think fit.

(3) All references to the shares or other securities in this section, shall in case of a company not having share capital, be deemed to be references to interest of the members in the company.

(4) Every company shall maintain at its registered office a register of transfers of shares and other securities and such register shall be open to inspection by the members and supply of copy thereof in the manner stated in section124.

(5) Nothing in sub-section (1) shall prevent a company from registering as shareholder or other securities holder a person to whom the right to any share or security of the company has been transmitted by operation of law.

(6) Any violation of this section shall be an offence liable to a penalty of level 2 on the standard scale.

Proposed Amendment

Source: BoI's regulatory reform Package 01 & listed companies

Objective: Digitalization

74. Transfer of shares and other securities.—(1) An application for registration of transfer of shares and other transferable securities along with proper instrument of transfer duly stamped and executed by the transferor and the transferee may be made to the company either by the transferor or the transferee, and subject to the provisions of this section, the company shall within ~~**fifteen**~~ **sixty** days after the application for the registration of the transfer of any such securities, complete the process and—

(a) ensure delivery of the certificates to the transferee at his registered address; and

(b) enter in its register of members the name of the transferee:

Provided that in case of conversion of physical shares and other transferable securities into book-entry form, the company shall, within ten days after an application is made for the registration of the transfer of any shares or other securities to a central depository, register such transfer in the name of the central depository:

Provided further that nothing in this section shall apply to any transfer of shares or other securities pursuant to a transaction executed on the securities exchange.

Provided further that transfer of shares and other securities entered in the central depository system shall be dealt with in accordance with the Central Depositories Act, 1997 (XIX of 1997) and the regulations made thereunder.

(1A) In case of conversion of physical shares and other transferable securities into book-entry form, the company shall comply with the procedures prescribed under regulations made under Central Depositories Act, 1997 and also within ten days after an application is made for the registration of the transfer of any shares or other securities to a central depository, register such transfer in the name of the central depository:

(2) Where a transfer deed is lost, destroyed or mutilated before its lodgment, the company may on an application made by the transferee and bearing the stamp required by an instrument of transfer, register the transfer of shares or other securities if the transferee proves to the satisfaction of the board that the transfer deed duly executed has been lost, destroyed or mutilated:

Provided that before registering the transfer of shares or other securities, the company may demand such indemnity as it may think fit.

(3) All references to the shares or other securities in this section, shall in case of a company not having share capital, be deemed to be references to interest of the members in the company.

(4) Every company shall maintain at its registered office a register of transfers of shares and other securities and such register shall be open to inspection by the members and supply of copy thereof in the manner stated in section124.

(5) Nothing in sub-section (1) shall prevent a company from registering as shareholder or other securities holder a person to whom the right to any share or security of the company has been transmitted by operation of law.

(6) Any violation of this section shall be an offence liable to a penalty of level 2 on the standard scale.

Rationale

The increase in the time period from 15 to 60 days is intended to provide companies with a more realistic and operationally feasible window for processing share transfer applications, particularly where transfers involve verification of physical documents, legacy records, or reconciliation issues. Many companies face practical delays due to incomplete documentation, signatures verification, postal timelines, or coordination with registrars, which cannot always be completed within 15 days. Extending the period to 60 days ensures accuracy, reduces the risk of erroneous transfers, accommodates peak corporate activity cycles, and aligns the statutory timeline with actual administrative capacities.

The insertion of the third and fourth provisos to sub-section (1) of section 74 has been made to ensure regulatory coherence and operational clarity between the Companies Act, 2017 and the Central Depositories Act, 1997 in relation to share transfers.

The third proviso explicitly clarifies that transfers of shares and securities maintained in the Central Depository System (CDS) shall be governed by the Central Depositories Act, 1997 and the regulations framed thereunder. This eliminates any ambiguity regarding the applicability of company-level transfer procedures once securities are dematerialized and recorded electronically. It ensures that such transfers are processed in accordance with the specialized and automated framework prescribed under the depository regime, rather than traditional manual procedures under the Companies Act.

The fourth proviso complements this by affirming that companies converting their physical shares into book-entry form must comply with the procedural requirements prescribed by the Central Depository regulations within the specified timeframe. This integration promotes standardization, investor protection, and efficient transfer processing while avoiding regulatory overlap or conflicting procedural requirements between corporate law and depository law.

In essence, these insertions bring legal certainty, align with the ongoing digitalization of securities, and support Pakistan's transition toward a fully dematerialized capital market ecosystem.

45. Section 74A. Newly inserted section: Update Register of members

Existing Provision

Newly inserted section

Proposed Amendment

Source: SECP
Objective: Ease of doing business

74A. Update Register of members: (1) No company or its officers shall, without sufficient cause, make default or unnecessary delay in entering in the register of members or the register of debenture-holders, as the case may be, the fact of any person having become or ceased to be a member or a debenture-holder of the company, whether pursuant to a transfer of shares, allotment of shares, or otherwise, as the case may be.

(2) Any person aggrieved by such default or delay may prefer an appeal in the manner provided under section 80 for appropriate relief.

Rationale

To ensure continuity of legal protection while avoiding court-centric processes, the substantive obligation contained in section 126 relating to default or delay in updating registers has been rationalized and repositioned through the insertion of a new section 74A.

Newly inserted section 74A clearly imposes a statutory obligation on companies and their officers to avoid unnecessary delay in updating the register of members or debenture-holders, including in cases of transfer or allotment of shares. It also introduces a rights-based, facilitative remedy by allowing an aggrieved person to prefer an appeal under section 80, instead of instituting court proceedings; and Ensures timely maintenance of registers, which is critical for transparency, shareholder rights, and market confidence.

This approach reinforces compliance while supporting ease of doing business by providing a simpler, quicker, and less adversarial dispute resolution mechanism.

46. Section 76. Restriction on transfer of shares by the members of a private company.
Existing Provision

76. Restriction on transfer of shares by the members of a private company. —(1) Notwithstanding anything contained in section 75, a member of a private company desirous of selling any shares held by him, shall intimate to the board of his intention through a notice.
(2) On receipt of such notice, the board shall, within a period of ten days, offer those shares for sale to the members in proportion to their existing shareholding:
Provided that a private company may transfer or sell its shares in accordance with its articles of association and agreement among the shareholders, if any, entered into prior to the commencement of this Act:
Provided further that any such agreement will be valid only if it is filed with the registrar within ninety days of the commencement of this Act.

(3) The letter of offer for sale specifying the number of shares to which the member is entitled, price per share and specifying the time limit, within which the offer, if not accepted, be deemed as declined, shall be dispatched to the members through registered post or courier or through electronic mode.
(4) If the whole or any part of the shares offered is declined or is not taken, the board may offer such shares to the other members in proportion to their shareholding.
(5) If all the members decline to accept the offer or if any shares are left over, the shares may be sold to any other person as determined by the member, who initiated the offer.
(6) For the purpose of this section, the mechanism to determine the price of shares shall be such, as may be specified.

Proposed Amendment

Source: BoI's regulatory reform Package 01
Objective: Ease of doing business

76. Restriction on transfer of shares by the members of a private company. —(1) Notwithstanding anything contained in section 75, a member of a private company desirous of selling any shares held by him, shall intimate to the board of his intention through a notice.
(2) On receipt of such notice, the board shall, within a period of ten days, offer those shares for sale to the members in proportion to their existing shareholding:
~~Provided that a private company may transfer or sell its shares in accordance with its articles of association and agreement among the shareholders, if any, entered into prior to the commencement of this Act:~~
~~Provided further that any such agreement will be valid only if it is filed with the registrar within ninety days of the commencement of this Act.~~
(3) The letter of offer for sale specifying the number of shares to which the member is entitled, price per share and specifying the time limit, within which the offer, if not accepted, be deemed as declined, shall be dispatched to the members through registered post or courier or through electronic mode.
(4) If the whole or any part of the shares offered is declined or is not taken, the board may offer such shares to the other members in proportion to their shareholding.
(5) If all the members decline to accept the offer or if any shares are left over, the shares may be sold to any other person as determined by the member, who initiated the offer.
(6) For the purpose of this section, the mechanism to determine the price of shares shall be such, as may be specified.

Rationale

The deleted provisos, which required that any pre-existing shareholder agreements be filed with the Registrar within ninety days of commencement of the Act, have been omitted to simplify compliance requirements and remove redundant procedural obligations. These provisos had transitory relevance only at the time of enactment of the Companies Act, 2017 and no continuing operational utility thereafter.

47. Section 79. Transfer to nominee of a deceased member

Existing Provision

79. Transfer to nominee of a deceased member.—(1) Notwithstanding anything contained in any other law for the time being in force or in any disposition by a member of a company of his interest represented by the shares held by him as a member of the company, a person may on acquiring interest in a company as member, represented by shares, at any time after acquisition of such interest deposit with the company a nomination conferring on a person the right to protect the interest of the legal heirs in the shares of the deceased in the event of his death, as a trustee and to facilitate the transfer of shares to the legal heirs of the deceased subject to succession to be determined under the Islamic law of inheritance and in case of a non-*Muslim* members, as per their respective law.

(2) The person nominated under this section shall, after the death of the member, be deemed as a member of company till the shares are transferred to the legal heirs and if the deceased was a director of the company, not being a listed company, the nominee shall also act as director of the company to protect the interest of the legal heirs.

(3) The person to be nominated under this section shall not be a person other than the relatives of the member, namely, a spouse, father, mother, brother, sister and son or daughter.

(4) The nomination as aforesaid, shall in no way prejudice the right of the member making the nomination to transfer, dispose of or otherwise deal in the shares owned by him during his lifetime and, shall have effect in respect of the shares owned by the said member on the day of his death.

Proposed Amendment

Source: SECP
Objective: rectification

79. Transfer to nominee of a deceased member.—(1) Notwithstanding anything contained in any other law for the time being in force or in any disposition by a member of a company of his interest represented by the shares held by him as a member of the company, a person ~~may~~ on acquiring interest in a company as member, represented by shares, at any time after acquisition of such interest may deposit with the company a nomination conferring on a person the right to protect the interest of the legal heirs in the shares of the deceased in the event of his death, as a trustee and to facilitate the transfer of shares to the legal heirs of the deceased subject to succession to be determined under the Islamic law of inheritance and in case of a non-*Muslim* members, as per their respective law.

(2) The person nominated under this section shall, after the death of the member, be deemed as a member of company till the shares are transferred to the legal heirs and if the deceased was a director of the company, not being a listed company, the nominee shall also act as director of the company to protect the interest of the legal heirs.

(3) The person to be nominated under this section shall not be a person other than the relatives of the member, namely, a spouse, father, mother, brother, sister and son or daughter.

(4) The nomination as aforesaid, shall in no way prejudice the right of the member making the nomination to transfer, dispose of or otherwise deal in the shares owned by him during his lifetime and, shall have effect in respect of the shares owned by the said member on the day of his death.

Rationale

It is rectification in sentence.

48. Section 81. Application of premium received on issue of shares.

Existing Provision

81. Application of premium received on issue of shares. —(1) If a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or the value of the premiums on those shares must be transferred to an account, called "the share premium account".
(2) Where, on issuing shares, a company has transferred a sum to the share premium account, it may use that sum to write off—
(a) the preliminary expenses of the company;

(b) the expenses of, or the commission paid or discount allowed on, any issue of shares of the company; and

(c) in providing for the premium payable on the redemption of any redeemable preference shares of the company.

(3) The company may also use the share premium account to issue bonus shares to its members.

Proposed Amendment

Source: BoI's regulatory reform Package 01

Objective: Ease of doing business

81. Application of premium received on issue of shares. — (1) If a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or the value of the premiums on those shares must be transferred to an account, called "the share premium account".

(2) Where, on issuing shares, a company has transferred a sum to the share premium account, it may use that sum to write off—

(a) the preliminary expenses of the company;

(b) the expenses of, or the commission paid or discount allowed on, any issue of shares of the company; and

(c) in providing for the premium payable on the redemption of any redeemable preference shares of the company.

(3) The company may also use the share premium account to issue bonus shares to its members.

Provided that in case of single member and private companies, not being public interest companies and subsidiary of listed company, application of premium received on issue of shares shall be subject to Articles.

Rationale

The proviso ensures regulatory flexibility for single member and private companies that do not fall within the public-interest category. Since these entities have limited public interface and lower stakeholder exposure, allowing them to apply share premium in accordance with their Articles provides operational ease and aligns with their internal governance structures. This approach maintains necessary oversight for public-interest and listed-company subsidiaries, while reducing unnecessary compliance burden for smaller, closely held companies.

49. Section 82. Power to issue shares at a discount

Existing Provision

82. Power to issue shares at a discount.—(I) Subject to the provisions of this section, it shall be lawful for a company to issue shares in the company at a discount:

Provided that—

(a) the issue of shares at a discount must be authorised by special resolution passed in the general meeting of the company;
(b) the resolution must specify the number of shares to be issued, rate of discount, not exceeding the limits permissible under this section and price per share proposed to be issued;
(c) in case of listed companies discount shall only be allowed if the market price is lower than the par value of the shares for a continuous period of past ninety trading days immediately preceding the date of announcement by the board; and
(d) the issue of shares at discount must be sanctioned by the Commission:
Provided further that approval of the Commission shall not be required by a listed company for issuing shares at a discount if the discounted price is not less than ninety percent of the par value;

(e) no such resolution for issuance of shares at discount shall be sanctioned by the Commission if the offer price per share, specified in the resolution, is less than-

(i) in case of listed companies, ninety percent of volume weighted average daily closing price of shares for ninety days prior to the announcement of discount issue; or
(ii) in case of other than listed companies, the breakup value per share based on assets (revalued not later than 3 years) or per share value based on discounted cash flow:

Provided that the calculation arrived at, for the purpose of sub-clause (i) or (ii) of clause (e) above, shall be certified by the statutory auditor;

(f) directors and sponsors of listed companies shall be required to subscribe their portion of proposed issue at volume weighted average daily closing price of shares for ninety days prior to the announcement of discount issue;

(g) not less than three years have elapsed since the date on which the company was entitled to commence business;

(h) the share at a discount must be issued within sixty days after the date on which the issue is sanctioned by the Commission or within such extended time as the Commission may allow.

(2) Where a company has passed a special resolution authorising the issue of shares at a discount, it shall apply to the Commission where applicable, for an order sanctioning the issue. The Commission on such application may, if, having regard to all the circumstances of the case, thinks proper so to do, make an order sanctioning the issue of shares at discount subject to such terms and conditions as it deems fit.

(3) Issue of shares at a discount shall not be deemed to be reduction of capital.

(4) Every prospectus relating to the issue of shares, and every statement of financial position issued by the company subsequent to the issue of shares, shall contain particulars of the discount allowed on the issue of the shares.

(5) Any violation of this section shall be an offence liable to a penalty of level 3 on the standard scale.

Proposed Amendment

Source: BoI's regulatory reform Package 01 &listed companies

Objective: Ease of doing business

82. Power to issue shares at a discount.—(l) Subject to the provisions of this section, it shall be lawful for a company to issue shares in the company at a discount:

Provided that—

(a) the issue of shares at a discount must be authorised by special resolution passed in the general meeting of the company;
(b) the resolution must specify the number of shares to be issued, rate of discount, not exceeding the limits permissible under this section and price per share proposed to be issued;

(c) in case of listed companies discount shall only be allowed if the market price is lower than the par value of the shares for a continuous period of past ninety trading days immediately preceding the date of announcement by the board; and

(d) ~~the issue of shares at discount must be sanctioned by the Commission:~~

~~Provided further that approval of the Commission shall not be required by a listed company for issuing shares at a discount if the discounted price is not less than ninety percent of the par value;~~

(e) no such resolution for issuance of shares at discount shall be sanctioned by the Commission if the offer price per share, specified in the resolution, is less than-

(i) in case of listed companies, ninety percent of volume weighted average daily closing price of shares for ninety days prior to the announcement of discount issue; or

(ii) in case of other than listed companies, the breakup value per share based on assets (revalued not later than 3 years) or per share value based on discounted cash flow:

Provided that the calculation arrived at, for the purpose of sub-clause (i) or (ii) of clause (e) above, shall be certified by the statutory auditor;

(f) directors and sponsors of listed companies shall be required to subscribe their portion of proposed issue at volume weighted average daily closing price of shares for ninety days prior to the announcement of discount issue;

(g) not less than three years have elapsed since the date on which the company was entitled to commence business;

(h) the share at a discount must be issued within sixty days after the date on which the issue is ~~sanctioned~~ approved by the ~~Commission~~ general meeting through special resolution or within such extended time as the ~~Commission~~ shareholders in general meeting may allow.

(i) the issue of shares at discount shall be subject to such disclosure requirements, restrictions or terms and conditions as specified by the Commission through regulations, as deemed necessary.

(2) ~~Where a company has passed a special resolution authorising the issue of shares at a discount, it shall apply to the Commission where applicable, for an order sanctioning the issue. The Commission on such application may, if, having regard to all the circumstances of the case, thinks proper so to do, make an order sanctioning the issue of shares at discount subject to such terms and conditions as it deems fit.~~

(3) Issue of shares at a discount shall not be deemed to be reduction of capital.

(4) Every prospectus relating to the issue of shares, and every statement of financial position issued by the company subsequent to the issue of shares, shall contain particulars of the discount allowed on the issue of the shares.

(5) Any violation of this section shall be an offence liable to a penalty of level 3 on the standard scale.

Rationale

Removing mandatory Commission's approval reduces administrative delays, enhances ease of doing business, and allows companies to proceed with discounted share issues based solely on shareholder approval while still maintaining robust investor protection. By adding clause (i), the Commission retains necessary regulatory oversight by setting uniform disclosure standards, safeguards, and conditions applicable to all companies rather than proceeding company specific sanctions. This approach ensures consistency, transparency, and flexibility, enabling the Commission to update requirements swiftly through regulations without burdening companies with time-consuming approval procedures.

50. Section 83. Further issue of capital

Existing Provision

83. Further issue of capital. — (1) Where the directors decide to increase share capital of the company by issue of 13[further shares], such shares shall be offered:

(a) to persons who, at the date of the offer, are members of the company in proportion to the existing shares held by 14[such members through] sending a letter of offer subject to the following conditions, namely— (i) the shares so offered shall be strictly in proportion to the shares already held in respective kinds and classes; (ii) the letter of offer shall state the number of shares offered and limiting a time not being less than fifteen days and not exceeding thirty days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined; (iii) in the case of a listed company any member, not interested to subscribe, may exercise the right to renounce the shares offered to him in favour of any other person, before the date of expiry stated in the letter of offer; and (iv) if the whole or any part of the shares offered under this section is declined or is not subscribed, the directors may allot such shares in such manner as they may deem fit within a period of thirty days from the close of the offer as provided under sub-clause (ii) above or within such extended time not exceeding thirty day with the approval of the Commission15[;]

16[…]

(b) 17[in case of public company and subject to approval of the Commission, to any person on the basis of a special resolution either for cash or for consideration other than cash:

Provided that the value of any non-cash asset, net worth of undertaking, service, benefit or intellectual property shall be determined by a valuer.]

18[(c) in case of a private company and subject to its articles and special resolution, to any person, either for cash or for consideration other than cash on such conditions and requirements as may be notified.]

(2) The letter of offer referred to in sub-clause (ii) of clause (a) of sub-section (1) 19[shall be] duly signed by at least two directors 20[and] dispatched through registered post or courier or through electronic mode to all the existing members, ensuring that it reaches the members before the commencement of period for the acceptance of offer.

(3) The letter of offer, referred to in sub-section (2), shall be accompanied by a circular duly signed by all directors or an officer of the company authorized by them in this behalf on such form as may be specified containing material information about the affairs of the company, latest statement of the accounts and the necessity for issue of further capital:

Provided that a copy of such circular shall also be filed with the registrar simultaneously at the time it is dispatched to the shareholders.

(4) Notwithstanding anything contained in this section, where any loan or finances have been obtained from any Government by a public sector company, and if that Government considers it necessary in the public interest so to do, it may, by order, direct that such loan or 23[finances or] any part thereof shall be converted into shares in that company, on such terms and conditions as appear to the Government to be just and reasonable in the circumstances of the case even if the terms of such loan or finances do not include the option for such conversion.

(5) In determining the terms and conditions of conversion under sub-section (4), the Government shall have due regard to the financial position of the public sector company, the terms of the rate of interest [or profit] payable thereon and such other matters as it may consider necessary.

(6) Notwithstanding anything contained in this Act or any other law for the time being in force or the memorandum and articles, where the authorised capital of a company is fully subscribed, or the un-subscribed capital is insufficient, the same shall be deemed to have been increased to the extent necessary for issue of shares to the Government, a scheduled bank or financial institution in pursuance of any obligation of the company to issue shares to such scheduled bank or financial institution.

(7) In case shares are allotted in terms of sub-section (6), the company shall be required to file the notice of increase in share capital along with the fee prescribed for such increase with the registrar within the period prescribed under this Act:

Provided that where default is made by a company in complying with the requirement of filing a notice of increase in the authorised capital under this Act as well as the fee to be deposited on the authorised capital as deemed to have been increased, the Government, scheduled bank or the financial institution to whom shares have been issued may file notice of such increase with the registrar and such notice shall be deemed to have been filed by the company itself and the Government, scheduled bank or financial institution shall be entitled to recover from the company the amount of any fee paid by it to the registrar in respect of such increase.

(8) Any violation of this section shall be an offence liable to a penalty of level 2 on the standard scale.

Proposed Amendment

Source: SECP & BOI's regulatory reform Package 01 & SECP

Objective: Ease of doing Business

83. Further issue of capital. —

(1) Where the directors decide to increase share capital of the company by issue of further shares, such shares shall be offered:

(a) to persons who, at the date of the offer, are members of the company in proportion to the existing shares held by such members through sending a letter of offer subject to the following conditions, namely—

(i) the shares so offered shall be strictly in proportion to the shares already held in respective kinds and classes;

(ii) the letter of offer shall state the number of shares offered and ~~limiting a~~ the time period as may be specified, ~~not being less than fifteen days and not exceeding thirty days from the date of the offer~~ within which the offer, if not accepted, shall be deemed to have been declined;

(iii) in the case of a listed company any member, not interested to subscribe, may exercise the right to renounce the shares offered to him in favour of any other person, before the date of expiry stated in the letter of offer; and

(iv) if the whole or any part of the shares offered under this section is declined or is not subscribed, the directors may allot such shares in such manner as they may deem fit within a period of thirty days from the close of the offer as provided under sub-clause (ii) above or within such extended time not exceeding thirty day with the approval of the Commission.

(b) ~~in case of public company and subject to approval of the Commission,~~ subject to its articles and special resolution, to any person, ~~on the basis of a special resolution~~ either for cash or for consideration other than cash and requirements as may be notified:
Provided that the value of any non-cash asset, net worth of undertaking, service, benefit or intellectual property shall be determined by a valuer.

~~(c) in case of a private company and subject to its articles and special resolution, to any person, either for cash or for consideration other than cash on such conditions and requirements as may be notified.~~

(2) The letter of offer referred to in sub-clause (ii) of clause (a) of sub-section (1) shall be duly signed by at least two directors and dispatched through registered post or courier or through electronic mode to all the existing members, ensuring that it reaches the members before the commencement of period for the acceptance of offer.

(3) The letter of offer, referred to in sub-section (2), shall be accompanied by a circular duly signed by all directors or an officer of the company authorized by them in this behalf on such form as may be specified containing material information about the affairs of the company, latest statement of the accounts and the necessity for issue of further capital:

Provided that a copy of such circular shall also be filed with the registrar simultaneously at the time it is dispatched to the shareholders.

(3A) Notwithstanding anything contained in this section, in the case of issuance of shares by a company or class of companies, the issue price of shares offered under sub-section (1) shall be subject to such limitations, conditions, or manner as may be specified by the Commission.

(4) Notwithstanding anything contained in this section, where any loan or finances have been obtained from any Government by a public sector company, and if that Government considers it necessary in the public interest so to do, it may, by order, direct that such loan or finances or any part thereof shall be converted into shares in that company, on such terms and conditions as appear to the Government to be just and reasonable in the circumstances of the case even if the terms of such loan or finances do not include the option for such conversion.

(5) In determining the terms and conditions of conversion under sub-section (4), the Government shall have due regard to the financial position of the public sector company, the terms of the rate of interest or profit payable thereon and such other matters as it may consider necessary.

(6) Notwithstanding anything contained in this Act or any other law for the time being in force or the memorandum and articles, where the authorised capital of a company is fully subscribed, or the un-subscribed capital is insufficient, the same shall be deemed to have been increased to the extent necessary for issue of shares to the Government, a scheduled bank or financial institution in pursuance of any obligation of the company to issue shares to such scheduled bank or financial institution.

(7) In case shares are allotted in terms of sub-section (6), the company shall be required to file the notice of increase in share capital along with the fee prescribed for such increase with the registrar within the period prescribed under this Act:

Provided that where default is made by a company in complying with the requirement of filing a notice of increase in the authorised capital under this Act as well as the fee to be deposited on the authorised capital as deemed to have been increased, the Government, scheduled bank or the financial institution to whom shares have been issued may file notice of such increase with the registrar and such notice shall be deemed to have been filed by the company itself and the Government, scheduled bank or financial institution shall be entitled to recover from the company the amount of any fee paid by it to the registrar in respect of such increase.

(8) Any violation of this section shall be an offence liable to a penalty of level 2 on the standard scale.

Rationale

Section 83(1)(a)(ii) mandates at-least 15 days and maximum 30 days acceptance period for the Letter of Right ('LOR'). This period provides opportunity to non-willing investors to sell their offer letter. At present, nearly 85% of listed shares are maintained in book-entry form, enabling the swift credit of LORs and allowing the rights issue process to be concluded more efficiently. With advancements in technology, the processing of corporate entitlements has become increasingly efficient. Embedding fixed timelines in the Companies Act creates rigidity. To ensure flexibility and responsiveness to evolving market practices, the relevant section may be amended so that the Commission is empowered to prescribe the acceptance period for letter of offer in the respective regulations.

Amending/deleting 83(1)(b) & (c): purpose is to remove Commission's approval for issuance of shares by way of other than right for all companies, it will promote ease of doing business.

Insertion of new sub-section 3A: inserted to regulate offer price of the shares in case of right and other than right shares offer.

51. Section 89. Reduction of share capital

Existing Provision

89. Reduction of share capital.—Subject to confirmation by the Court a company limited by shares, if so authorised by its articles, may by special resolution reduce its share capital in any way, namely—

(a) cancel any paid-up share capital which is lost or un-represented by available assets;

(b) pay off any paid-up share capital which is in excess of the needs of the company.

Proposed Amendment

Source: BoI's regulatory reform package 01

Objective: Ease of doing business

89. Reduction of share capital

~~Subject to confirmation by the Court a company limited by shares, if so authorised by its articles, may by special resolution reduce its share capital in any way, namely—~~

(1) A limited company having a share capital may reduce its share capital

a) in the case of a private company limited by shares, by special resolution and supported by a solvency statement of all the directors.

b) in any other case, by special resolution and subject to confirmation by the Court.

(2) The company may reduce its share capital in any way, namely-

b) in any other case, by special resolution and subject to confirmation by the Court

(a) cancel any paid-up share capital which is lost or un-represented by available assets; or for which subscription money has not been received from subscribers;

(b) pay off any paid-up share capital which is in excess of the needs of the company.

Rationale

The existing provision requires all reductions of share capital to be confirmed by the Court, which causes prolonged timelines, additional cost, and procedural burden even in uncomplicated cases of private companies. Since private companies generally operate with a smaller shareholder base, lower public interest implications, and greater internal control, the

amendment shifts the power of confirming capital reduction from the Court to the Commission, subject to a special resolution and a solvency statement of directors.

This change streamlines the process and introduces a faster, corporate-regulator–driven mechanism while still ensuring creditor protection and financial soundness through the solvency requirement. For public and other companies, court confirmation is retained due to wider stakeholder exposure and higher public interest considerations.

52. Insertion of new section 89A- Solvency statement:

Existing Provision

Newly inserted section in continuation of sec 89A

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

89A. Solvency statement: (1) A solvency statement, as required under subsection (1)(a) of section 89, shall be signed by all directors of the company, and where a company has more than three directors, by the majority of directors including the chief executive, not more than five weeks prior to the date of passing the special resolution for reduction of share capital, and shall be made as a declaration verified by an affidavit to the effect that the directors have made a full inquiry into the affairs of the company and, having done so, have formed the opinion that the company is able to pay or otherwise discharge its debts as they become due.

(2) The solvency statement shall be in such form and manner as may be prescribed.

(4) The company shall, within fifteen days of passing the special resolution under section 89, file with the registrar—

(a) a copy of the special resolution; and

(b) a copy of the solvency statement signed by the directors as provided in sub-section (1).

(c) a copy of the report of the auditors of the company, prepared, so far as the circumstances admit, in accordance with the provisions of this Act, on the statement of financial position and profit and loss account of the company for the period commencing from the date up to which the last such accounts were prepared and ending with the latest date immediately before the making of the declaration

(5) The special resolution referred to in subsection (4) shall not take effect until the documents specified in that subsection have been registered by the registrar.

(6) Any director who contravenes or permits the contravention of the provisions of subsections (3), (4), or (5) shall be liable to a penalty not exceeding level 3 on the standard scale

Rationale

Newly inserted as consequential change to section 89 above

The insertion of Section 89A introduces a solvency statement requirement to ensure that any reduction of share capital does not compromise a company's ability to meet its debt obligations. By mandating directors' certification and timely filing with the registrar, the provision strengthens accountability and creditor protection. It enhances transparency in capital restructuring while aligning Pakistan's corporate law with international best practices. This safeguard balances business flexibility with financial discipline and market confidence.

53. Section 98. Limited company may have directors with unlimited liability

Existing Provision

98. Limited company may have directors with unlimited liability.—(1) In a limited company, the liability of the directors or of any director may, if so provided by the memorandum, be unlimited.

(2) In a limited company in which the liability of any director is unlimited, the directors of the company, if any, and the member who proposes a person for election or appointment to the office of director, shall add to that proposal a statement that the liability of the person holding that office will be unlimited and the promoters and officers of the company, or one of them shall, before that person accepts the office or acts therein, give him notice in writing that his liability will be unlimited.

(3) Any violation of this section shall be an offence liable to a penalty of level 1 on the standard scale and shall also be liable for any damage which the person so elected or appointed may sustain from the default, but the liability of the person elected or appointed shall not be affected by the default.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

98. Limited company may have directors with unlimited liability.—(1) In a limited company, the liability of the directors or of any director may, if so provided by the articles ~~memorandum~~, be unlimited.

(2) In a limited company in which the liability of any director is unlimited, the directors of the company, if any, and the member who proposes a person for election or appointment to the office of director, shall add to that proposal a statement that the liability of the person holding that office will be unlimited and the promoters and officers of the company, or one of them shall, before that person accepts the office or acts therein, give him notice in writing that his liability will be unlimited.

(3) Any violation of this section shall be an offence liable to a penalty of level 1 on the standard scale and shall also be liable for any damage which the person so elected or appointed may

sustain from the default, but the liability of the person elected or appointed shall not be affected by the default.

Rationale

Amendment is consequential to elimination of memorandum.

54. Section 99. Special resolution of limited company making liability of directors unlimited

Existing Provision

99. Special resolution of limited company making liability of directors unlimited.—A limited company, if so authorised by its articles, may, by special resolution, alter its memorandum so as to render unlimited the liability of its directors or of any director:
Provided that an alteration of the memorandum making the liability of any of the directors unlimited shall not apply, without his consent, to a director who was holding the office from before the date of the alteration, until the expiry of the term for which he was holding office on that date.

Proposed Amendment

Source: BOI's regulatory reform for listed companies

Objective: Ease of doing business

~~**99. Special resolution of limited company making liability of directors unlimited.** A limited company, if so authorised by its articles, may, by special resolution, alter its memorandum so as to render unlimited the liability of its directors or of any director:~~

~~Provided that an alteration of the memorandum making the liability of any of the directors unlimited shall not apply, without his consent, to a director who was holding the office from before the date of the alteration, until the expiry of the term for which he was holding office on that date.~~

Rationale

Deleted keeping in view best international practices.

55. Section 100. Requirement to register a mortgage or charge

Existing Provision

100. Requirement to register a mortgage or charge.—(1) A company that creates a mortgage or charge to which this section applies must file the specified particulars of the mortgage or charge, together with a copy of the instrument, if any, verified in the specified manner, by which the mortgage or charge is created or evidenced, with the registrar for registration within a period of thirty days beginning with the day after the date of its creation:
Provided that—
(a) in the case of a mortgage or charge created out of Pakistan comprising solely property situated outside Pakistan, thirty days after the date on which the instrument or copy could, in due course of post, and if dispatched with due diligence, have been received in Pakistan shall be substituted for thirty days after the date of the creation of the mortgage or charge as the time within which the particulars and instrument or copy are to be filed with the registrar; and

(b) in case the mortgage or charge is created in Pakistan but comprises property outside Pakistan, a copy of the instrument creating or purporting to create the mortgage or charge verified in the specified manner may be filed for registration notwithstanding that further proceedings may be necessary to make the mortgage or charge valid or effectual according to the law of the country in which the property is situate:

Provided further that any subsequent registration of a mortgage or charge shall not prejudice any right acquired in respect of any property before the mortgage or charge is actually registered.

(2) This section applies to the following charges—

(a) a mortgage or charge on any immovable property wherever situate, or any interest therein; or

(b) a mortgage or charge for the purposes of securing any issue of debentures;

(c) a mortgage or charge on book debts of the company;

(d) a floating charge on the undertaking or property of the company, including stock-in-trade; or

(e) a charge on a ship or aircraft, or any share in a ship or aircraft;

(f) a charge on goodwill or on any intellectual property;

(g) a mortgage or charge or pledge, on any movable property of the company;

(h) a mortgage or charge or other interest, based on agreement for the issue of any instrument in the nature of redeemable capital; or

(i) a mortgage or charge or other interest, based on conditional sale agreement, namely, lease financing, hire-purchase, sale and lease back, and retention of title, for acquisition of machinery, equipment or other goods:

Provided that where a negotiable instrument has been given to secure the payment of any book debts of a company, the deposit of the instrument for the purpose of securing an advance to the company shall not for the purpose of this sub-section be treated as a mortgage or charge on those book debts.

Explanation.—For the purposes of this Act "**charge**" includes mortgage or pledge.

(3) The registrar shall, on registration of a mortgage or charge under sub-section (1) issue a certificate of registration under his signatures or authenticated by his official seal in such form and in such manner as may be specified.

(4) The provisions of this section relating to registration shall apply to a company acquiring any property subject to a mortgage or charge.

(5) Notwithstanding anything contained in any other law for the time being in force, no mortgage or charge created by a company shall be taken into account by the liquidator or any

other creditor unless it is duly registered under sub-section (1) and a certificate of registration of such charge is given by the registrar under sub-section (3).
(6) Nothing in sub-section (5) shall prejudice any contract or obligation for repayment of the money thereby secured.

(7) Where any mortgage or charge on any property or assets of a company or any of its undertakings is registered under this section, any person acquiring such property, assets, undertakings or part thereof or any share or interest therein shall be deemed to have notice of the mortgage or charge from the date of such registration.

Proposed Amendment: New concept

Source: SECP

Objective: Ease of doing Business

New Concept: Making the Register of Mortgages and Charges under Companies Act a "Notice Based Modern Collateral Register"

Registration of charges created by/against the assets of the companies are registered in the register of mortgages and charges maintained under the Companies Act, while charges created by other unincorporated entities are registered in the Secured Transactions Registry established under the provisions of the STA.

A number of jurisdictions, including Australia, Canada, United States and New Zealand have implemented a modern collateral registry that contains features of a **notice-based registry**. Along the same lines a "Notice Based Modern Collateral Register" as also provided under the Secured Transactions Act, 2016 (STA).

STA is primarily based on the principles and practices recommended in the "Legislative Guide on Secured Transactions" published by the United Nations Commission on International Trade Law (UNCITRAL) and STR has the following key features of a modern collateral registry, as recommended by the UNCITRAL and the World Bank as part of its methodology for "Getting Credit" indicator of Ease of Doing Business Index:

- Electronic register available 24/7
- Registration process is fully automated.
- A searchable registry and public searches are allowed with no restrictions.

▪ A notice-based registry and the Registrar does not review the filings.

▪ No time limit for registration of charges. Since priority depends on the date of registration, therefore secured creditors ensure timely registration to preserve their priority position.

Challenges involved:

1. Amendment in chapter of mortgages and charges in the Companies Act and

other sections related to mortgages and charges.

2. Catering mortgages and charges on immovable assets of the Companies as STA only covers security interest on movable assets.

3. Development of the new registry and aligning of existing database of charges

from Register of Mortgages with the new registry.

4. Inspection of record of companies and integration with the new registry.

5. Creating awareness in the staff and the general public including the financial institutions for the proposed change.

All clauses related to mortgage/charge registration may be deleted/moved to secured

Transaction Act, 2016 after through consultation with the key stakeholders.

Rationale

As provided above under caption 'proposed amendment'

56. Section 118. Members of a company

Existing Provision

118. Members of a company. —The subscribers to the memorandum of association are deemed to have agreed to become members of the company and become members on its registration and every other person-

(a) to whom is allotted, or who becomes the holder of any class or kind of shares; or
(b) in relation to a company not having a share capital, any person who has agreed to become a member of the company; and whose names are entered; in the register of members, are members of the company.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

~~**118. Members of a company. —**The subscribers to the memorandum of association are deemed to have agreed to become members of the company and become members on its registration and every other person-~~

~~(a) to whom is allotted, or who becomes the holder of any class or kind of shares; or~~
~~(b) in relation to a company not having a share capital, any person who has agreed to become a member of the company;~~

~~and whose names are entered; in the register of members, are members of the company.~~

Rationale

Definition of member is inserted in definitions clause-2.

57. Section 119. Register of members

Existing Provision

119. Register of members.— (1) Every company shall keep a register of its members and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.

(2) There must be entered in the register such particulars of each member as may be specified.

(3) In the case of joint holders of shares or stock in a company, the company's register of members shall state the names of each joint holder. In other respects joint holders shall be regarded for the purposes of this Part as a single member and the address of the person named first shall be entered in the register:

(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01, listed companies & SECP

Objective: Digitalization

119. Register of members.— (1) Every company shall keep ~~a~~ an electronic register of its members and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.
(2) There must be entered in ~~the~~ an electronic register such particulars of each member as may be specified.
(3) In the case of joint holders of shares or stock in a company, the company's register of members shall state the names of each joint holder. In other respects joint holders shall be

regarded for the purposes of this Part as a single member and the address of the person named first shall be entered in the register:
(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

Provided that, in the case of a company whose shares are issued or held in book-entry form, the record of shareholding maintained by the Central Depository shall be deemed to be the register of members for the purposes of this section

Rationale

The insertion of the word **"electronic"** in sub-sections (1) and (2) modernizes the record-keeping requirements for companies by mandating the maintenance of an electronic register of members instead of a purely manual or physical record. This change aligns with the Government's digital transformation and regulatory modernization agenda, facilitating efficiency, accuracy, and accessibility in maintaining shareholders' data.

The insertion of the **last proviso** recognizes that, for companies whose shares are issued or held in book-entry form, the Central Depository's records already serve as the definitive and real-time source of shareholder information. By deeming such depository-maintained records as the company's statutory register of members, the amendment eliminates duplication, ensures consistency between depository and company records, and provides legal certainty regarding ownership and transfer of dematerialized securities.

58. Section 120. Index of members

Existing Provision

120. Index of members.—(1) Every company having more than fifty members shall keep an index of the names of the members of the company, unless the register of members is in such a form as to constitute in itself an index.
(2) The company shall make any necessary alteration in the index within fourteen days after the date on which any alteration is made in the register of members.
(3) The index shall contain, in respect of each member, a sufficient indication to enable the account of that member in the register to be readily found.
(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Digitization

~~**120. Index of members.—**(1) Every company having more than fifty members shall keep an index of the names of the members of the company, unless the register of members is in such a form as to constitute in itself an index.~~
~~(2) The company shall make any necessary alteration in the index within fourteen days after the date on which any alteration is made in the register of members.~~
~~(3) The index shall contain, in respect of each member, a sufficient indication to enable the account of that member in the register to be readily found.~~
~~(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.~~

Rationale

The requirement for maintaining a separate index of members has become redundant with the adoption of digital registers and automated record-keeping systems, hence it is proposed to be eliminated.

59. Section 122. Register of debenture-holders

Existing Provision

122. Register of debenture-holders.—(1) Every company shall keep a register of its debenture-holders and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.
(2) There must be entered in the register such particulars of each debenture-holder as may be specified.
(3) omitted
(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Digitalization

122. Register of debenture-holders.—(1) Every company shall keep ~~a~~ an electronic register of its debenture-holders and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.
(2) There must be entered in ~~the~~ an electronic register such particulars of each debenture-holder as may be specified.
(3) omitted
(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

Rationale

The proposed amendment aims to mandate the maintenance of an electronic register of debenture holder to promote digital recordkeeping and transparency. This measure aligns with SECP's vision of a fully digital corporate registry and supports efficiency, accuracy, and accessibility of shareholder data.

60. Section 123. Index of debenture-holders

Existing Provision

123. Index of debenture-holders.—(1) Every company having more than fifty debenture-holders shall keep an index of the names of the debenture-holders of the company, unless the register of debenture-holders is in such a form as to constitute in itself an index and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.
(2) The company shall make any necessary alteration in the index within fourteen days after the date on which any alteration is made in the register of debenture-holders.
(3) The index shall contain, in respect of each debenture-holder, a sufficient indication to enable the account of that debenture-holder in the register to be readily found.
(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Digitalization

~~**123. Index of debenture-holders.—**(1) Every company having more than fifty debenture-holders shall keep an index of the names of the debenture-holders of the company, unless the register of debenture-holders is in such a form as to constitute in itself an index and any contravention or default in complying with requirement of this section shall be an offence punishable under this Act.~~
~~(2) The company shall make any necessary alteration in the index within fourteen days after the date on which any alteration is made in the register of debenture-holders.~~
~~(3) The index shall contain, in respect of each debenture-holder, a sufficient indication to enable the account of that debenture-holder in the register to be readily found.~~
~~(4) A person guilty of an offence under this section shall be liable to a penalty of level 1 on the standard scale.~~

Rationale

The requirement for maintaining a separate index of debenture holder has become redundant with the adoption of digital registers and automated record-keeping systems, hence it is proposed to be eliminated.

61. Section 125. Power to close register.

Existing Provision

125. Power to close register. — (1) A company may, on giving not less than seven days' previous notice close its register of members, or the part of it relating to members holding shares of any class, for any period or periods not exceeding in the whole thirty days in each year:

Provided that the Commission may, on the application of the company extend the period mentioned in sub-section (1), for a further period of fifteen days.
(2) In the case of listed company, notice for the purposes of sub-section (1), must be given by advertisement in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation.
(3) The provision of this section shall also apply for the purpose of closure of register of debenture-holders of a company.

(4) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 2 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

125. Power to close register.

(1) A company may, on giving such ~~not less than seven days' previous~~ notice within time period as may be specified, close its register of members~~,~~ or the part of it relating to members holding shares of any class, for ~~any~~ such period or periods as may be specified.~~ not exceeding in the whole thirty days in each year:~~

~~Provided that the Commission may, on the application of the company extend the period mentioned in sub-section (1), for a further period of fifteen days~~.

(2) In the case of listed company, notice for the purposes of sub-section (1), must be given by advertisement in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation.

(3) The provision of this section shall also apply for the purpose of closure of register of debenture-holders of a company.

(4) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 2 on the standard scale.

Rationale

Agreed to eliminate SECP approval. Register may be closed up to 45 days. Relaxation proposed for private and retain for listed.

It is also pertinent to mention that embedding fixed timelines in the Companies Act creates rigidity. Any future need for adjustment would require amendments in primary law, which would be both time consuming and challenging.

To ensure flexibility and responsiveness to evolving market practices, it is recommended that the timelines for acceptance of listed LORs be governed exclusively under the relevant regulatory framework rather than through primary legislation.

62. Section 126. Power of Court to rectify register

Existing Provision

126. Power of Court to rectify register.—(1) If—

(a) the name of any person is fraudulently or without sufficient cause entered in or omitted from the register of members or register of debenture-holders of a company; or
(b) default is made or unnecessary delay takes place in entering on the register of members or register of debenture-holders the fact of the person having become or ceased to be a member or debenture-holder;
the person aggrieved, or any member or debenture-holder of the company, or the company, may apply to the Court for rectification of the register.

(2) The Court may either refuse the application or may order rectification of the register on payment by the company of any damages sustained by any party aggrieved, and may make such order as to costs as it in its discretion thinks fit.

(3) On any application under sub-section (1) the Court may decide any question relating to the title of any person who is a party to the application to have his name entered in or omitted from the register, whether the question arises between members or debenture-holders or alleged members or debenture-holders, or between members or alleged members, or debenture-holders or alleged debenture-holders, on the one hand and the company on the other hand; and generally may decide any question which it is necessary or expedient to decide for rectification of the register.

(4) Where the Court has passed an order under sub-section (3) that *prima facie* entry in or omission from, the register of members or the register of debenture-holders the name or other particulars of any person, was made fraudulently or without sufficient cause, the Court may send a reference for adjudication of offence under section 127 to the court as provided under section 482.

Proposed Amendment

Source: SECP
Objective: Ease of doing business

~~**126. Power of Court to rectify register.—**(1) If—~~

~~(a) the name of any person is fraudulently or without sufficient cause entered in or omitted from the register of members or register of debenture-holders of a company; or~~

~~(b) default is made or unnecessary delay takes place in entering on the register of members or register of debenture-holders the fact of the person having become or ceased to be a member or debenture-holder;~~
~~the person aggrieved, or any member or debenture-holder of the company, or the company, may apply to the Court for rectification of the register.~~

~~(2) The Court may either refuse the application or may order rectification of the register on payment by the company of any damages sustained by any party aggrieved, and may make such order as to costs as it in its discretion thinks fit.~~

~~(3) On any application under sub-section (1) the Court may decide any question relating to the title of any person who is a party to the application to have his name entered in or omitted from the register, whether the question arises between members or debenture-holders or alleged members or debenture-holders, or between members or alleged members, or debenture-holders or alleged debenture-holders, on the one hand and the company on the other hand; and generally may decide any question which it is necessary or expedient to decide for rectification of the register.~~

~~(4) Where the Court has passed an order under sub-section (3) that *prima facie* entry in or omission from, the register of members or the register of debenture-holders the name or other particulars of any person, was made fraudulently or without sufficient cause, the Court may send a reference for adjudication of offence under section 127 to the court as provided under section 482.~~

Rationale

Section 126 of the Companies Act, 2017 empowered the Court to order rectification of the register of members or debenture-holders in cases of fraudulent or erroneous entry, omission, or unnecessary delay. While this provision provided judicial oversight, in practice it resulted in lengthy, costly, and time-consuming litigation, even for matters of a purely administrative or procedural nature.

With the evolution of corporate regulation and increased reliance on electronic filings and real-time data maintenance, the continued requirement of approaching courts for rectification of registers become disproportionate and inconsistent with modern regulatory practices. The retention of section 126 also resulted in duplication of remedies, as similar relief mechanisms already exist under sections 80 and 464 of the Act. Moreover to cater this, section 74A is also inserted to further address it.

63. Section 127. Punishment for fraudulent entries in and omission from register

Existing Provision

127. Punishment for fraudulent entries in and omission from register.—Anyone who fraudulently or without sufficient cause enters in, or omits from the register of members or the register of debenture-holders the name or other particulars of any person, shall be punishable with imprisonment for a term which may extend to three years or with fine which may extend to one million rupees, or with both.

Proposed Amendment

Source: SECP proposal endorsed by BOI's regulatory reform Package 01

Objective: Decriminalization

127. Punishment for fraudulent entries in and omission from register.—Anyone fraudulently or without sufficient cause enters in, or omits from the register of members or the register of debenture-holders the name or other particulars of any person, shall be ~~punishable with imprisonment for a term which may extend to three years or with fine which may extend to one million rupees, or with both .~~ liable to penalty of level 3 on the standard scale.

Rationale

Decriminalization of penalty.

64. Section 130. Annual return

Existing Provision

130. Annual return.—(1) Every company having a share capital shall, once in each year, prepare and file with the registrar an annual return containing the particulars in a specified form as on the date of the annual general meeting or, where no such meeting is held or if held is not concluded, on the last day of the calendar year.

(2) A company not having a share capital shall in each year prepare and file with the registrar a return containing the particulars in a specified form as on the date of the annual general meeting or, where no such meeting is held or if held is not concluded, on the last day of the calendar year.

(3) The return referred to in sub-section (1) or sub-section (2) shall be filed with the registrar within thirty days from the date of the annual general meeting held in the year or, when no such meeting is held or if held is not concluded, from the last day of the calendar year to which it relates:

Provided that, in the case of a listed company, the registrar may for special reasons extend the period of filing of such return by a period not exceeding fifteen days.

(4) All the particulars required to be submitted under sub-section (1) and sub-section (2) shall have been previously entered in one or more registers kept by the company for the purpose.

(5) Nothing in this section shall apply to a company, in case there is no change of particulars in the last annual return filed with the registrar:

Provided that a company, other than a single member company or a private company having paid up capital of not more than three million rupees, shall inform the registrar in a specified manner that there is no change of particulars in the last annual return filed with the registrar.

(6) Any contravention or default in complying with requirement of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and

(b) in case of any other company, to a penalty of level 1 on the standard scale

Proposed Amendment

Source: BOI's regulatory reform Package 01, listed companies & SECP

Objective: Digitalization

130. Annual return.—(1) Every company having a share capital shall, once in each year, prepare and file with the registrar an annual return containing the particulars in a specified form as on the date of the annual general meeting or, where no such meeting is held or if held is not concluded, on the last day of the calendar year.

Provided that, with effect from a date to be notified by the Commission, every company shall be required to file its annual return exclusively through the eServices, in such manner and for such class or classes of companies as may be notified by the Commission.

(2) A company not having a share capital shall in each year prepare and file with the registrar a return containing the particulars in a specified form as on the date of the annual general meeting or, where no such meeting is held or if held is not concluded, on the last day of the calendar year.

(3) The return referred to in sub-section (1) or sub-section (2) shall be filed with the registrar within thirty days from the date of the annual general meeting held in the year or, when no such meeting is held or if held is not concluded, from the last day of the calendar year to which it relates:

Provided that, in the case of a listed company, the registrar may for special reasons extend the period of filing of such return by a period not exceeding fifteen days.

(4) All the particulars required to be submitted under sub-section (1) and sub-section (2) shall have been previously entered in one or more registers kept by the company for the purpose.

~~(5) Nothing in this section shall apply to a company, in case there is no change of particulars in the last annual return filed with the registrar:~~

~~Provided that a company, other than a single member company or a private company having paid up capital of not more than three million rupees, shall inform the registrar in a specified manner that there is no change of particulars in the last annual return filed with the registrar.~~

(6) Any contravention or default in complying with requirement of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and

(b) in case of any other company, to a penalty of level 1 on the standard scale

Rationale

The insertion of the **first proviso** under sub-section (1), requiring companies to file their annual returns **exclusively through the eServices**, is intended to promote **digitalization, efficiency, and transparency** in corporate filings. By mandating electronic submission, the amendment aligns with SECP's broader **regulatory modernization and paperless governance agenda**, minimizes manual errors and delays, facilitates real-time data availability, and ensures a uniform filing mechanism across all companies or specific classes as may be notified.

The **omission of sub-section (5)** removes the earlier exemption from filing annual returns in years where no change in particulars occurred. This change has been made to ensure **continuous annual compliance and up-to-date reporting** by all companies, thereby improving regulatory oversight and data integrity. Even where no material change occurs, filing an annual return (electronically) confirms the company's operational status and compliance posture, reducing risks of misuse, inactivity, or outdated corporate records.

65. Section 131. Statutory meeting of company

Existing Provision

131. Statutory meeting of company.— (1) Every public company having a share capital shall, within a period of one hundred and eighty days from the date at which the company is entitled to commence business or within nine months from the date of its incorporation whichever is earlier, hold a general meeting of the members of the company, to be called the "statutory meeting": (a) the total number of shares allotted, distinguishing shares allotted other than in cash, and stating the consideration for which they have been allotted;

Provided that in case first annual general meeting of a company is decided to be held earlier, no statutory meeting shall be required.

(2) The notice of a statutory meeting shall be sent to the members at least twenty-one days before the date fixed for the meeting along with a copy of statutory report.

(3) The statutory report shall state—

(b) the total amount of cash received by the company in respect of all the shares allotted;

(c) an abstract of the receipts of the company and of the payments made there out up to a date within fifteen days of the date of the report, exhibiting under distinctive headings the receipts of the company from shares and debentures and other sources, the payments made there out, and particulars concerning the balance remaining in hand, and an account or estimate of the preliminary expenses of the company showing separately any commission or discount paid or to be paid on the issue or sale of shares or debentures;
(d) the names, addresses and occupations of the directors, chief executive, secretary, auditors and legal advisers of the company and the changes, if any, which have occurred since the date of the incorporation;
(e) the particulars of any contract the modification of which is to be submitted to the meeting for its approval, together with the particulars of the modification or proposed modification;

(f) the extent to which underwriting contracts, if any, have been carried out and the extent to which such contracts have not been carried out, together with the reasons for their not having been carried out; and
(g) the particulars of any commission or brokerage paid or to be paid in connection with the issue or sale of shares to any director, chief executive, secretary or officer or to a private company of which he is a director;
and certified by the chief executive and at least one director of the company, and in case of a listed company also by the chief financial officer.

(4) The statutory report shall also contain a brief account of the state of the company's affairs since its incorporation and the business plan, including any change or proposed change affecting the interest of shareholders and business prospects of the company.

(5) The statutory report shall, so far as it relates to the shares allotted by the company, the cash received in respect of such shares and to the receipts and payments of the company, be accompanied by a report of the auditors of the company as to the correctness of such allotment, receipt of cash, receipts and payments.

(6) The directors shall cause a copy of the statutory report, along with report of the auditors as aforesaid, to be delivered to the registrar for registration forthwith after sending the report to the members of the company.

(7) The directors shall cause a list showing the names, occupations, nationality and addresses of the members of the company, and the number of shares held by them respectively, to be produced at the commencement of the meeting and to remain open and accessible to any member of the company during the continuance of the meeting.

(8) The members of the company present at the meeting shall be at liberty to discuss any matter relating to the formation of the company or arising out of the statutory report, whether previous notice has been given or not, but no resolution of which notice has not been given in accordance with the articles may be passed.

(9) The meeting may adjourn from time to time, and at any adjourned meeting any resolution of which notice has been given in accordance with the articles, either before or after the original meeting, may be passed, and an adjourned meeting shall have the same powers as an original meeting.

(10) The provisions of this section shall not apply to a public company which converts itself from a private company after one year of incorporation.

(11) Any contravention or default in complying with requirement of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and

(b) in case of any other company, to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package for listed companies

Objective: Ease of doing business

131. Statutory meeting of company.—(1) Every public company having a share capital shall, within a period of one hundred and eighty days from the date at which the company is entitled to commence business or within nine months from the date of its incorporation whichever is earlier, hold a general meeting of the members of the company, to be called the "statutory meeting": (a) the total number of shares allotted, distinguishing shares allotted other than in cash, and stating the consideration for which they have been allotted;

Provided that in case first annual general meeting of a company is decided to be held earlier, no statutory meeting shall be required.

(2) The notice of a statutory meeting shall be sent to the members at least twenty-one days before the date fixed for the meeting along with a copy of statutory report.

(3) The statutory report shall state—

(b) the total amount of cash received by the company in respect of all the shares allotted;

(c) an abstract of the receipts of the company and of the payments made there out up to a date within fifteen days of the date of the report, exhibiting under distinctive headings the receipts of the company from shares and debentures and other sources, the payments made there out, and particulars concerning the balance remaining in hand, and an account or estimate of the preliminary expenses of the company showing separately any commission or discount paid or to be paid on the issue or sale of shares or debentures;
(d) the names, addresses and occupations of the directors, chief executive, secretary, auditors and legal advisers of the company and the changes, if any, which have occurred since the date of the incorporation;
(e) the particulars of any contract the modification of which is to be submitted to the meeting for its approval, together with the particulars of the modification or proposed modification;
(f) the extent to which underwriting contracts, if any, have been carried out and the extent to which such contracts have not been carried out, together with the reasons for their not having been carried out; and
(g) the particulars of any commission or brokerage paid or to be paid in connection with the issue or sale of shares to any director, chief executive, secretary or officer or to a private company of which he is a director;
and certified by the chief executive and at least one director of the company, and in case of a listed company also by the chief financial officer.

(4) The statutory report shall also contain a brief account of the state of the company's affairs since its incorporation and the business plan, including any change or proposed change affecting the interest of shareholders and business prospects of the company.

(5) The statutory report shall, so far as it relates to the shares allotted by the company, the cash received in respect of such shares and to the receipts and payments of the company, be accompanied by a report of the auditors of the company as to the correctness of such allotment, receipt of cash, receipts and payments.

~~(6) The directors shall cause a copy of the statutory report, along with report of the auditors as aforesaid, to be delivered to the registrar for registration forthwith after sending the report to the members of the company.~~

~~(7) The directors shall cause a list showing the names, occupations, nationality and addresses of the members of the company, and the number of shares held by them respectively, to be produced at the commencement of the meeting and to remain open and accessible to any member of the company during the continuance of the meeting.~~

~~(8) The members of the company present at the meeting shall be at liberty to discuss any matter relating to the formation of the company or arising out of the statutory report, whether previous notice has been given or not, but no resolution of which notice has not been given in accordance with the articles may be passed.~~

~~(9) The meeting may adjourn from time to time, and at any adjourned meeting any resolution of which notice has been given in accordance with the articles, either before or after the original meeting, may be passed, and an adjourned meeting shall have the same powers as an original meeting.~~

~~(10) The provisions of this section shall not apply to a public company which converts itself from a private company after one year of incorporation.~~

~~(11) Any contravention or default in complying with requirement of this section shall be an offence liable—~~

~~(a) in case of a listed company, to a penalty of level 2 on the standard scale; and~~

~~(b) in case of any other company, to a penalty of level 1 on the standard scale.~~

Rationale

The omission of section 131 relating to the statutory meeting is proposed as the provision has no practical utility in the present regulatory framework. The original objective of ensuring initial disclosure of a company's affairs is already achieved through existing requirements - the manner for payment of subscription money is prescribed under section 17 and every company is mandated to hold its first annual general meeting within eighteen months of incorporation. Therefore, retaining a separate statutory meeting serves no additional purpose and only creates redundant compliance. Its omission will simplify procedures and promote ease of doing business.

66. Section 132. Annual general meeting

Existing Provision

132. Annual general meeting.—(1) Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year:

Provided that, in the case of a listed company, the Commission, and, in any other case, the registrar, may for any special reason extend the time within which any annual general meeting, shall be held by a period not exceeding thirty days.
(2) An annual general meeting shall, in the case of a listed company, be held in the town in which the registered office of the company is situate or in a nearest city: Provided that at least seven days prior to the date of meeting, on the demand of members residing in a city who hold at least ten percent of the total paid up capital or such other percentage as may be specified, a listed company must provide the facility of video- link to such members enabling them to participate in its annual general meeting.
(3) The notice of an annual general meeting shall be sent to the members and every person who is entitled to receive notice of general meetings at least twenty-one days before the date fixed for the meeting: Provided that in case of a listed company, such notice shall be sent to the Commission, in addition to its being dispatched in the normal course to members and the notice shall also be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having nationwide circulation.
(4) Nothing in this section shall apply to a single member company.
(5) Any contravention or default in complying with requirement of this section shall be an offence liable—
(a) in case of a listed company, to a penalty of level 2 on the standard scale; and
(b) in case of any other company, to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

132. Annual general meeting.—(1) Every company, shall hold, an annual general meeting within sixteen months from the date of its incorporation and thereafter once in every calendar year within a period of one hundred and twenty days following the close of its financial year:
Provided that, in the case of a listed company, the Commission, and, in any other case, the registrar, may for any special reason extend the time within which any annual general meeting, shall be held by a period not exceeding thirty days.
Provided further that the provisions of this sub-section shall not apply to private company, not being public interest company and subsidiary of listed company, in case the board of directors holds at least seventy five percent of voting rights.

(2) An annual general meeting shall, in the case of a listed company, be held in the town in which the registered office of the company is situate or in a nearest city: Provided that at least seven days prior to the date of meeting, on the demand of members residing in a city who hold at least ten percent of the total paid up capital or such other percentage as may be specified, a listed company must provide the facility of video- link to such members enabling them to participate in its annual general meeting.

(3) The notice of an annual general meeting shall be sent to the members and every person who is entitled to receive notice of general meetings at least such number of days ~~twenty-one days~~ before the date fixed for the meeting as may be notified by the Commission:

Provided that in case of a listed company, such notice shall be sent to the Commission, in addition to its being dispatched in the normal course to members and the notice shall also be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having nationwide circulation.
(4) Nothing in this section shall apply to a single member company.
(5) Any contravention or default in complying with requirement of this section shall be an offence liable—
(a) in case of a listed company, to a penalty of level 2 on the standard scale; and
(b) in case of any other company, to a penalty of level 1 on the standard scale.

Rationale

The insertion of the second proviso in sub-section (1) provide exemption from holding annual general meetings for private companies in which the board of directors collectively holds more than seventy-five percent of the shareholding. The rationale is to reduce unnecessary compliance burden for closely held private companies where ownership and management are substantially identical, and where the requirement of holding an AGM serves no meaningful corporate governance purpose. Such companies can effectively take decisions through board resolutions.

Similarly, the substitution of the fixed period of "twenty-one days" with the phrase "such period as may be specified" provides regulatory flexibility to the Commission to prescribe or vary the notice period for annual general meetings through subordinate legislation, enabling alignment with evolving corporate practices, technological advancements, and the need for ease of doing business.

67. Section 133. Calling of extra-ordinary general meeting

Existing Provision

133. Calling of extra-ordinary general meeting.—(1) All general meetings of a company, other than the annual general meeting referred to in section 132 and the statutory meeting mentioned in section 131, shall be called extraordinary general meetings.
(2) The board may at any time call an extra-ordinary general meeting of the company to consider any matter which requires the approval of the company in a general meeting.
(3) The board shall, at the requisition made by the members—
(a) in case of a company having share capital, representing not less than one-tenth of the total voting power as on the date of deposit of requisition; and
(b) in case of a company not having share capital, not less than one tenth of the total members; forthwith proceed to call an extraordinary general meeting.
(4) The requisition shall state the objects of the meeting, be signed by the requisitionists and deposited at the registered office of the company.
(5) If the board does not proceed within twenty-one days from the date of the requisition being so deposited to cause a meeting to be called, the requisitionists, may themselves call the meeting, but in either case any meeting so called shall be held within ninety days from the date of the deposit of the requisition.

(6) Any meeting called under sub-section (5) by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by board.
(7) Any reasonable expenses incurred by the requisitionists in calling a meeting under sub-section (5) shall be re-imbursed to the requisitionists by the company and the sums so paid shall be deducted from any fee or other remuneration payable to such of the directors who were in default in calling the meeting.
(8) Notice of an extra-ordinary general meeting shall be served to the members in the manner provided for in section 55: Provided that in case of a company other than listed, if all the members entitled to attend and vote at any extraordinary general meeting so agree, a meeting may be held at a shorter notice.
(9) Any contravention or default in complying with requirement of this section shall be an offence liable—
(a) in case of a listed company, to a penalty of level 2 on the standard scale; and
(b) in case of any other company, to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & UFT Package

Objective: Ease of doing business

133. Calling of extra-ordinary general meeting.—(1) All general meetings of a company, other than the annual general meeting referred to in section 132 ~~and the statutory meeting mentioned in section 131~~, shall be called extraordinary general meetings.

(2) The board may at any time call an extra-ordinary general meeting of the company to consider any matter which requires the approval of the company in a general meeting.

Provided further that single member and private company, not being public interest company and subsidiary of listed company, are exempted from holding extra-ordinary general meeting, in case the board of directors holds more than seventy five percent of shareholding and voting rights.

The board shall, at the requisition made by the members—
(a) in case of a company having share capital, representing not less than one-tenth of the total voting power as on the date of deposit of requisition; and
(b) in case of a company not having share capital, not less than one tenth of the total members; forthwith proceed to call an extraordinary general meeting.
(4) The requisition shall state the objects of the meeting, be signed by the requisitionists and deposited at the registered office of the company.
(5) If the board does not proceed within fourteen ~~twenty-one~~ days from the date of the requisition being so deposited to cause a meeting to be called, the requisitionists, may themselves call the meeting, but in either case any meeting so called shall be held within ninety days from the date of the deposit of the requisition.
(6) Any meeting called under sub-section (5) by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by board.
(7) Any reasonable expenses incurred by the requisitionists in calling a meeting under subsection (5) shall be re-imbursed to the requisitionists by the company and the sums so

paid shall be deducted from any fee or other remuneration payable to such of the directors who were in default in calling the meeting.

(8) Notice of an extra-ordinary general meeting shall be served to the members in the manner provided for in section ~~55~~ 132.

Provided that in case of any company ~~other than listed~~, if seventy five percent of ~~all~~ the members entitled to attend and vote at any extraordinary general meeting so agree, a meeting may be held at a shorter notice.

(9) Any contravention or default in complying with requirement of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and (b) in case of any other company, to a penalty of level 1 on the standard scale.

Rationale

The insertion of the proviso in sub-section (2) seeks to provide exemption from holding extra ordinary general meetings for private companies in which the board of directors collectively holds more than seventy-five percent of the shareholding. The rationale is to reduce unnecessary compliance burden for closely held private companies where ownership and management are substantially identical, and where the requirement of holding an EOGM serves no meaningful corporate governance purpose. Such companies can effectively take decisions through board resolutions.

68. Section 134. Provisions as to meetings and votes

Existing Provision

134. Provisions as to meetings and votes.—(1) The following provisions shall apply to the general meetings of a company or meetings of a class of members of the company, namely:

(a) notice of the meeting specifying the place and the day and hour of the meeting alongwith a statement of the business to be transacted at the meeting shall be given—

(i) to every member or class of the members of the company as the case may be;
(ii) to every director;
(iii) to any person who is entitled to a share in consequence of the death or bankruptcy of a member, if the company has been notified of his entitlement;
(iv) to the auditors of the company;
in the manner in which notices are required to be served by section 55, but the accidental omission to give notice to, or the non-receipt of notice by, any member shall not invalidate the proceedings at any meeting;

(b) in case of a listed company, if certain members who hold ten percent of the total paid up capital or such other percentage as may be specified, reside in a city, it shall be mentioned in the notice that such members, may demand the company to provide them the facility of video-link for attending the meeting.

(2) For the purposes of sub-section (1), in the case of an annual general meeting, all the businesses to be transacted shall be deemed special, other than-

(a) the consideration of financial statements and the reports of the board and auditors;
(b) the declaration of any dividend;
(c) the election and appointment of directors in place of those retiring; and
(d) the appointment of the auditors and fixation of their remuneration.
(3) Where any special business is to be transacted at a general meeting, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning such business, including, in particular, the nature and extent of the interest, if any, therein of every director, whether directly or indirectly, and, where any item of business consists of the according of an approval to any document by the meeting, the time when and the place where the document may be inspected, shall be specified in the statement.
(4) Members of a company may participate in the meeting personally, through video-link or by proxy.
(5) The chairman of the board, if any, shall preside as chairman at every general meeting of the company, but if there is no such chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairman, any one of the directors present may be elected to be chairman, and if none of the directors is present or is unwilling to act as chairman the members present shall choose one of their member to be the chairman.

(6) In the case of a company having a share capital, every member shall have votes proportionate to the paid-up value of the shares or other securities carrying voting rights held by him according to the entitlement of the class of such shares or securities, as the case may be:
Provided that, at the time of voting, fractional votes shall not be taken into account.
(7) No member holding shares or other securities carrying voting rights shall be debarred from casting his vote, nor shall anything contained in the articles have the effect of so debarring him.
(8) In the case of a company limited by guarantee and having no share capital, every member thereof shall have one vote.
(9) On a poll, votes may be given either personally or through video-link or by proxy or through postal ballot in a manner and subject to the conditions as may be specified.
(10) Notwithstanding anything contained in this Act, the Commission shall have the power to notify any business requiring the approval of the members shall only be transacted through postal ballot for any company or class of companies.
(11) All the requirements of this Act regarding calling of, holding and approval in general meeting, board meeting and election of directors in case of a single member company, shall be deemed complied with; if the decision is recorded in the relevant minutes book and signed by the sole member or sole director, as the case may be.
(12) Any contravention or default in complying with requirement of this section shall be an offence liable—
(a) in case of a listed company, to a penalty of level 3 on the standard scale; and
(b) in case of any other company, to a penalty of level 2 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Digitalization & Ease of doing business

134. Provisions as to meetings and votes.—(1) A company may hold a general meeting-

a) at a physical venue; or

b) by using virtual meeting technology through service provider in the manner prescribed; or

c) both at a physical venue and by using virtual meeting technology through service provider in the manner prescribed.

Provided that from *a date to be notified by the Commission, every company shall be required to hold e-meetings and conduct e-voting through a prescribed e-platform, in the manner specified by the Commission, for such class or classes of companies as may be notified.'*

Explanation: "Service provider" means any person registered by the Commission to provide e-platform for meetings in terms of Section 134A.

(1A) The following provisions shall apply to the general meetings of a company or meetings of a class of members of the company, namely:

(a) notice of the meeting specifying the place and the day and hour of the meeting alongwith a statement of the business to be transacted at the meeting shall be given—

(i) to every member or class of the members of the company as the case may be;
(ii) to every director;
(iii) to any person who is entitled to a share in consequence of the death or bankruptcy of a member, if the company has been notified of his entitlement;
(iv) to the auditors of the company;

in the manner in which notices are required to be served by section 55, but the accidental omission to give notice to, or the non-receipt of notice by, any member shall not invalidate the proceedings at any meeting;

~~(b) in case of a listed company, if certain members who hold ten percent of the total paid up capital or such other percentage as may be specified, reside in a city, it shall be mentioned in the notice that such members, may demand the company to provide them the facility of video-link for attending the meeting.~~

(b) in case of listed company, notice of the meeting shall mention that the members may also attend the meeting virtually through video-link and shall contain the necessary instructions enabling the members to attend the meeting virtually.

(2) For the purposes of sub-section (1), in the case of an annual general meeting, all the businesses to be transacted shall be deemed special, other than-
(a) the consideration of financial statements and the reports of the board and auditors;

~~(b)the declaration of any dividend;~~

(c) the election and appointment of directors in place of those retiring; and

(d) the appointment of the auditors and fixation of their remuneration.

(3) Where any special business is to be transacted at a general meeting, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning such business, including, in particular, the nature and extent of the interest, if any, therein of every director, whether directly or indirectly, and, where any item of business consists of the according of an approval to any document by the meeting, the time when and the place where the document may be inspected, shall be specified in the statement.

(4) Members of a company may participate in the meeting personally, through video-link or by proxy.

(5) The chairman of the board, if any, shall preside as chairman at every general meeting of the company, but if there is no such chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairman, any one of the directors present may be elected to be chairman, and if none of the directors is present or is unwilling to act as chairman the members present shall choose one of their member to be the chairman.

(6) In the case of a company having a share capital, every member shall have votes proportionate to the paid-up value of the shares or other securities carrying voting rights held by him according to the entitlement of the class of such shares or securities, as the case may be:

Provided that, at the time of voting, fractional votes shall not be taken into account.

(7) No member holding shares or other securities carrying voting rights shall be debarred from casting his vote, nor shall anything contained in the articles have the effect of so debarring him.

(8) In the case of a company limited by guarantee and having no share capital, every member thereof shall have one vote.

(9) On a poll, votes may be given either personally or through video-link or by proxy or through postal ballot in a manner and subject to the conditions as may be specified.

(10) Notwithstanding anything contained in this Act, the Commission shall have the power to notify any business requiring the approval of the members shall only be transacted through postal ballot for any company or class of companies.

(11) All the requirements of this Act regarding calling of, holding and approval in general meeting, board meeting and election of directors in case of a single member company and companies exempted from holding of general meeting under sub-section (1) of section 132 & 133, shall be deemed complied with; if the decision is recorded in the relevant minutes book and signed by the sole member or sole director, in case of single member company, and all directors, in case of other companies ~~as the case may be~~.

(12) Any contravention or default in complying with requirement of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 3 on the standard scale; and (b) in case of any other company, to a penalty of level 2 on the standard scale.

Rationale

The proposed insertion provides statutory recognition to virtual and hybrid general meetings, replacing the traditional requirement of physical-only meetings—which often result in higher costs, logistical burdens, limited shareholder participation, and unnecessary delays. By expressly allowing (a) physical, (b) virtual, and (c) hybrid modes, the amendment offers flexibility to companies based on their size, structure, and operational needs, while ensuring corporate governance continuity even in situations where physical meetings are impractical. The proviso empowers the Commission to mandate e-meetings and e-voting for specified classes of companies through a prescribed e-platform.

Existing sub section 1(b), imposes a conditional obligation on the company to provide video-link facility only when a specified percentage of members residing in the same city demand it, which often results in uncertainty, administrative delays, and discriminatory access for members located in different regions. To promote ease of doing business, ensure wider shareholder participation, and align with contemporary corporate governance practices and technological advancements, clause (b) provides a more efficient and equitable approach by requiring every listed company to offer a virtual/video-link option upfront. This minimizes procedural hurdles and enables shareholders across jurisdictions to participate in general meetings without any precondition or separate demand process.

Changes in sub-section (11) is consequential of exemption provided in sec 132 & 133 of the Act.

69. Section 134A. Newly inserted section: E-Platform for general meetings through service provider

Existing Provision

No existing section

Proposed Amendment

Source: SECP

Objective: Ease of doing business

134A. E-Platform for general meetings through service provider: 1) A person may, for the purpose of holding general meetings through E-platform under this Act, avail services of service providers as may be specified.

(2) A service provider intending to provide services in terms of sub-section (1) must possess the requisite qualification and be registered with the Commission in the manner as may be specified.

(3) The registration as service provider under this section shall be liable to be cancelled by the Commission on such grounds and in such manner as may be specified after providing an opportunity of being heard.

Rationale

Enabling clause is inserted for service provider in terms of section 134 of the Act.

70. Section 134B. Newly inserted section: 134B. Provisions as to meetings and votes where general meeting is exempted

Existing Provision

No existing section

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

134B. Provisions as to meetings and votes where general meeting is exempted: (1) In case a company is exempted from holding general meeting, any matter required under this Act or the Articles of the company to be placed before the general meeting may, notwithstanding anything contained in this Act or the Articles, be dealt with by the Board of Directors.

(2) A resolution which, under this Act, is required to be passed as a resolution not being special resolution, shall, in such exempted cases, be deemed duly passed if approved by the Board of directors representing not less than fifty percent of the voting rights in the company and shall be deemed duly passed in general meeting under this Act.

(3) A resolution which, under the provisions of this Act, is required to be passed as a *special resolution* shall, in such exempted case, deemed duly passed if approved by the directors representing not less than seventy-five percent of the voting rights in the company and shall be deemed duly passed in general meeting under this Act.

(4) Notice of such resolutions passed, together with a statement of its material facts, shall be circulated to all shareholders within fourteen days of passing thereof.

Rationale

The proposed section aims to provide a clear legal mechanism for decision-making in companies that are exempted from holding general meetings, such as single-member companies or other exempted classes. It ensures that essential corporate actions can still be

lawfully undertaken through the Board of Directors without compromising governance or shareholder rights. By specifying voting thresholds equivalent to ordinary and special resolutions, the provision maintains the spirit of shareholder approval while simplifying compliance for small or closely held companies. This amendment aligns with modern corporate governance practices that promote efficiency, flexibility, and reduced regulatory burden where public interest is minimal.

71. Section 135. Quorum of general meeting

Existing Provision

135. Quorum of general meeting.—(1) The quorum of a general meeting shall be—

(a) in the case of a public listed company, unless the articles provide for a larger number, not less than ten members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;

(b) in the case of any other company having share capital, unless the articles provide for a larger number, two members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;

(c) in the case of a company not having share capital, as provided in the articles: Provided that, if within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same time and place, and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present personally or through video-link being not less than two shall be a quorum, unless the articles provide otherwise.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and

(b) in case of any other company, to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's Regulatory package for listed companies

Objective: Ease of doing business

135. Quorum of general meeting.—(1) The quorum of a general meeting shall be—

(a) in the case of a public listed company, unless the articles provide for a larger number, not less than ~~ten~~ five members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;

(b) in the case of any other company having share capital, unless the articles provide for a larger number, two members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;

(c) in the case of a company not having share capital, as provided in the articles: Provided that, if within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same time and place, and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present personally or through video-link being not less than two shall be a quorum, unless the articles provide otherwise.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and

(b) in case of any other company, to a penalty of level 1 on the standard scale.

Rationale

In practice, listed companies have widely dispersed shareholding structures, and securing the physical or virtual presence of ten members often results in avoidable delays and adjournments, despite shareholders collectively holding well above the required percentage of voting power. Reducing the minimum headcount requirement to five (5) members, while retaining the mandatory threshold of **25% voting power**, ensures that meetings can proceed without compromising shareholder representation or decision-making legitimacy.

72. Section 137. Proxies

Existing Provision

137. Proxies.—(1) A member of a company entitled to attend and vote at a meeting of the company may appoint another person as his proxy to exercise all or any of his rights to attend, speak and vote at a meeting: Provided that—

(a) unless the articles of a company otherwise provide, this sub-section shall not apply in the case of a company not having a share capital;

(b) a member shall not be entitled to appoint more than one proxy to attend any one meeting;

(c) if any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the company, all such instruments of proxy shall be rendered invalid; and

(d) a proxy must be a member unless the articles of the company permit appointment of a non-member as proxy.

(2) Subject to the provisions of sub-section (1), every notice of a meeting of a company shall prominently set out the member's right to appoint a proxy and the right of such proxy to attend, speak and vote in the place of the member at the meeting and every such notice shall be accompanied by a proxy form.

(3) The instrument appointing a proxy shall—

(a) be in writing; and

(b) be signed by the appointer or his attorney duly authorised in writing, or if the appointer is a body corporate, 34**[…]** be signed by an officer or an attorney duly authorised by it.

(4) An instrument appointing a proxy, if in the form set out in Regulation 43 of Table A in the First Schedule shall not be questioned on the ground that it fails to comply with any special requirements specified for such instruments by the articles.

(5) The proxies must be lodged with the company not later than forty-eight hours before the time for holding a meeting and any provision to the contrary in the company's articles shall be void.

(6) In calculating the period mentioned in sub-section (5), no account shall be taken of any part of the day that is not a working day.

(7) The members or their proxies shall be entitled to do any or all the following things in a general meeting, namely—

(a) subject to the provisions of section 143, demand a poll on any question; and

(b) on a question before the meeting in which poll is demanded, to abstain from voting or not to exercise their full voting rights;

and any provision to the contrary in the articles shall be void.

(8) Every member entitled to vote at a meeting of the company shall be entitled to inspect during the business hours of the company all proxies lodged with the company.

(9) The provisions of this section shall apply *mutatis mutandis* to the meeting of a particular class of members as they apply to a general meeting of all the members.

(10) Failure to issue notices in time or issuing notices with material defect or omission or any other contravention of this section which has the effect of preventing participation or use of full rights by a member or his proxy shall make the company and its every officer who is a party to the default or contravention liable to—

(a) a penalty of level 2 on the standard scale if the default relates to a listed company; and

(b) to a penalty of level 1 on the standard scale if the default relates to any other company.

Proposed Amendment

Source: BOI's UFT package

Objective: Digitalization & Ease of doing business

137. Proxies.—(1) A member of a company entitled to attend and vote at a meeting of the company may appoint another person as his proxy to exercise all or any of his rights to attend, speak and vote at a meeting:

Provided that—

(a) unless the articles of a company otherwise provide, this sub-section shall not apply in the case of a company not having a share capital;
(b) a member shall not be entitled to appoint more than one proxy to attend any one meeting;
(c) if any member appoints more than one proxy for any one meeting and more than one instruments of proxy are deposited with the company, all such instruments of proxy shall be rendered invalid; and
(d) a proxy must be a member unless the articles of the company permit appointment of a non-member as proxy.

(2) Subject to the provisions of sub-section (1), every notice of a meeting of a company shall prominently set out the member's right to appoint a proxy and the right of such proxy to attend, speak and vote in the place of the member at the meeting and every such notice shall be accompanied by a proxy form.

(3) The instrument appointing a proxy shall be:—

(a) ~~be~~ through such electronic mode as may be notified; and

(b) ~~be~~ in writing and be signed by the appointer or his attorney duly authorised in writing, or if the appointer is a body corporate,be signed by an officer or an attorney duly authorised by it.

(4) An instrument appointing a proxy, if in the form set out in Regulation 43 of Table A in the First Schedule shall not be questioned on the ground that it fails to comply with any special requirements specified for such instruments by the articles.

(5) The proxies must be lodged with the company not later than ~~forty-eight~~ twenty-four hours before the time for holding a meeting and any provision to the contrary in the company's articles shall be void.

(6) In calculating the period mentioned in sub-section (5), no account shall be taken of any part of the day that is not a working day.

(7) The members or their proxies shall be entitled to do any or all the following things in a general meeting, namely—

(a) subject to the provisions of section 143, demand a poll on any question; and

(b) on a question before the meeting in which poll is demanded, to abstain from voting or not to exercise their full voting rights;

and any provision to the contrary in the articles shall be void.

(8) Every member entitled to vote at a meeting of the company shall be entitled to inspect during the business hours of the company all proxies lodged with the company.

(9) The provisions of this section shall apply *mutatis mutandis* to the meeting of a particular class of members as they apply to a general meeting of all the members.

(10) Failure to issue notices in time or issuing notices with material defect or omission or any other contravention of this section which has the effect of preventing participation or use of full rights by a member or his proxy shall make the company and its every officer who is a party to the default or contravention liable to—

(a) a penalty of level 2 on the standard scale if the default relates to a listed company; and

(b) to a penalty of level 1 on the standard scale if the default relates to any other company.

Rationale

CCoRR (UFT package) suggestion to introduce electronic proxy

73. Section 141. Voting to be by show of hands in first instance.—

Existing Provision

141. Voting to be by show of hands in first instance.—At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

141. Voting to be by show of hands in first instance.—
At any general meeting, a resolution put to the vote of the meeting shall, unless a poll is demanded, be decided on a show of hands.

Provided that in the case of a single member company or a private company, not being a public interest company and subsidiary of listed company, the manner of voting may be provided in its articles of association.

Rationale

This proviso has been inserted to grant flexibility to single member and private companies (which generally have limited shareholders and simpler governance structures) to determine their own voting procedures through their articles of association. Since these entities do not have wide public shareholding, rigid application of formal voting by show of hands is unnecessary. The amendment promotes ease of doing business and self-regulation while retaining default procedures for public and public interest companies.

74. Section 142. Declaration by chairman on a show of hands

Existing Provision

142. Declaration by chairman on a show of hands.—(1) On a vote on a resolution at a meeting on a show of hands, a declaration by the chairman that the resolution—
(a) has or has not been passed; or
(b) passed unanimously or by a particular majority;
is conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
(2) An entry in respect of such a declaration in minutes of the meeting recorded in accordance with section 151 is also conclusive evidence of that fact without such proof.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

142. Declaration by chairman on a show of hands.—(1) On a vote on a resolution at a meeting on a show of hands, a declaration by the chairman that the resolution—
(a) has or has not been passed; or
(b) passed unanimously or by a particular majority;
is conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
(2) An entry in respect of such a declaration in minutes of the meeting recorded in accordance with section 151 is also conclusive evidence of that fact without such proof.

Provided that in the case of a single member company or a private company, not being a public interest company and subsidiary of listed company, the manner of recording and declaring results of resolutions may be provided in its articles of association.

Rationale

The proviso allows single member and private companies greater procedural flexibility by enabling them to prescribe their own method of declaring and recording voting results in their Articles of Association. This relaxation acknowledges the simpler governance needs of such

companies, reduces unnecessary procedural formalities, and aligns with the policy objective of ease of doing business for small and closely held entities.

75. Section 143. Demand for poll.

Existing Provision

143. Demand for poll.—(1) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the members present in person or through video-link or by proxy, where allowed, and having not less than one-tenth of the total voting power.
(2) The demand for a poll may be withdrawn at any time by the members who made the demand.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

143. Demand for poll. .—(1) Before or on the declaration of the result of the voting on any resolution on a show (1) Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the members present in person or through video-link or by proxy, where allowed, and having not less than one-tenth of the total voting power.
(2) The demand for a poll may be withdrawn at any time by the members who made the demand.

Provided that in the case of a single member company or a private company, not being a public interest company and subsidiary of listed company, the manner of demanding and conducting a poll may be provided in its articles of association.

Rationale

This proviso introduces procedural flexibility for single member and private companies, allowing them to set out their own simplified mechanisms for demanding or conducting a poll through their Articles of Association. The amendment is consistent with the principle of ease of doing business and recognizes that such closely held entities do not require the same level of procedural formality as public or public interest companies.

76. Section 144. Poll through secret ballot

Existing Provision

144. Poll through secret ballot.—Notwithstanding anything contained in this Act, when a poll is demanded on any resolution, it may be ordered to be taken by the chairman of the meeting

by secret ballot of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the members present in person, through video-link or by proxy, where allowed, and having not less than one-tenth of the total voting power.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

144. Poll through secret ballot.—Notwithstanding anything contained in this Act, when a poll is demanded on any resolution, it may be ordered to be taken by the chairman of the meeting by secret ballot of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the members present in person, through video-link or by proxy, where allowed, and having not less than one-tenth of the total voting power.

Provided that in the case of a single member company or a private company, not being a public interest company, the manner and procedure for conducting a poll through secret ballot may be provided in its articles of association.

Rationale

This proviso allows single member and private companies to include customized procedures for conducting polls through secret ballots in their Articles of Association. The intent is to simplify internal governance for smaller or closely held entities while maintaining flexibility and compliance with corporate decision-making norms.

77. Section 145. Time of taking poll

Existing Provision

145. Time of taking poll.—
(1) A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken at such time, not more than fourteen days from the day on which it is demanded, as the chairman of the meeting may direct.
(2) When a poll is taken, the chairman or his nominee and a representative of the members demanding the poll shall scrutinize the votes given on the poll and the result shall be announced by the chairman.
(3) Subject to the provisions of this Act, the chairman shall have power to regulate the manner in which a poll shall be taken.
(4) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

145. Time of taking poll.—
(1) A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken at such time, not more than fourteen days from the day on which it is demanded, as the chairman of the meeting may direct.
(2) When a poll is taken, the chairman or his nominee and a representative of the members demanding the poll shall scrutinize the votes given on the poll and the result shall be announced by the chairman.
(3) Subject to the provisions of this Act, the chairman shall have power to regulate the manner in which a poll shall be taken.
(4) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Provided that in the case of a single member company or a private company, not being a public interest company and subsidiary of listed company, the time and manner of taking a poll may be provided in its articles of association.

Rationale

The proviso introduces flexibility for single member and private companies by allowing them to specify the timing and procedure for polls in their Articles of Association. This aligns with the broader objective of simplifying corporate governance requirements for smaller entities while maintaining compliance with the Act.

78. Section 146. Resolutions passed at adjourned meeting

Existing Provision

146. Resolutions passed at adjourned meeting.—Where a resolution is passed at an adjourned meeting of—

(a) a company;

(b) the holders of any class of shares in a company;

(c) the board; or

(d) the creditors of a company;
the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed, and shall not be deemed to have been passed on any earlier date.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

146. Resolutions passed at adjourned meeting.—Where a resolution is passed at an adjourned meeting of—

(a) a company;

(b) the holders of any class of shares in a company;

(c) the board; or

(d) the creditors of a company;
the resolution shall, for all purposes, be treated as having been passed on the date on which it was in fact passed, and shall not be deemed to have been passed on any earlier date.

Provided that, in the case of a single member company or a private company, not being a public interest company and subsidiary of listed company, the procedure relating to adjourned meetings and the effect of resolutions passed thereat may be provided in its articles of association.

Rationale

The proviso provides regulatory flexibility to single member and private companies by allowing them to define, in their articles of association, customized procedures and effects of resolutions passed at adjourned meetings. This supports ease of doing business and recognizes that smaller or closely held entities do not require the same procedural rigidity as public or public interest companies.

79. Section 147. Power of Commission to call meetings

Existing Provision

147. Power of Commission to call meetings.—(1) If default is made in holding the statutory meeting, annual general meeting or any extraordinary general meeting in accordance with sections 131, 132 or 133, as the case may be, the Commission may, notwithstanding anything contained in this Act or in the articles of the company, either of its own motion or on the application of any director or member of the company, call, or direct the calling of, the said meeting of the company in such manner as the Commission may think fit, and give such ancillary or consequential directions as the Commission thinks expedient in relation to the

calling, holding and conducting of the meeting and preparation of any document required with respect to the meeting.
Explanation.—The directions that may be given under sub-section (1) may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

(2) Any meeting called, held and conducted in accordance with any such direction shall, for all purposes, be deemed to be a meeting of the company duly called, held and conducted, and all expenses incurred in connection thereto shall be paid by the company unless the Commission directs the same to be recovered from any officer of the company which he is hereby authorised to do.

Proposed Amendment

Source: BOI's regulatory reform Package for listed companies

Objective: Ease of doing business

147. Power of Commission to call meetings.—(1) If default is made in holding the ~~statutory meeting~~, annual general meeting or any extraordinary general meeting in accordance with sections 131, 132 or 133, as the case may be, the Commission may, notwithstanding anything contained in this Act or in the articles of the company, either of its own motion or on the application of any director or member of the company, call, or direct the calling of, the said meeting of the company in such manner as the Commission may think fit, and give such ancillary or consequential directions as the Commission thinks expedient in relation to the calling, holding and conducting of the meeting and preparation of any document required with respect to the meeting.
Explanation.—The directions that may be given under sub-section (1) may include a direction that one member of the company present in person or by proxy shall be deemed to constitute a meeting.

(2) Any meeting called, held and conducted in accordance with any such direction shall, for all purposes, be deemed to be a meeting of the company duly called, held and conducted, and all expenses incurred in connection thereto shall be paid by the company unless the Commission directs the same to be recovered from any officer of the company which he is hereby authorised to do.

Rationale

Consequential change of omitting statutory meeting in section 131 of the Companies Act, 2017.

80. Section 151. Records of resolutions and meetings

Existing Provision

151. Records of resolutions and meetings. (1) Every company shall keep records of—

(a) copies of all resolutions of members passed otherwise than at general meetings; and (b) minutes of all proceedings of general meetings along with the names of participants, to be entered in properly maintained books;

(2) Minutes recorded in accordance with sub-section (1), if purporting to be authenticated by the chairman of the meeting or by the chairman of the next meeting, shall be the evidence of the proceedings at the meeting.
(3) Until the contrary is proved, every general meeting of the company in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called, held and conducted.
(4) The records must be kept at the registered office of the company from the date of the resolution, meeting or decision simultaneously in physical and electronic form and it shall be preserved for at least twenty years in physical form and permanently in electronic form.
(5) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Ease of doing business

151. Records of resolutions and meetings.—
(1) Every company shall keep records of—

(a) copies of all resolutions of members passed otherwise than at general meetings; and (b) minutes of all proceedings of general meetings along with the names of participants, to be entered in properly maintained books;

(2) Minutes recorded in accordance with sub-section (1), if purporting to be authenticated by the chairman of the meeting or by the chairman of the next meeting, shall be the evidence of the proceedings at the meeting.
(3) Until the contrary is proved, every general meeting of the company in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called, held and conducted.
(4) The records must be kept at the registered office of the company from the date of the resolution, meeting or decision simultaneously in physical and electronic form and it shall be preserved for at least ~~twenty~~ **five** years in physical form and permanently in electronic form.
(5) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Rationale

Reducing physical record keeping requirement from 20 to 5 years in line with International practices. Electronic records, however, can be preserved indefinitely at minimal cost, ensuring historical continuity, accessibility, and regulatory oversight. This approach modernizes record-keeping while aligning with global digitization practices.

81. Section 153. Ineligibility of certain persons to become director.

Existing Provision

Section 153. Ineligibility of certain persons to become director.—A person shall not be eligible for appointment as a director of a company, if he —

(a) is a minor;

(b) is of unsound mind;

(c) has applied to be adjudicated as an insolvent and his application is pending;

(d) is an undischarged insolvent;

(e) has been convicted by a court of law for an offence involving moral turpitude;

(f) has been debarred from holding such office under any provision of this Act;

(g) is lacking fiduciary behavior and a declaration to this effect has been made by the Court under section 212 at any time during the preceding five years;

(h) does not hold National Tax Number as per the provisions of Income Tax Ordinance, 2001 (XLIX of 2001): Provided that the Commission may grant exemption from the requirement of this clause as may be notified;

(i) is not a member:

Provided that clause (i) shall not apply in the case of,—

(i) a person representing a member which is not a natural person;

(ii) a whole-time director who is an employee of the company;

(iii) a chief executive; or

(iv) a person representing a creditor or other special interests by virtue of contractual arrangements;

(j) has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;

(k) is engaged in the business of brokerage, or is a spouse of such person or is a sponsor, director or officer of a corporate brokerage house:

Provided that clauses

(j) and (k) shall be applicable only in case of listed companies.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

Section 153. Ineligibility of certain persons to become director.—A person shall not be eligible for appointment as a director of a company, if he —

(a) is a minor;

(b) is of unsound mind;

(c) has applied to be adjudicated as an insolvent and his application is pending;

(d) is an undischarged insolvent;

(e) has been convicted by a court of law for an offence involving moral turpitude;

(f) has been debarred from holding such office under any provision of this Act;

(g) is lacking fiduciary behavior and a declaration to this effect has been made by the Court under section 212 at any time during the preceding five years;

(h) does not hold National Tax Number as per the provisions of Income Tax Ordinance, 2001 (XLIX of 2001): Provided that the Commission may grant exemption for company or class of companies from the requirement of this clause as may be notified;

(i) is not a member:

Provided that clause (i) shall not apply in the case of,—

(i) a person representing a member which is not a natural person;

(ii) a whole-time director who is an employee of the company;

(iii) a chief executive; or

(iv) a person representing a creditor or other special interests by virtue of contractual arrangements;

(v) a female director appointed under section 154 (d) of this Act; or

(vi) an independent director appointed under this Act or rules or regulations made thereunder;

(j) has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;

~~(k) is engaged in the business of brokerage, or is a spouse of such person or is a sponsor, director or officer of a corporate brokerage house:~~ a person is not eligible as per conditions specified by the Commission.

Provided that clause~~s~~ (j) ~~and (k)~~ shall be applicable only in case of listed companies:

Rationale

Insertion of clause i(v) & (vi):

Independent and female director should not be required to become a member. Companies face considerable practical difficulties in allocating nominal shareholding to the independent and female directors for the purpose of satisfying the requirements of this section.
Independent and female directors also face considerable difficulties dealing with ownership of the companies in which they are acting as independent directors, including cumbersome asset disclosures and tax-related disclosures at the time of transfer of shares.

Rationale for deleting clause K:

The framework governing insider trading as envisaged under Securities Act, 2015 comprehensively caters the requirement relating to any person including the persons engaged in business of brokerage. The definition of "insider" was expanded beyond brokerage affiliations to include any person, whether connected formally or informally with a company, who possesses non-public, price-sensitive information. The enhanced regulatory framework under the Securities Act now addresses insider trading risks more comprehensively, regardless of the person's background or association with a brokerage house.

Given this robust legal regime under the 2015 Act, the blanket restriction imposed under clause (k) of section 153 has become redundant and, in practice, counterproductive. It has restricted the talent pool available to listed companies by excluding highly qualified professionals from brokerage backgrounds who may otherwise serve effectively on boards. In today's regulated environment, such individuals are already subject to conflict of interest disclosures, fit and proper criteria, and stringent insider trading prohibitions enforced by the securities regulator.

82. Section154. Minimum number of directors of a company.

Existing Provision

154. Minimum number of directors of a company. —(1) Notwithstanding anything contained in any other law for the time being in force,

(a) a single member company shall have at least one director;

(b) every other private company shall have not less than two directors;

(c) a public company other than a listed company shall have not less than three directors; and

(d) a listed company shall have not less than seven directors:

Provided that public interest companies shall be required to have female representation on their board as may be specified by the Commission.

(2) Only a natural person shall be a director.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

154. Minimum number of directors of a company. —(1) Notwithstanding anything contained in any other law for the time being in force,

(a) a single member company shall have at least one director;

(b) every other ~~private~~ company shall have not less than two directors;

~~(c) a public company other than a listed company shall have not less than three directors; and~~

(d) a listed company shall have not less than seven directors:

Provided that public interest companies shall be required to have female representation on their board as may be specified by the Commission.

(2) Only a natural person shall be a director.

Rationale

Requirement of minimum director reduced to 2 in case of companies other than listed and SMC

83. Section 155. Number of directorships

Existing Provision

155. Number of directorships.—(1) No person shall, after the commencement of this Act, hold office as a director, including as an alternate director at the same time, in more than such number of companies as may be specified:

Provided that this limit shall not include the directorships in a listed subsidiary.

(2) A person holding the position of director in more than seven companies on the commencement of this Act shall ensure the compliance of this section within one year of such commencement.

(3) Any casual vacancy on the board of a listed company shall be filled up by the directors at the earliest but not later than ninety days from the date, the vacancy occurred.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

155. Number of directorships.—(1) No person shall, after the commencement of this Act, hold office as a director, including as an alternate director at the same time, in more than such number of companies or class of companies as may be specified:

Provided that this limit shall not include the directorships in a listed subsidiary.

~~(2) A person holding the position of director in more than seven companies on the commencement of this Act shall ensure the compliance of this section within one year of such commencement.~~

(3) Any casual vacancy on the board of a listed company shall be filled up by the directors at the earliest but not later than ninety days from the date, the vacancy occurred.

Rationale

It is recommended that sub-section 2 should be removed since the Commission is empowered to specify the number of simultaneous directorships under sub-section 1, therefore, if a need arises, the Commission can specify and limit the number of simultaneous directorships in total number of companies, including those in unlisted companies

84. Section 156. Compliance with the Code of Corporate Governance

Existing Provision

156. Compliance with the Code of Corporate Governance.—The Commission may provide for framework to ensure good corporate governance practices, compliance and matters incidental and axillary for companies or class of companies in a manner as may be specified.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

156. Compliance with the Code of Corporate Governance.—The Commission, and a securities exchange with the approval of the Commission , may provide for framework to ensure good corporate governance practices, compliance and matters incidental and axillary for companies or class of companies in a manner as may be specified.

Rationale

The insertion of text “and a securities exchange with the approval of the Commission”, is intended to explicitly empower securities exchange to issue and enforce a corporate governance framework, subject to SECP’s prior approval.

This change aligns with international best practices, where stock exchanges play an active role in monitoring and promoting corporate governance compliance among listed entities under the oversight of the securities regulator.

It ensures: Regulatory coherence between SECP and the exchange; Efficient enforcement of governance standards; and Delegated supervision without diluting SECP's ultimate authority and approval role.

In summary, the amendment strengthens the governance ecosystem by allowing a dual-level regulatory framework - policy oversight by SECP and operational implementation by the securities exchange.

85. Section 157. First directors and their term

Existing Provision

157. First directors and their term. —(1) The number of directors and the names of the first directors shall be determined by the subscribers of the memorandum and their particulars specified under section 197 shall be submitted along with the documents for the incorporation of the company.

(2) The number of first directors may be increased by appointing additional directors by the members in a general meeting. The first directors shall hold office until the election of directors in the first annual general meeting of the company.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

157. First directors and their term. —

(1) The number of directors and the names of the first directors shall be determined by the subscribers of the articles ~~memorandum~~ and their particulars specified under section 197 shall be submitted along with the documents for the incorporation of the company.

(2) The number of first directors may be increased by appointing additional directors by the members in a general meeting. The first directors shall hold office until the election of directors, in the ~~first~~ ~~annual~~ general meeting.

Provided that the requirement of holding the first election of directors shall not apply unless there is any change in the members of the company.

Rationale

This amendment simplifies compliance for newly incorporated companies by allowing continuity of initial directors until there is an actual change in ownership structure. It removes the redundant requirement for an early election where no change in shareholding occurs, thereby aligning governance with practical corporate realities while maintaining accountability through the general meeting mechanism.

86. Section 158. Retirement of first and subsequent directors

Existing Provision

158. Retirement of first and subsequent directors.—(1) All directors of the company—

(a) on the date of first annual general meeting; or

(b) in case of subsequent directors on expiry of term of office of directors mentioned in section 161, shall stand retired from office and the directors so retiring shall continue to perform their functions until their successors are elected.

(2) The directors so continuing to perform their functions shall take immediate steps to hold the election of directors and in case of any impediment report such circumstances to the registrar within forty-five days before the due date of the annual general meeting or extra ordinary general meeting, as the case may be, in which elections are to be held:

Provided that the holding of annual general meeting or extra ordinary general meeting, as the case may be, shall not be delayed for more than ninety days from the due date of the meeting or such extended time as may be allowed by the registrar, for reasons to be recorded, only in case of exceptional circumstances beyond the control of the directors, or in compliance of any order of the court.

(3) The registrar, may on expiry of period as provided in sub-section (2), either—

(a) on its own motion; or

(b) on the representation of the members holding not less than one tenth of the total voting powers in a company having share capital; or

(c) on the representation of the members holding not less than one tenth of the total members of the company not having share capital of the company,

directs the company to hold annual general meeting or extra ordinary general meeting for the election of directors on such date and time as may be specified in the order. (4) Any officer of the company or any other person who fails to comply with the direction given under sub-section

(4) Any officer of the company or any other person who fails to comply with the direction given under sub-section (3) shall be guilty of an offence liable to a fine of level 2 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

158. Retirement of first and subsequent directors.—(1) All directors of the company—

(a) on the date of first annual general meeting; or

(b) in case of subsequent directors on expiry of term of office of directors mentioned in section 161, shall stand retired from office and the directors so retiring shall continue to perform their functions until their successors are elected.

(2) The directors so continuing to perform their functions shall take immediate steps to hold the election of directors and in case of any impediment report such circumstances to the registrar within forty-five days before the due date of the annual general meeting or extra ordinary general meeting, as the case may be, in which elections are to be held:

Provided that the holding of annual general meeting or extra ordinary general meeting, as the case may be, shall not be delayed for more than ninety days from the due date of the meeting or such extended time as may be allowed by the registrar, for reasons to be recorded, only in case of exceptional circumstances beyond the control of the directors, or in compliance of any order of the court.

(3) The registrar, may on expiry of period as provided in sub-section (2), either—

(a) on its own motion; or

(b) on the representation of the members holding not less than one tenth of the total voting powers in a company having share capital; or

(c) on the representation of the members holding not less than one tenth of the total members of the company not having share capital of the company,

directs the company to hold annual general meeting or extra ordinary general meeting for the election of directors on such date and time as may be specified in the order.

(4) Any officer of the company or any other person who fails to comply with the direction given under sub-section (3) shall be guilty of an offence liable to a fine of level 2 on the standard scale.

(5) Notwithstanding anything contained in this section or any other provision of this Act, this section shall not apply to the following subject to the conditions as may be specified:

(a) single member company; and
(b) private company, not being a public-interest company and subsidiary of listed company, where the existing board of directors includes all members of the Company.

Rationale

These amendments are introduced to facilitate ease of doing business for small private companies where all members already serve on the Board of Directors. In such companies, mandatory elections impose redundant compliance without providing any governance benefit. Sub-section (5) therefore exempts single member companies and certain private companies—where every member is already a director—from the requirement of holding director elections.

87. Section 159. Procedure for election of directors

Existing Provision

159. Procedure for election of directors.—(1) Subject to the provision of section 154, the existing directors of a company shall fix the number of directors to be elected in the general meeting, not later than thirty-five days before convening of such meeting and the number of directors so fixed shall not be changed except with the prior approval of the general meeting in which election is to be held.

(2) The notice of the meeting at which directors are proposed to be elected shall among other matters, expressly state—

(a) the number of directors fixed under sub-section (1); and

(b) the names of the retiring directors.

(3) Any member who seeks to contest an election to the office of director shall, whether he is a retiring director or otherwise, file with the company, not later than fourteen days before the date of the meeting at which elections are to be held, a notice of his intention to offer himself for election as a director:

Provided that any such person may, at any time before the holding of election, withdraw such notice.

(4) All notices received by the company in pursuance of sub-section (3) shall be transmitted to the members not later than seven days before the date of the meeting, in the same manner as provided under this Act for sending of a notice of general meeting. In the case of a listed company such notice shall be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation.

(5) The directors of a company having a share capital shall, unless the number of persons who offer themselves to be elected is not more than the number of directors fixed under sub-section (1), be elected by the members of the company in general meeting in the following manner, namely—

(a) a member shall have such number of votes as is equal to the product of the number of voting shares or securities held by him and the number of directors to be elected;

(b) a member may give all his votes to a single candidate or divide them between more than one of the candidates in such manner as he may choose; and

(c) the candidate who gets the highest number of votes shall be declared elected as director and then the candidate who gets the next highest number of votes shall be so declared and so on until the total number of directors to be elected has been so elected.

(6) The directors of a company limited by guarantee and not having share capital shall be elected by members of the company in general meeting in the manner as provided in articles of association of the company.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

159. Procedure for election of directors.—(1) Subject to the provision of section 154, the existing directors of a company shall fix the number of directors to be elected in the general meeting, not later than ~~thirty five days~~ the time as notified by the Commission before convening of such meeting and the number of directors so fixed shall not be changed except with the prior approval of the general meeting in which election is to be held.

(2) The notice of the meeting at which directors are proposed to be elected shall among other matters, expressly state—

(a) the number of directors fixed under sub-section (1); and

(b) the names of the retiring directors.

(3) Any member who seeks to contest an election to the office of director shall, whether he is a retiring director or otherwise, file with the company, not later than ~~fourteen days~~ the time as notified by the Commission before the date of the meeting at which elections are to be held, a notice of his intention to offer himself for election as a director:

Provided that any such person may, at any time before the holding of election, withdraw such notice.

(4) All notices received by the company in pursuance of sub-section (3) shall be transmitted to the members not later than ~~sev en days~~ the time as notified by the Commission before the date of the meeting, in the same manner as provided under this Act for sending of a notice of general meeting. In the case of a listed company such notice shall be published in English and Urdu languages at least in one issue each of a daily newspaper of respective language having wide circulation.

(5) The directors of a company having a share capital shall, unless the number of persons who offer themselves to be elected is not more than the number of directors fixed under sub-section (1), be elected by the members of the company in general meeting in the following manner, namely—

(a) a member shall have such number of votes as is equal to the product of the number of voting shares or securities held by him and the number of directors to be elected;

(b) a member may give all his votes to a single candidate or divide them between more than one of the candidates in such manner as he may choose; and

(c) the candidate who gets the highest number of votes shall be declared elected as director and then the candidate who gets the next highest number of votes shall be so declared and so on until the total number of directors to be elected has been so elected.

(6) The directors of a company limited by guarantee and not having share capital shall be elected by members of the company in general meeting in the manner as provided in articles of association of the company.

Rationale

Streamlined timelines with section 132 & 133

88. Section 162. Fresh election of directors

Existing Provision

162. Fresh election of directors.—(1) Notwithstanding anything contained in this Act, a member having acquired, after the election of directors, the requisite shareholding to get him elected as a director on the board of a company, may require the company to hold fresh election of directors in accordance with the procedure laid down in section 159:

Provided that the number of directors fixed in the preceding election shall not be decreased;

Provided further that a listed company for the purpose of fresh election of directors under this section shall follow such procedure as may be specified by the Commission.

(2) The board shall upon receipt of requisition under sub-section (1), as soon as practicable but not later than thirty days from the receipt of such requisition, proceed to hold fresh election of directors of the company.

Proposed Amendment

Source: SECP

Objective: Corporate Governance

162. Fresh election of directors.— (1) Notwithstanding anything contained in this Act, any existing member or member having acquired, after the election of directors, the requisite shareholding to get him elected as a director on the board of a company, may require the company to hold fresh election of directors in accordance with the procedure laid down in section 159:

Provided that the number of directors fixed in the preceding election shall not be decreased;

Provided further that a listed company for the purpose of fresh election of directors under this section shall follow such procedure as may be specified by the Commission.

Explanation.— For the purposes of this sub-section, the term "requisite shareholding" means:

a. shareholding as provided in the articles of association of the company that entitles a member to be elected as a director; or

b. in case nothing is provided in articles, proportionate voting rights for one director, based on the total number of directors fixed under sub-section (1) of section 159.

(2) The board shall upon receipt of requisition under sub-section (1), as soon as practicable but not later than thirty days from the receipt of such requisition, proceed to hold fresh election of directors of the company.

Rationale

Fresh election of directors may be demanded by existing members as well. Moreover, requisite shareholding is also defined.

The Explanation has been inserted to eliminate ambiguity in determining the threshold of shareholding required for a member to demand a fresh election of directors. Previously, the term "requisite shareholding" was undefined, resulting in differing interpretations and disputes. By expressly clarifying that requisite shareholding may be either:
(a) the entitlement provided in the articles of association; or
(b)in case nothing is provided in articles, proportionate voting shareholding that corresponds to the right of electing one director based on the total number of directors fixed under section 159(1), the law now provides a clear, objective and uniform benchmark. For example, If a company has fixed **4 directors** under section 159(1), then a member holding **25%** of the paid-up voting share capital would possess the proportionate shareholding equivalent to one director. Likewise, if the number of directors is **3**, a member holding **33.33%** voting share capital would meet the requirement of requisite shareholding.

89. Section 166. Manner of selection of independent directors and maintenance of databank of independent directors.

Existing Provision

166. Manner of selection of independent directors and maintenance of databank of independent directors.—(1) An independent director to be appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Commission, having expertise in creation and maintenance of such data bank and post on their website for the use by the company making the appointment of such directors:

Provided that responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the company or the Government, as the case may be, making such appointment.

(2) For the purpose of this section, an independent director means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the company, its associated companies, subsidiaries, holding company or directors; and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest:

Provided that without prejudice to the generality of this sub-section no director shall be considered independent if one or more of the following circumstances exist—

(a) he has been an employee of the company, any of its subsidiaries or holding company within the last three years;

(b) he is or has been the chief executive officer of subsidiaries, associated company, associated undertaking or holding company in the last three years;

(c) he has, or has had within the last three years, a material business relationship with the company either directly, or indirectly as a partner, major shareholder or director of a body that has such a relationship with the company.

Explanation: The major shareholder means a person who, individually or in concert with his family or as part of a group, holds 10% or more shares having voting rights in the paid-up capital of the company;
(d) he has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the company apart from a director's fee or has participated in the company's stock option or a performance-related pay scheme;

(e) he is a close relative of the company's promoters, directors or major shareholders:

Explanation: "**close relative**" means spouse(s), lineal ascendants and descendants and siblings;
(f) he holds cross-directorships or has significant links with other directors through involvement in other companies or bodies not being the associations licenced under section 42;

(g) he has served on the board for more than three consecutive terms from the date of his first appointment, and for more than two consecutive terms in case of a public sector company, provided that such person shall be deemed "independent director" after a lapse of one term;

(h) a person nominated as a director under sections 164 and 165:

Provided further that for determining the independence of directors for the purpose of sub-clauses (a), (b) and (c) in respect of public sector companies, the time period shall be taken as two years instead of three years. Further, an independent director in case of a public sector company shall not be in the service of Pakistan or of any statutory body or any body or institution owned or controlled by the Government.
(3) The independent director of a listed company shall be elected in the same manner as other directors are elected in terms of section 159 and the statement of material facts annexed to the notice of the general meeting called for the purpose shall indicate the justification for choosing the appointee for appointment as independent director.
(4) No individual shall be selected for the data bank referred to in sub-section (1) without his consent in writing.
(5) The manner and procedure of selection of independent directors on the databank who fulfill the qualifications and other requirements shall be specified by the Commission.
(6) The requirements of sub-section (1)—
(a) shall be deemed relaxed till such time a notification is issued by the Commission; and

(b) may be relaxed by the Commission on an application made by the company supported with the sufficient justification or the practical difficulty, as the case may be.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

166. Manner of selection of independent directors and maintenance of databank of independent directors.—(1) An independent director to be elected or appointed under any law, rules, regulations or code, shall be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by any institute, body or association, as may be notified by the Commission, having expertise in creation and maintenance of such data bank and post on their website for the use by the company making the appointment of such directors:

Provided that responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the company or the Government, as the case may be, making such appointment.

(2) For the purpose of this section, an independent director means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the company, its associated companies, subsidiaries, holding company or directors; and he can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest:
Provided that without prejudice to the generality of this sub-section no director shall be considered independent if one or more of the following circumstances exist—
(a) he has been an employee of the company, any of its subsidiaries or holding company within the last three years;

(b) he is or has been the chief executive officer of subsidiaries, associated company, associated undertaking or holding company in the last three years;

(c) he has, or has had within the last three years, a material business relationship with the company either directly, or indirectly as a partner, major shareholder or director of a body that has such a relationship with the company.

Explanation: The major shareholder means a person who, individually or in concert with his family or as part of a group, holds 10% or more shares having voting rights in the paid-up capital of the company;
(d) he has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the company apart from a director's fee or has participated in the company's stock option or a performance-related pay scheme;

(e) he is a close relative of the company's promoters, directors or major shareholders:

Explanation: "**close relative**" means spouse(s), lineal ascendants and descendants and siblings;
(f) he holds cross-directorships or has significant links with other directors through involvement in other companies or bodies not being the associations licenced under section 42;

(g) he has served on the board for more than three consecutive terms from the date of his first appointment, and for more than two consecutive terms in case of a public sector company, provided that such person shall be deemed "independent director" after a lapse of one term;

(h) a person nominated as a director under sections 164 and 165:

Provided further that for determining the independence of directors for the purpose of sub-clauses (a), (b) and (c) in respect of public sector companies, the time period shall be taken as two years instead of three years. Further, an independent director in case of a public sector company shall not be in the service of Pakistan or of any statutory body or any body or institution owned or controlled by the Government.

(3) The independent director of a ~~listed~~ company shall be elected or appointed in the ~~same~~ manner as specified by the Commission. ~~other directors are elected in terms of section 159 and the statement of material facts annexed to the notice of the general meeting called for the purpose shall indicate the justification for choosing the appointee for appointment as independent director.~~

(4) No individual shall be selected for the data bank referred to in sub-section (1) without his consent in writing.

(5) The manner and procedure of selection of independent directors on the databank who fulfill the qualifications and other requirements shall be specified by the Commission.
(6) The requirements of sub-section (1)—
(a) shall be deemed relaxed till such time a notification is issued by the Commission; and

(b) may be relaxed by the Commission on an application made by the company supported with the sufficient justification or the practical difficulty, as the case may be.

Rationale

Proposed amendments enables SECP to prescribe differentiated procedures for listed or public sector companies - ensuring proportional regulation based on size, ownership, and governance risk.

90. Section 171. Vacation of office by the directors.

Existing Provision

171. Vacation of office by the directors. — (1) A director shall ipso facto cease to hold office if—

(a) he becomes ineligible to be appointed as a director on any one or more of the grounds enumerated in section 153;

(b) he absents himself from three consecutive meetings of the board without seeking leave of absence;

(c) he or any firm of which he is a partner or any private company of which he is a director—

(i) without the sanction of the company in general meeting accepts or holds any office of profit under the company other than that of chief executive or a legal or technical adviser; or

(ii) accepts a loan or guarantee from the company in contravention of section 182; (2) Nothing contained in sub-section (l) shall be deemed to preclude a company from providing by its articles that the office of director shall be vacated on any grounds additional to those specified in that sub-section.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

171. Vacation of office by the directors. — (1) A director shall ipso facto cease to hold office if—

(a) he becomes ineligible to be appointed as a director on any one or more of the grounds enumerated in section 153;

(b) he absents himself from three consecutive meetings of the board without seeking leave of absence;

(c) he or any firm of which he is a partner or any private company of which he is a director—

(i) without the sanction of the company in general meeting accepts or holds any office of profit under the company other than that of chief executive or a legal or technical adviser; or

(ii) accepts a loan or guarantee from the company in contravention of section 182;

Provided that clauses (b) and (c) shall not apply to a single-member company or a private company, not being a public interest company and subsidiary of listed company, if otherwise provided in its articles of association.

(2) Nothing contained in sub-section (l) shall be deemed to preclude a company from providing by its articles that the office of director shall be vacated on any grounds additional to those specified in that sub-section.

Rationale

The exemption aims to simplify compliance requirements for small and closely held private companies where directors typically overlap with ownership, and decision-making is concentrated among a few individuals.

- **Clause (b):** Frequent board meetings are often not held in such companies, and absence from meetings does not practically impair management or governance.

- **Clause (c):** Related party transactions or offices of profit are more common in small companies due to limited managerial separation; subjecting them to the same restrictions as public companies imposes unnecessary procedural burdens.

- The proviso allows flexibility by letting such companies define their own governance standards in their articles of association, while maintaining full applicability of the provision for public interest and larger companies where governance risk is higher.

91. Section 172. Disqualification orders.

Existing Provision

172. Disqualification orders.—(1) In any of the circumstances stated hereunder, the Commission may pass a disqualification order against a person to hold the office of a director of a company for a period up to five years beginning from the date of order—

(a) conviction of an offence in connection with the promotion, formation, management or liquidation of a company, or with the receivership or management of a company's property;

(b) persistent default in relation to provisions of this Act requiring any return, account or other document to be filed with, delivered or sent, or notice of any matter to be given, to the Commission or the registrar;

(c) a person has been a director of a company which became insolvent at any time (while he was a director or subsequently):

Provided that order against any such person shall not be made after the end of the period of two years beginning with the day on which the company of which that person is or has been a director became insolvent;

(d) the business of the company in which he is or has been a director, has conducted to defraud its creditors, members or any other persons or for a fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose; or

(e) the person concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance, breach of trust or other misconduct towards the company or towards any of its member; or

(f) the affairs of the company of which he is a director have been conducted in a manner which has deprived the shareholders thereof of a reasonable return; or

(g) the person has been convicted of allotment of shares of a company for inadequate consideration; or

(h) the person is involved in illegal deposit taking; or

(i) the person has been convicted of financial irregularities or malpractices in a company or

(j) the company of which he is a director has acted against the interests of the sovereignty and integrity of Pakistan, the security of the State, friendly relations with foreign States; or

(k) the company of which he is a director refuses to act according to the requirements of the memorandum or articles or the provisions of this Act or fail to carry out the directions of the Commission given in the exercise of powers under this Act; or

(l) the person is convicted of insider trading or market manipulation practices; or

(m) the person has entered into a plea bargain arrangement with the National Accountability Bureau or any other regulatory body;

(n) the person has been declared a defaulter by the securities exchange;

(o) that it is expedient in the public interest so to do.

(2) Where a disqualification order is made against a person who is already subject to such an order, the periods specified in those orders shall run concurrently.

(3) An order under this section may be made by the Commission on its own motion or upon a complaint made in this regard.

(4) Before making an order the Commission shall afford the person concerned an opportunity of representation and of being heard.

(5) Any order made by the Commission under this section shall be without prejudice to the powers of the Commission to take such further action as it deems fit with regard to the person concerned.

Proposed Amendment

Source: SECP

Objective: regulatory oversight/Corporate Governance

172. Disqualification orders.—(1) In any of the circumstances stated hereunder, the Commission may pass a disqualification order against a person to hold the office of a director of a company for a period up to five years beginning from the date of order—

(a) conviction of an offence in connection with the promotion, formation, management or liquidation of a company, or with the receivership or management of a company's property;

(b) persistent default in relation to provisions of this Act requiring any return, account or other document to be filed with, delivered or sent, or notice of any matter to be given, to the Commission or the registrar;

(c) a person has been a director of a company which became insolvent at any time (while he was a director or subsequently):

Provided that order against any such person shall not be made after the end of the period of two years beginning with the day on which the company of which that person is or has been a director became insolvent;

(d) the business of the company in which he is or has been a director, has conducted to defraud its creditors, members or any other persons or for a fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose; or

(e) the person concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance, breach of trust or other misconduct towards the company or towards any of its member; or

(f) the affairs of the company of which he is a director have been conducted in a manner which has deprived the shareholders thereof of a reasonable return; or

(g) the person has been convicted of allotment of shares of a company for inadequate consideration; or

(h) the person is involved in illegal deposit taking; or

(i) the person has been convicted of financial irregularities or malpractices in a company or

(j) the company of which he is a director has acted against the interests of the sovereignty and integrity of Pakistan, the security of the State, friendly relations with foreign States; or

(k) the company of which he is a director refuses to act according to the requirements of the ~~memorandum or~~ articles of association or the provisions of this Act or fail to carry out the directions of the Commission given in the exercise of powers under this Act; or

(l) the person is convicted of insider trading or market manipulation practices; or

(m) the person has entered into a plea bargain arrangement with the National Accountability Bureau or any other regulatory body;

(n) the person has been declared a defaulter by the securities exchange;

(o) that it is expedient in the public interest so to do.

(p) where a person has been penalized under section 127 of this Act.

(q) the person who has contravened the provisions of the sections 182, 184, 197, 208, 222, 243, 254, 261, 272, 324, 400, 401, 402, 405, 418, 424 and 497.

(r) the person has been penalized under section 193 of this Act.

(2) Where a disqualification order is made against a person who is already subject to such an order, the periods specified in those orders shall run concurrently.

(3) An order under this section may be made by the Commission on its own motion or upon a complaint made in this regard.

(4) Before making an order the Commission shall afford the person concerned an opportunity of representation and of being heard.

(5) Any order made by the Commission under this section shall be without prejudice to the powers of the Commission to take such further action as it deems fit with regard to the person concerned.

Rationale

The provisions that have been decriminalized-that is, those for which criminal penalties have been replaced with civil or regulatory consequences-have now been incorporated as additional grounds in section 72, which sets out the grounds for disqualification of directors. This ensures that while criminal prosecution is avoided for procedural or technical defaults, individuals responsible for repeated or serious non-compliance may still be disqualified from holding directorships, thereby maintaining accountability and governance integrity without resorting to penal sanctions.

92. Section 174. Assignment of office by directors.

Existing Provision

174. Prohibition on assignment of office by directors. —

(1) A director of any company shall not assign his office to any other person and any such appointment shall be void ab-initio.

(2) Notwithstanding anything contained in sub-section (1), the appointment by a director, with the approval of the board, of an alternate or substitute director to act for him during his absence from Pakistan of not less than ninety days, shall not be deemed to be an assignment of office.

(3) The alternate director appointed under sub-section (2) shall ipso facto vacate office if and when the director appointing him returns to Pakistan.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Digitalization

174. Prohibition on assignment of office by directors. —

(1) A director of any company shall not assign his office to any other person and any such appointment shall be void ab-initio.
(2) Notwithstanding anything contained in sub-section (1):

(a) a director may, during his stay outside Pakistan, continue to perform his functions and participate in meetings of the board through electronic means or any other mode as may be provided in Articles; and
(b) where considered necessary, the appointment by a director, with the approval of the board, of an alternate or substitute director to act for him during his absence from Pakistan of not less than ninety days, shall not be deemed to be an assignment of office.

(3) The alternate director appointed under sub-section (2) shall ipso facto vacate office if and when the director appointing him returns to Pakistan.

Rationale

The amendment aims to modernize section 174 by recognizing the use of electronic means for directors' participation in board meetings while abroad, thereby facilitating continuity in corporate governance and decision-making. It ensures that directors temporarily outside Pakistan remain engaged in company affairs without necessitating appointment of alternates, aligning the provision with current business practices and technological realities. Additionally, the retention of the alternate director mechanism provides flexibility for cases of prolonged absence, ensuring that board functioning is not disrupted

93. Section 177. Ineligibility of bankrupt to act as director.

Existing Provision

177. Ineligibility of bankrupt to act as director. —If any person being an undischarged insolvent acts as chief executive or director of a company, he shall be liable to imprisonment for a term not exceeding two years or to a fine not exceeding one hundred thousand rupees, or to both.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Decriminalization

~~**177. Ineligibility of bankrupt to act as director. —**If any person being an undischarged insolvent acts as chief executive or director of a company, he shall be liable to imprisonment for a term not exceeding two years or to a fine not exceeding one hundred thousand rupees, or to both~~.

Rationale

This provision has been omitted to align with the broader policy of decriminalization of corporate offences and removal of penal consequences for matters already covered under disqualification grounds in section 153. Acting as a director while being an undischarged insolvent already renders a person ineligible; therefore, retaining imprisonment or fine for the same act is duplicative and inconsistent with the proportional enforcement framework introduced under the Companies Act.

94. Section 178. Records of resolutions and meetings of board.

Existing Provision

178. Records of resolutions and meetings of board. —(1) Every company shall keep records comprising—

(a) all resolutions of the board passed by circulation; and

(b) minutes of all proceedings of board meetings or committee of directors along with the names of participants, to be entered in properly maintained books.

(2) Minutes recorded in accordance with sub-section (1), if purporting to be authenticated by the chairman of the meeting or by the chairman of the next meeting, shall be the evidence of the proceedings at the meeting.

(3) Until the contrary is proved, every meeting of board or committee of directors in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called, held and conducted.

(4) A copy of the draft minutes of meeting of board shall be furnished to every director within fourteen days of the date of meeting.

(5) The records must be kept at the registered office of the company from the date of the resolution, meeting or decision simultaneously in physical and electronic form and it shall be preserved for at least ten years in physical form and permanently in electronic form.

(6) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Digitalization

178. Records of resolutions and meetings of board. —(1) Every company shall keep records comprising—

(a) all resolutions of the board passed by circulation; and

(b) minutes of all proceedings of board meetings or committee of directors along with the names of participants, to be entered in properly maintained books.

(2) Minutes recorded in accordance with sub-section (1), if purporting to be authenticated by the chairman of the meeting or by the chairman of the next meeting, shall be the evidence of the proceedings at the meeting.

(3) Until the contrary is proved, every meeting of board or committee of directors in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called, held and conducted.

(4) A copy of the draft minutes of meeting of board shall be furnished to every director within fourteen days of the date of meeting.

(5) The records must be kept at the registered office of the company from the date of the resolution, meeting or decision ~~simultaneously~~ in ~~physical and~~ electronic form and it shall be preserved ~~for at least ten years in physical form and~~ permanently in electronic form.

(6) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Rationale

The proposal to eliminate mandatory retention of physical records for ten years reflects the global shift toward digitization and sustainable corporate practices. Removing the physical record-keeping requirement reduces administrative and storage burdens for companies while aligning Pakistan's corporate framework with modern digital governance standards.

95. Section 179.Passing of resolution by the directors through circulation.

Existing Provision

179. Passing of resolution by the directors through circulation.—

(1) A resolution in writing [approved by majority of] the directors or the committee of directors for the time being entitled to receive notice of a meeting of the directors or committee of directors shall be as valid and effectual as if it had been passed at a meeting of the directors or the committee of directors duly convened and held.

(2) A resolution shall not be deemed to have been duly passed, unless the resolution has been circulated, together with the necessary papers, if any, to all the directors.

(3) A resolution under sub-section (1) shall be noted at a subsequent meeting of the board or the committee thereof, as the case may be, and made part of the minutes of such meeting.

(4) A directors' agreement to a written resolution, passed by circulation, once [approved], may not be revoked.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

179. Passing of resolution by the directors through circulation.—

(1) A resolution in writing [approved by majority of] the directors or the committee of directors for the time being entitled to receive notice of a meeting of the directors or committee of directors shall be as valid and effectual as if it had been passed at a meeting of the directors or the committee of directors duly convened and held.

(2) A resolution shall not be deemed to have been duly passed, unless the resolution has been circulated, together with the necessary papers, if any, to all the directors.

(3) A resolution under sub-section (1) shall be recorded in the minutes of the board meeting or the committee meeting thereof ~~noted at a subsequent meeting of the board or the committee thereof, as the case may be, and made part of the minutes of such meeting.~~

(4) A directors' agreement to a written resolution, passed by circulation, once [approved], may not be revoked.

Rationale

The amendment simplifies the procedure for resolutions passed by circulation by removing the redundant requirement of noting such resolutions in a subsequent meeting. Since a circulated resolution already carries the same legal effect as one passed in a duly convened meeting, its validity does not depend on later acknowledgment. Requiring only that it be recorded in the minutes ensures proper documentation and accountability while reducing unnecessary procedural formalities, thereby promoting efficiency in board decision-making.

96. Section 182. Loans to directors: requirement of members' approval.

Existing Provision

Section 182. Loans to directors: requirement of members' approval.

(1) A company shall not—

(a) make a loan to a director of the company or of its holding company; or to any of his relatives;

(b) give a guarantee or provide security in connection with a loan made by any person to such a director; or to any of his relatives;

unless the transaction has been approved by a resolution of the members of the company:

Provided that in case of a listed company, approval of the Commission shall also be required before sanctioning of any such loan.

***Explanation*.**—For the purpose of this section "relative"' in relation to a director means his spouse and minor children.

(2) Nothing contained in sub-section (1) shall apply to a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan.

(3) Every person who is a party to any contravention of this section, including in particular any person to whom the loan is made or who has taken the loan in respect of which the guarantee is given or the security is provided, shall be punishable with fine which may extend to one million rupees or with simple imprisonment for a term which may extend to one year.

Proposed Amendment

Source: SECP

Objective: Decriminalization & Ease of doing business

Section 182. Loans to directors: requirement of members' approval. (1) A company shall not—

(a) make a loan to a director of the company or of its holding company; or to any of his relatives;

(b) give a guarantee or provide security in connection with a loan made by any person to such a director; or to any of his relatives;

unless every ~~the~~ transaction has been approved by a resolution of the members of the company:

Provided that in case of a listed company, approval of the Commission shall also be required before sanctioning of any such loan.

Provided further that nothing contained in this section shall apply in case of loan given to the chief executive or the whole-time director who is an employee of the company, subject to the condition that the loan is given as per the approved company policy for loans to employees.

(2) Nothing contained in sub-section (1)shall apply to a company which in the ordinary course of its business provides loans or gives guarantees or securities for the due repayment of any loan.

(3) Every person who is a party to any contravention of this section, including in particular any person to whom the loan is made or who has taken the loan in respect of which the guarantee is given or the security is provided, shall be liable: ~~punishable with fine which may extend to one million rupees or with simple imprisonment for a term which may extend to one year.~~

(a) in case of a listed company, to a penalty of level 3 on the standard scale; and

(b) in case of any other company, to a penalty of level 2 on the standard scale.

(4) All persons who are parties to any contravention of sub-section (1) shall be liable, jointly and severally, to the lending company for the repayment of the loan or for making good the sum with markup not less than the borrowing cost of the lending company which the lending company may have been called upon to pay by virtue of the guarantee given or the security provided by such company.

(5) Sub-section (1) shall apply to any transaction represented by a book-debt which was from its inception in the nature of a loan or an advance.

Rationale

In our view, the loan given to a whole-time director/chief executive who is enjoying the perquisites /benefits similar to those of other employees of the Company. Therefore, the requirement of obtaining approval of the Commission/ shareholder may be relaxed.

Decriminalization of penalty provisions. In order to decriminalize the Companies Act, 2017 and replace the imprisonment it with pecuniary penalties

97. Section 183. Powers of board.

Existing Provision

183. Powers of board.— (1) The business of a company shall be managed by the board, who may exercise all such powers of the company as are not by this Act, or by the articles, or by a special resolution, required to be exercised by the company in general meeting.

(2) The board shall exercise the following powers on behalf of the company, and shall do so by means of a resolution passed at their meeting, namely—

(a) to issue shares;

(b) to issue debentures or any instrument in the nature of redeemable capital;

(c) to borrow moneys otherwise than on debentures;

(d) to invest the funds of the company;

(e) to make loans;

(f) to authorise a director or the firm of which he is a partner or any partner of such firm or a private company of which he is a member or director to enter into any contract with the company for making sale, purchase or supply of goods or rendering services with the company;

(g) to approve financial statements;

(h) to approve bonus to employees;

(i) to incur capital expenditure on any single item or dispose of a fixed asset in accordance with the limits as may be specified:

Provided that the acceptance by a banking company in the ordinary course of its business of deposit of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise, or placing of moneys on deposit by a banking company with another banking company such conditions as the board may prescribe, shall not be deemed to be a borrowing of money or, as the case may be, a making of loan by a banking company with the meaning of this section;

(j) to undertake obligations under leasing contracts exceeding such amount as may be notified;

(k) to declare interim dividend; and

(l) having regard to such amount as may be determined to be material (as construed in Generally Accepted Accounting Principles) by the board—

(i) to write off bad debts, advances and receivables;

(ii) to write off inventories and other assets of the company; and

(iii) to determine the terms of and the circumstances in which a law suit may be compromised and a claim or right in favour of a company may be released, extinguished or relinquished.

(m) to take over a company or acquire a controlling or substantial stake in another company;

(n) any other matter which may be specified.

(3) The board of a company shall not except with the consent of the general meeting either specifically or by way of an authorisation, do any of the following things, namely.—

(a) sell, lease or otherwise dispose of the undertakings or a sizeable part thereof unless the main business of the company comprises of such selling or leasing; and

Explanation.—For the purposes of this clause-

(i) “undertaking” shall mean an undertaking in which the investment of the company exceeds twenty percent of its net worth as per the audited financial statements of the preceding financial year or an undertaking which generates twenty percent of the total income of the company during the previous financial year;

(ii) the expression “sizeable part” in any financial year shall mean twenty five percent or more of the value of the assets in that class as per the audited financial statements of the preceding financial year;

(b) sell or otherwise dispose of the subsidiary of the company;

(c) remit, give any relief or give extension of time for the repayment of any debt outstanding against any person specified in sub-section (1) of section 182.

(4) Nothing contained in sub-section (3) shall entitle a listed company to sell or otherwise dispose of the undertaking, which results in or may lead to closure of business operation or winding up of the company, without there being a viable alternate business plan duly authenticated by the board.

(5) Any resolution passed under sub-section (3) if not implemented within one year from the date of passing shall stand lapsed.

(6) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 2 on the standard scale and shall be individually and severally liable for losses or damages arising out of such action.

Proposed Amendment

Source: SECP

Objective: Ease of doing Business

183. Powers of board.— (1) The business of a company shall be managed by the board, who may exercise all such powers of the company as are not by this Act, or by the articles, or by a special resolution, required to be exercised by the company in general meeting.

(2) The board shall exercise the following powers on behalf of the company, and shall do so by means of a resolution passed at their meeting, namely—

(a) to issue shares;

(b) to issue debentures or any instrument in the nature of redeemable capital;

(c) to borrow moneys otherwise than on debentures;

(d) to invest the funds of the company;

(e) to make loans;

(f) to authorise a director or the firm of which he is a partner or any partner of such firm or a private company of which he is a member or director to enter into any contract with the company for making sale, purchase or supply of goods or rendering services with the company;

(g) to approve financial statements;

(h) to approve bonus to employees;

(i) to incur capital expenditure on any single item or dispose of a fixed asset in accordance with the limits as may be specified:

Provided that the acceptance by a banking company in the ordinary course of its business of deposit of money from the public repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise, or placing of moneys on deposit by a banking company with another banking company such conditions as the board may prescribe, shall not be deemed to be a borrowing of money or, as the case may be, a making of loan by a banking company with the meaning of this section;

(j) to undertake obligations under leasing contracts exceeding such amount as may be notified;

(k) to declare ~~interim~~ dividend; and

(l) having regard to such amount as may be determined to be material (as construed in Generally Accepted Accounting Principles) by the board—

(i) to write off bad debts, advances and receivables;

(ii) to write off inventories and other assets of the company; and

(iii) to determine the terms of and the circumstances in which a law suit may be compromised and a claim or right in favour of a company may be released, extinguished or relinquished.

(m) to take over a company or acquire a controlling or substantial stake in another company;

(n) any other matter which may be specified~~.~~; and

(o) to pass ordinary and special resolution in line with section 134A of this Act.

(3) The board of a company shall not except with the consent of the general meeting either specifically or by way of an authorisation, do any of the following things, namely.—

(a) sell, lease or otherwise dispose of the undertakings or a sizeable part thereof unless the main business of the company comprises of such selling or leasing; and

Explanation.—For the purposes of this clause-

(i) "undertaking" shall mean an undertaking in which the investment of the company exceeds twenty percent of its net worth as per the audited financial statements of the preceding financial year or an undertaking which generates twenty percent of the total income of the company during the previous financial year;

(ii) the expression "sizeable part" in any financial year shall mean twenty five percent or more of the value of the assets in that class as per the audited financial statements of the preceding financial year;

(b) sell or otherwise dispose of the subsidiary of the company;

(c) remit, give any relief or give extension of time for the repayment of any debt outstanding against any person specified in sub-section (1) of section 182.

(4) Nothing contained in sub-section (3) shall entitle a listed company to sell or otherwise dispose of the undertaking, which results in or may lead to closure of business operation or winding up of the company, without there being a viable alternate business plan duly authenticated by the board.

(5) Any resolution passed under sub-section (3) if not implemented within one year from the date of passing shall stand lapsed.

(6) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 2 on the standard scale and shall be individually and severally liable for losses or damages arising out of such action.

Rationale

Consequential change of amendment proposed in section 243 & 134A.

98. Section 184.Prohibition regarding making of political contributions.

Existing Provision

184. Prohibition regarding making of political contributions. —(1) Notwithstanding anything contained in this Act, a company shall not contribute any amount or allow utilization of its assets—
(a) to any political party; or
(b) for any political purpose to any individual or body.
(2) If a company contravenes the provisions of sub-section (1), then—
(a) the company shall be liable to a penalty of level 2 on the standard scale; and
(b) every director and officer of the company who is in default shall be punishable with imprisonment of either description for a term which may extend to two years and shall also be liable to a fine of one million rupees.

Proposed Amendment

Source: SECP

Objective: Decriminalization

184. Prohibition regarding making of political contributions.—(1) Notwithstanding anything contained in this Act, a company shall not contribute any amount or allow utilization of its assets—
(a) to any political party; or
(b) for any political purpose to any individual or body.
(2) If a company contravenes the provisions of sub-section (1), then—
(a) the company shall be liable to a penalty of level 2 on the standard scale; and
(b) every director and officer of the company who is in default shall be ~~punishable with imprisonment of either description for a term which may extend to two years and shall also be liable to a fine of one million rupees~~ liable to penalty of level 3 on the standard scale.

Rationale

Decriminalization of penalty provisions. In order to decriminalize the Companies Act, 2017 and replace the imprisonment it with pecuniary penalties.

99. Section 187. Appointment of subsequent chief executive.

Existing Provision

187. Appointment of subsequent chief executive.—(1) Within fourteen days from the date of election of directors under section 159 or the office of the chief executive falling vacant, as the case may be, the board shall appoint any person, including an elected director, to be the chief executive, but such appointment shall not be for a period exceeding three years from the date of appointment:

Provided that the chief executive appointed against a casual vacancy shall hold office till the directors elected in the next election appoint a chief executive.

(2) On the expiry of his term of office under section 186 or sub-section (1) of this section, a chief executive shall be eligible for reappointment.

(3) The chief executive retiring under section 186 or this section shall continue to perform his functions until his successor is appointed, unless non-appointment of his successor is due to any fault on his part or his office is expressly terminated.

(4) Notwithstanding anything contained in this section, the Government shall have the power to nominate chief executive of a company where majority of directors is nominated by the Government, in such manner as may be specified.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Ease of doing business

187. Appointment of subsequent chief executive.—(1) Within ninety days from the date of election of directors under section 159 or the office of the chief executive falling vacant, as the case may be, the board shall appoint any person, including an elected director, to be the chief executive, but such appointment shall not be for a period exceeding three years from the date of appointment or any other period as provided in the articles of association.

Provided that the chief executive appointed against a casual vacancy shall hold office till the directors elected in the next election appoint a chief executive.

Provided further that Single member company and private company, not being public interest and subsidiary of listed company, may provide procedure for appointment of subsequent chief executive in Articles of Association.

(2) On the expiry of his term of office under section 186 or sub-section (1) of this section, a chief executive shall be eligible for reappointment.

(3) The chief executive retiring under section 186 or this section shall continue to perform his functions until his successor is appointed, unless non-appointment of his successor is due to any fault on his part or his office is expressly terminated.

Provided that Single member company and private company, not being public interest and subsidiary of listed company, may provide procedure in Articles of Association for performance of its functions in case of retirement of chief executive.

(4) Notwithstanding anything contained in this section, the Government shall have the power to nominate chief executive of a company where majority of directors is nominated by the Government, in such manner as may be specified.

Rationale

The insertion of these provisos introduces flexibility for single-member companies and private companies that are neither public-interest nor subsidiaries of listed companies, by allowing them to specify their own procedures in the Articles of Association for:

- Appointment of subsequent chief executive (sub-section 1, second proviso), and
- Arrangements for performing functions upon retirement of the chief executive (sub-section 3, proviso).

These entities typically have fewer shareholders, simpler corporate structures, and are not systemically significant. Imposing the same procedural rigidity applicable to listed or public-interest companies increases compliance burden without providing proportional governance benefits.

100. Section 188. Terms of appointment of chief executive.

Existing Provision

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

188. Terms of appointment of chief executive.—(1) Save as provided in sub-section (2), the terms and conditions of appointment of a chief executive shall be determined by the board or the company in general meeting in accordance with the provisions in the company's articles.

(2) The terms and conditions of appointment of a chief executive nominated under section 186 or 187 shall be determined by the Government, in such manner as may be specified.

(3) The chief executive shall if he is not already a director of the company, be deemed to be its director and be entitled to all the rights and privileges, and subject to all the liabilities, of that office.

Proposed Amendment

188. Terms of appointment of chief executive.—(1) Save as provided in sub-section (2), the terms and conditions of appointment of a chief executive shall be determined by the board or the company in general meeting in accordance with the provisions in the company's articles.

Provided that the private company shall not be required to hold general meeting, in case the board of directors holds more than seventy five percent of shareholding;

(2) The terms and conditions of appointment of a chief executive nominated under section 186 or 187 shall be determined by the Government, in such manner as may be specified.

(3) The chief executive shall if he is not already a director of the company, be deemed to be its director and be entitled to all the rights and privileges, and subject to all the liabilities, of that office.

Rationale

To introduces flexibility for private companies by exempting them from holding general meetings where the board already controls a substantial majority of shareholding.

At the same time, it strengthens minority shareholder rights by mandating prior notice, disclosure of particulars, and opportunities for feedback or participation.

101. Section 191. Chief executive not to engage in business competing with company's business

Existing Provision

191. Chief executive not to engage in business competing with company's business.—

(1) A chief executive of a public company shall not directly or indirectly engage in any business which is of the same nature as and directly competes with the business carried on by the company of which he is the chief executive or by a subsidiary of such company.

Explanation.—A business shall be deemed to be carried on indirectly by the chief executive if the same is carried on by his spouse or any of his minor children.

(2) Every person who is appointed as chief executive of a public company shall forthwith on such appointment disclose to the company in writing the nature of such business and his interest therein.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

191. Chief executive not to engage in business competing with company's business.—

(1) A chief executive of a public company shall not directly or indirectly engage in any business which is of the same nature as and directly competes with the business carried on by the company of which he is the chief executive or by a subsidiary of such company.

Explanation.—A business shall be deemed to be carried on indirectly by the chief executive if the same is carried on by his spouse or any of his minor children.

(2) Every person who is appointed as chief executive of a public company shall forthwith on such appointment disclose to the company in writing the nature of such business and his interest therein.

(3) This section shall not be applicable in the case of a single-member company or a private company, not being a public interest company and subsidiary of listed company, unless any conditions are specifically provided in articles of association.

Rationale

The insertion of sub-section (3) provides flexibility to single-member and private companies, not being public-interest companies, to determine through their own articles of association whether and to what extent restrictions on the chief executive engaging in competing business should apply.

102. Section 192. Chairman in a listed company

Existing Provision

192. Chairman in a listed company.—(1) The board of a listed company shall within fourteen days from the date of election of directors, appoint a chairman from among the non-executive directors who shall hold office for a period of three years unless he earlier resigns, becomes ineligible or disqualified under any provision of this Act or removed by the directors.

(2) The board shall clearly define the respective roles and responsibilities of the chairman and chief executive: Provided that the Commission may specify the classes of companies for which the chairman and chief executive shall not be the same individual.

(3) The chairman shall be responsible for leadership of the board and ensure that the board plays an effective role in fulfilling its responsibilities.

(4) Every financial statements circulated under section 223 of this Act shall contain a review report by the chairman on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.

Proposed Amendment

Source: Source: BOI's Regulatory package for listed companies

Objective: Ease of doing business

192. Chairman in a listed company.—

(1) The board of a listed company shall within ~~fourteen days~~ such days as provided in its articles, not exceeding fourteen days, from the date of election of directors, appoint a chairman from among the non-executive directors who shall hold office for a period of three years unless he earlier resigns, becomes ineligible or disqualified under any provision of this Act or removed by the directors.

(2) The board shall clearly define the respective roles and responsibilities of the chairman and chief executive: Provided that the Commission may specify the classes of companies for which the chairman and chief executive shall not be the same individual.

(3) The chairman shall be responsible for leadership of the board and ensure that the board plays an effective role in fulfilling its responsibilities.

(4) Every financial statements circulated under section 223 of this Act shall contain a review report by the chairman on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.

Rationale

The proposed amendment introduces flexibility by allowing listed companies to determine, through their articles of association, the appropriate timeframe for appointing a chairman following the election of directors. This change aligns with the broader objective of improving the ease of doing business by reducing rigid statutory timelines that may not suit the operational realities of all listed companies. However, maximum time limit of 14 days is given to avoid any misuse in appointment of the Chairman.

103. Section 193. Penalty.

Existing Provision

193. Penalty.—Any contravention or default in complying with requirements of sections 186 to 192 shall be an offence liable to a penalty of level 2 on the standard scale and may also be debarred by the authority which imposes the penalty from becoming a director or chief executive of a company for a period not exceeding five years.

Proposed Amendment

Source: Source: BOI's Regulatory reform package for Listed Companies

Objective: Ease of doing business

193. Penalty.—Any contravention or default in complying with requirements of sections 186 to 192 shall be an offence liable to a penalty of level 2 on the standard scale ~~and may also be debarred by the authority which imposes the penalty from becoming a director or chief executive of a company for a period not exceeding five years~~.

Rationale

The proposed amendment removes the debarment penalty to ensure proportionality and consistency in the enforcement framework for companies.

104. Section 194. Public company to have secretary.

Existing Provision

194. Public company required to have secretary.—

A public company must have a company secretary; possessing such qualification as may be specified.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

194. Public Interest company required to have secretary.—

Every ~~A public~~ Public Interest company must have a company secretary; possessing such qualification as may be specified.

Rationale

The substitution of the term "public company" with "public interest company" ensures that the requirement to appoint a qualified company secretary applies only to entities of significant size, complexity, or public relevance. Many private or smaller public companies have limited operations and resources, making this requirement disproportionately burdensome. Restricting it to public interest companies aligns regulatory obligations with the level of stakeholder impact, enhances proportionality, and promotes ease of doing business without compromising governance standards for entities of systemic importance.

105. Section 196. Bar on appointment of sole purchase, sales agents.—

Existing Provision

196. Bar on appointment of sole purchase, sales agents.—

(1) No company whether incorporated in Pakistan or outside Pakistan which is carrying on business in Pakistan shall, without the approval of the Commission, appoint any sole purchase, sale or distribution agent: Provided that this sub-section shall not apply to a sole purchase, sale or distribution agent appointed by a company incorporated, outside Pakistan, unless the major portion of the business of such company is conducted in Pakistan.

(2) Whoever contravenes any of the provisions of this section shall be punished with imprisonment for a term which may extend to two years, or with fine which may extend to one hundred thousand rupees, or with both; and, if the person guilty of the offence is a company or other body corporate, every director, chief executive, or other officer, agent or partner thereof shall, unless he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent its commission, be deemed to be guilty of the offence.

Proposed Amendment

Source: BOI's regulatory reform Package for listed companies

Objective: Ease of doing business

196. Bar on appointment of sole purchase, sales agents.—

(1) No company whether incorporated in Pakistan or outside Pakistan which is carrying on business in Pakistan shall, without the approval of the ~~Commission~~ general meeting of members, appoint any sole purchase, sale or distribution agent:

Provided that this sub-section shall not apply to a sole purchase, sale or distribution agent appointed by a company incorporated, outside Pakistan, unless the major portion of the business of such company is conducted in Pakistan.

Provided that it shall not be applicable to single member company and private company, not being public interest and subsidiary of listed company, unless provided in the articles of association.

(2) Whoever contravenes any of the provisions of this section shall be punished with imprisonment for a term which may extend to two years, or with fine which may extend to one hundred thousand rupees, or with both; and, if the person guilty of the offence is a company or other body corporate, every director, chief executive, or other officer, agent or partner thereof shall, unless he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent its commission, be deemed to be guilty of the offence.

Rationale

For private companies, the proposed amendment removes the statutory restriction on the appointment of sole purchase, sales, or distribution agents and leaves the matter to be governed by a company's articles of association. This provides flexibility for companies to structure their commercial arrangements based on business needs without requiring regulatory approval.

106. Section 197. Register of directors, officers.

Existing Provision

197. Register of directors, officers.—(1) Every company shall keep at its registered office a register of its directors and officers, including the chief executive, company secretary, chief financial officer, auditors and legal adviser, containing with respect to each of them such particulars as may be specified.

(2) Every person referred to in sub-section (1) shall, within a period of ten days of his appointment or any change therein, as the case may be, furnish to the company the particulars specified under sub-section (1).

(3) Every company shall, within a period of fifteen days from the date of appointment of any person referred in sub-section (1) or any change among them, or in any of their particulars, file with the registrar a return in the specified form:

Provided that this sub-section shall not apply to the first appointment made at the time of incorporation of the company.

(4) Any contravention or default in complying with requirement of sub-section (1) or sub-section (3) shall be an offence liable to a penalty of level 1 on the standard scale.

(5) If the name of any person is fraudulently or without sufficient cause entered in or omitted from the register of directors of a company the person aggrieved or the company, may apply to the Court for rectification of the register of directors.
(6) The Court may either refuse the application or may order rectification of the register on such terms and conditions as it may deem fit and may make order as to costs.
(7) Where the Court has passed and order under sub-section (6) that *prima facie* entry in or omission from, the register of directors the name or other particulars of any person, was made fraudulently or without sufficient cause, the Court may send a reference for adjudication of offence under sub-section (8) to the court as provided in section 482.
(8) Anyone who fraudulently or without sufficient cause enters in, or omits from the register of directors the name or other particulars of any person, shall be punishable with imprisonment for a term which may extend to three years or with fine which may extend to one million rupees, or with both.
(9) When it makes an order for rectification of the register of directors in respect of a company, the Court shall cause a copy of the order to be forwarded to the company and shall, by its order, direct the company to file notice of the rectification with the registrar within fifteen days from the receipt of the order.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Digitalization

197. Register of directors, officers.—(1) Every company shall keep at its registered office a register, in electronic form, of its directors and officers, including the chief executive, company secretary, chief financial officer, auditors and legal adviser, containing with respect to each of them such particulars as may be specified.

(2) Every person referred to in sub-section (1) shall, within a period of ten days of his appointment or any change therein, as the case may be, furnish to the company the particulars specified under sub-section (1).

(3) Every company shall, within a period of fifteen days from the date of appointment of any person referred in sub-section (1) or any change among them, or in any of their particulars, file with the registrar a return in the specified form:

Provided that this sub-section shall not apply to the first appointment made at the time of incorporation of the company.

(4) Any contravention or default in complying with requirement of sub-section (1) or sub-section (3) shall be an offence liable to a penalty of level 1 on the standard scale.

(5) If the name of any person is fraudulently or without sufficient cause entered in or omitted from the register of directors of a company the person aggrieved or the company, may apply to the ~~Court~~ Commisison for rectification of the register of directors in the manner prescribed.

Provided that the Commission may prescribe the form, manner, and conditions for filing, processing and disposal of such applications, and may require the submission of such documents or evidence as it deems necessary for the purposes of rectification of the register.

(6) The ~~Court~~ Commission may either refuse the application or may order rectification of the register on such terms and conditions as it may deem fit and may make order as to costs.

Provided that before passing such order, the Commission shall cause an investigation to be conducted under section 257 of the Companies Act, 2017, and shall consider the findings of the investigation report and other facts on record.

(7) Where the ~~Court~~ Commission has passed an~~d~~ order under sub-section (6) that *prima facie* entry in or omission from, the register of directors the name or other particulars of any person, was made fraudulently or without sufficient cause, the Commission~~Court~~ may initiate ~~send a reference for~~ adjudication of offence under sub-section (8) ~~to the court as provided in section 482~~.

(8) Anyone who fraudulently or without sufficient cause enters in, or omits from the register of directors the name or other particulars of any person, ~~shall be punishable with imprisonment for a term which may extend to three years or with fine which may extend to one million rupees, or with both~~ liable to penalty of level 3 on the standard scale.

(9) When it makes an order for rectification of the register of directors in respect of a company, the Co~~urt~~mmission shall cause a copy of the order to be forwarded to the company and shall, by its order, direct the company to file notice of the rectification with the registrar within fifteen days from the receipt of the order.

Rationale

The amendment proposed to modernize and simplify compliance by mandating electronic maintenance of the register of directors and officers.

Rectification of the register of directors will now be undertaken by the Commission instead of the Court. Previously, parties had to approach the Court, which involved a lengthy and cumbersome procedure, causing delays in decisions. Shifting this function to the Commission ensures quicker disposal of such matters, reduced cost, and a more efficient process for companies and aggrieved persons.

Decriminalization of penalty provisions. In order to decriminalize the Companies Act, 2017 and replace the imprisonment it with pecuniary penalties.

107. Section 197A. Seeking direction in case of failure to file return under section 197 of the Act.

Existing Provision

Newly inserted section

Proposed Amendment

Source: SECP

Objective: Regulatory Oversight/Corporate Governance

197A. Seeking direction in case of failure to file return under section 197 of the Act.

(1) Notwithstanding anything contained in section 197 of the Act, where a director or officer, including the chief executive, company secretary, chief financial officer, auditor, or legal adviser, has resigned and the company fails to file the return in the specified form with the Registrar as required, the aggrieved person may, within ninety days of such resignation, file an application with the Commission seeking appropriate directions against the company.

(2) Upon receiving an application under sub-section (1), the Commission shall provide an opportunity of hearing to the parties concerned and may, by an order in writing, direct the company to file the return in the specified form with the Registrar within fifteen days from the date of the order.

(3) For the purposes of this Act, the resignation of a director or officer shall be deemed effective from the date mentioned in the resignation letter, provided that the resignation has been duly communicated to the company in writing.

(4) If the company fails to comply with the order of the Commission under sub-section (2) within the specified period, every officer of the company who is in default shall be liable to a penalty of level 3 on the standard scale for each day during which the default continues.

(5) The Commission may, in its order under sub-section (2), provide such incidental and consequential directions as it deems fit, including but not limited to the payment of costs incurred by the applicant.

(6) In case the register of directors and officers maintained under section 197 is not updated by the company within fifteen days of the issuance of an order under sub-section (2), such register shall be deemed to have been updated to the extent specified in the said order, in accordance with the provisions of this Act.

Rationale

This provision has been introduced to address situations where companies fail to file returns of resignation or cessation of directors or officers under section 197, leaving the outgoing individuals legally exposed despite having duly resigned. The new section empowers aggrieved persons to seek directions from the Commission to ensure timely updating of company records, enhance accountability, and prevent misuse of authority or records by defaulting companies. It establishes a clear enforcement mechanism, protects bona fide resigning officers, and strengthens corporate governance and transparency.

108. Section 199. Investments in associated companies and undertaking.

Existing Provision

199. Investments in associated companies and undertaking.—(1) A company shall not make any investment in any of its associated companies or associated undertakings except under the authority of a special resolution which shall indicate the nature, period, amount of investment and terms and conditions attached thereto.

Explanation: The term 'investment' shall include equity, loans, advances, guarantees, by whatever name called, except for the amount due as normal trade credit, where the terms and conditions of trade transaction(s) carried out on arms length and in accordance with the trade policy of the company.

(2) The company shall not invest in its associated company or associated undertaking by way of loans or advances except in accordance with an agreement in writing and such agreement shall inter-alia include the terms and conditions specifying the nature, purpose, period of the loan, rate of return, fees or commission, repayment schedule for principal and return, penalty clause in case of default or late repayments and security, if any, for the loan in accordance with the approval of the members in the general meeting: Provided that the return on such investment shall not be less than the borrowing cost of the investing company or the rate as may be specified by the Commission whichever is higher and shall be recovered on regular basis in accordance with the terms of the agreement, failing which the directors shall be personally liable to make the payment: Provided further that the directors of the investing company shall certify that the investment is made after due diligence and financial health of the borrowing company is such that it has the ability to repay the loan as per the agreement.

(3) The Commission may—

(a) by notification in the official Gazette, specify the class of companies or undertakings to which the restriction provided in sub-section (1) shall not apply; and

(b) through regulations, specify such disclosure requirements, conditions and restrictions on the nature, period, amount of investment and terms and conditions attached thereto, and other ancillary matters.

(4) An increase in the amount or any change in the nature of investment or the terms and conditions attached thereto shall be made only under the authority of a special resolution.

(5) Every company shall maintain and keep at its registered office a register of investments in associated companies and undertakings containing such particulars as may be specified. (6) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 3 on the standard scale and in addition, shall jointly and severally reimburse to the company any loss sustained by the company in consequence of an investment which was made without complying with the requirements of this section.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

199. Investments in associated companies and undertaking.—

(1) A company shall not make any investment in any of its associated companies or associated undertakings except under the authority of a special resolution which shall indicate the nature, period, amount of investment and terms and conditions attached thereto.

Explanation: The term 'investment' shall include equity, loans, advances, guarantees, by whatever name called, except for the amount due as normal trade credit, where the terms and conditions of trade transaction(s) carried out on arms length and in accordance with the trade policy of the company.

(2) The company shall not invest in its associated company or associated undertaking by way of loans or advances except in accordance with an agreement in writing and such agreement shall inter-alia include the terms and conditions specifying the nature, purpose, period of the loan, rate of return, fees or commission, repayment schedule for principal and return, penalty clause in case of default or late repayments and security, if any, for the loan in accordance with the approval of the members in the general meeting:

Provided that the return on such investment shall not be less than the borrowing cost of the investing company or the rate as may be specified by the Commission whichever is higher and shall be recovered on regular basis in accordance with the terms of the agreement, failing which the directors shall be personally liable to make the payment: Provided further that the directors of the investing company shall certify that the investment is made after due diligence and financial health of the borrowing company is such that it has the ability to repay the loan as per the agreement.

(3) The Commission may—

(a) by notification in the official Gazette, specify the class of companies or undertakings to which ~~the restriction provided in sub-~~ this section ~~(1)~~ shall not apply; and

(b) through regulations, specify such disclosure requirements, conditions and restrictions on the nature, period, amount of investment and terms and conditions attached thereto, and other ancillary matters.

(4) An increase in the amount or any change in the nature of investment or the terms and conditions attached thereto shall be made only under the authority of a special resolution.

(5) Every company shall maintain and keep at its registered office a register of investments in associated companies and undertakings containing such particulars as may be specified. (6) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 3 on the standard scale and in addition, shall jointly and severally reimburse to the company any loss sustained by the company in consequence of an investment which was made without complying with the requirements of this section.

Provided that the provisions of this section shall not apply to single member company and private company, not being public interest company and subsidiary of listed company, unless provided in articles of association.

Rationale

The amendment exempts private companies (except PICs and their subsidiaries) from this section to reduce compliance burden where shareholder control already ensures oversight. Enhanced requirements remain only for companies other than private companies, balancing ease of doing business with protection of public interest.

109. Section 201. Method of contracting.

Existing Provision

201. Method of contracting.—

(1) A contract or other enforceable obligation may be entered into by a company as follows:

(a) an obligation which, if entered into by a natural person, will, by law, be required to be by deed or otherwise in writing, may be entered into on behalf of the company in writing signed under the name of the company by a director, attorney or any other person duly authorised by the board[…];

(b) an obligation which, if entered into by a natural person, is not, by law, required to be in writing, may be entered into on behalf of the company in writing or orally by a person acting under the company's express or implied authority. (2) All contracts made according to sub-section (1) shall be effectual in law and shall bind the company and its successors and all other parties thereto, their heirs, or legal representatives as the case may be.

Proposed Amendment

Source: BOI's regulatory reform package for Listed companies

Objective: Ease of doing business

~~**201. Method of contracting.—**~~

~~**(**1) A contract or other enforceable obligation may be entered into by a company as follows:~~

~~(a) an obligation which, if entered into by a natural person, will, by law, be required to be by deed or otherwise in writing, may be entered into on behalf of the company in writing signed under the name of the company by a director, attorney or any other person duly authorised by the board[…];~~

~~(b) an obligation which, if entered into by a natural person, is not, by law, required to be in writing, may be entered into on behalf of the company in writing or orally by a person acting under the company's express or implied authority. (2) All contracts made according to sub-section (1) shall be effectual in law and shall bind the company and its successors and all other parties thereto, their heirs, or legal representatives as the case may be.~~

Rationale

Deleted as matter falls under contract law

110. Section 203. Company to have official seal for use abroad.

Existing Provision

203. Company to have official seal for use abroad.—(1) A company[…] may have an official seal for use outside Pakistan.

(2) The official seal 40[must add on the face of it] the name of every territory where it is to be used. (3) […]

(4) A company having such an official seal may[…] authorise any person appointed for the purpose in any territory not situate in Pakistan to affix the same to any deed or other document to which the company is party in that territory.

(5) The authority of any such agent shall, as between the company and any person dealing with the agent, continue during the period, if any, mentioned in the instrument conferring the authority, or if no period is mentioned therein, then until notice of the revocation or determination of the agent's authority has been given to the person dealing with him.

(6) The person affixing any such official seal shall, by writing under his hand, on the deed or other document to which the seal is affixed, certify the date and place of affixing the same.

(7) A deed or other document to which an official seal is duly affixed shall bind the company43[…].

Proposed Amendment

Source: BOI's regulatory reform Package for listed companies

Objective: Ease of doing business

203. Company to have official seal for use abroad.—~~(~~~~1) A company[…] may have an official seal for use outside Pakistan.~~

~~(2) The official seal 40[must add on the face of it] the name of every territory where it is to be used. (3) […]~~

(4) ~~A company having such an official seal may[…] authorise any person appointed for the purpose in any territory not situate in Pakistan to affix the same to any deed or other document to which the company is party in that territory.~~

(5) ~~The authority of any such agent shall, as between the company and any person dealing with the agent, continue during the period, if any, mentioned in the instrument conferring the authority, or if no period is mentioned therein, then until notice of the revocation or determination of the agent's authority has been given to the person dealing with him.~~

(6) ~~The person affixing any such official seal shall, by writing under his hand, on the deed or other document to which the seal is affixed, certify the date and place of affixing the same.~~

(7) ~~A deed or other document to which an official seal is duly affixed shall bind the company43[…].~~

Rationale

Official seal restriction is removed in line with elimination of common seal and BoI suggestion. Moreover, Companies may arrange it internally as needed by management.

111. Section 204. Duties of directors

Existing Provision

204. Duties of directors. —(1)-(7)

(8) Any breach of duty, default or negligence by a director in contravention of the articles of the company or any of its policy or decision of the board may be ratified by the company through a special resolution and the Commission may impose any restriction as may be specified.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

204. Duties of directors. —(1)-(7)…

(8) Any breach of duty, default or negligence by a director in contravention of the articles of the company or any of its policy or decision of the board may be ratified by the company through a special resolution and the Commission may impose any restriction as may be specified.

Provided that the provisions of this section shall not apply to single member company and private company, not being public interest company and subsidiary of listed company, unless provided in articles of association.

Rationale

Exemption for unlisted companies reduces unnecessary compliance burden, while retaining applicability for public interest companies to safeguard broader stakeholder interests.

112. Section 208. Related party transactions.

Existing Provision

Section 208. Related party transactions–(1) A company may enter into any contract or arrangement with a related party only in accordance with the policy approved by the board, subject to such conditions as may be specified, with respect to—

(a) sale, purchase or supply of any goods or materials;

(b) selling or otherwise disposing of, or buying, property of any kind;

(c) leasing of property of any kind;

(d) availing or rendering of any services;

(e) appointment of any agent for purchase or sale of goods, materials, services or property; and

(f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associated company:

Provided that where majority of the directors are interested in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis.

Explanation.— In this sub-section—

(a) the expression "office of profit" means any office—

(i) where such office is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(b) the expression "arm's length transaction" means a transaction which is subject to such terms and conditions as may be specified.

(c) the expression "related party" includes—

(i) a director or his relative:

(ii) a key managerial personnel or his relative;

(iii) a firm, in which a director, manager or his relative is a partner;

(iv) a private company in which a director or manager is a member or director;

(v) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;

(vi) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any company which is—

(A) a holding, subsidiary or an associated company of such company; or

(B) a subsidiary of a holding company to which it is also a subsidiary;

(xi) such other person as may be specified;

Explanation.—For the purpose of this section "relative" means spouse, siblings and lineal ascendants and descendants of a person.

(2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the board's report to the shareholders along-with the justification for entering into such contract or arrangement.

(3) The Commission may specify the record to be maintained by the company with regards to transactions undertaken with the related party.

(4) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the board or, as the case may be, by the shareholders at a meeting within ninety days from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(5) Without prejudice to anything contained in sub-section (4), it shall be open to the company to proceed against a director or any employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(6) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall be liable—

(a) in case of listed company, be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than five million rupees, or with both; and

(b) in case of any other company, to a penalty of level 2 on the standard scale.

Proposed Amendment

Source: BOI's UFT Package

Objective: Ease of doing business and Decriminalization

Section 208. Related party transactions (1) A company may enter into any contract or arrangement with a related party only in accordance with the policy approved by the board, subject to such conditions as may be specified, with respect to—

(a) sale, purchase or supply of any goods or materials;

(b) selling or otherwise disposing of, or buying, property of any kind;

(c) leasing of property of any kind;

(d) availing or rendering of any services;

(e) appointment of any agent for purchase or sale of goods, materials, services or property; and

(f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associated company:

Provided that where majority of the directors are related parties ~~interested~~ in any of the above transactions, the matter shall be placed before the general meeting for approval as special resolution subject to section 133 of the Act:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business on an arm's length basis.

Explanation.— In this sub-section—

(a) the expression "office of profit" means any office—

(i) where such office is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(b) the expression "arm's length transaction" means a transaction which is subject to such terms and conditions as may be specified.

(c) the expression "related party" shall have same meaning as under the International Financial Reporting Standards ~~includes—~~

~~(i) a director or his relative:~~

~~(ii) a key managerial personnel or his relative;~~

~~(iii) a firm, in which a director, manager or his relative is a partner;~~

~~(iv) a private company in which a director or manager is a member or director;~~

~~(v) a public company in which a director or manager is a director or holds along with his relatives, any shares of its paid up share capital;~~

~~(vi) any body corporate whose chief executive or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;~~

~~(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;~~

~~(viii) any company which is—~~

~~(A) a holding, subsidiary or an associated company of such company; or~~

~~(B) a subsidiary of a holding company to which it is also a subsidiary;~~

~~(xi) such other person as may be specified;~~

~~Explanation.—For the purpose of this section "relative" means spouse , siblings and lineal ascendants and descendants of a person.~~

(2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the board's report to the shareholders along-with the justification for entering into such contract or arrangement.

(3) The Commission may specify the record to be maintained by the company with regards to transactions undertaken with the related party.

(4) Where any contract or arrangement is entered into with a related party ~~by a director or any other employee~~, without obtaining the consent of the board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the board or, as the case may be, by the shareholders at a meeting within ninety days from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(5) Without prejudice to anything contained in sub-section (4), it shall be open to the company to proceed against a director or any employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

(6) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall be liable—

(a) in case of listed company, to a penalty of level 3 on the standard scale.~~be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than five ten million rupees, or with both;~~ and

(b) in case of any other company, to a penalty of level 2 on the standard scale.

Rationale

The definition of Related Party is aligned with IFRS on suggestion of CCoRR

Subsection (4): It is noted that this sub section only refers to contracts or arrangements entered into by a director or other employee, when it is clarified that such actions can be approved on post-facto basis. Should be amended to include all related party transactions.

It is proposed that Act, shall be decriminalized by replacing imprisonment with pecuniary penalties on the standard scale.

113. Section 209. Register of contracts or arrangements in which directors are interested

Existing Provision

209. Register of contracts or arrangements in which directors are interested. —(1) Every company shall keep one or more registers giving separately the particulars of all contracts or arrangements, in such manner and containing such particulars as may be specified by the Commission.

(2) Every director shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the company the particulars relating to his concern or interest in the other associations which are required to be included in the register under sub-section (1) or such other information relating to himself as may be specified.

(3) The register referred to in sub-section (1) shall be kept at the registered office of the company and it shall be open for inspection at such office during business hours and extracts may be taken therefrom, and copies thereof as may be required by any member of the company shall be furnished by the company to such extent, in such manner, and on payment of such fees as may be specified.

(4) The register to be kept under this section shall also be produced at the commencement of every annual general meeting of the company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

(5) Nothing contained in sub-section (1) shall apply to any contract or arrangement—

(a) for the sale, purchase or supply of any goods, materials or services if the value of such goods and materials or the cost of such services does not exceed five hundred thousand rupees in the aggregate in any year; or

(b) by a banking company for the collection of bills in the ordinary course of its business.

(6) Any contravention or default in complying with requirements under this section shall be an offence liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's Regulatory Framework for Listed Companies

Objective: Digitalization

209. Register of contracts or arrangements in which directors are interested. —(1) Every company shall keep one or more registers giving separately the particulars of all contracts or arrangements, in such manner and containing such particulars as may be specified by the Commission.

(2) Every director shall, within a period of thirty days of his appointment, or relinquishment of his office, as the case may be, disclose to the company the particulars relating to his concern or interest in the other associations which are required to be included in the register under sub-section (1) or such other information relating to himself as may be specified.

(3) The register referred to in sub-section (1) shall be kept at the registered office of the company in electronic form and it shall be open for inspection at such office during business hours and extracts may be taken therefrom, and copies thereof as may be required by any member of the company shall be furnished by the company to such extent, in such manner, and on payment of such fees as may be specified.

(4) The register to be kept under this section shall also be produced at the commencement of every annual general meeting of the company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.
(5) Nothing contained in sub-section (1) shall apply to any contract or arrangement—
(a) for the sale, purchase or supply of any goods, materials or services if the value of such goods and materials or the cost of such services does not exceed five hundred thousand rupees in the aggregate in any year; or
(b) by a banking company for the collection of bills in the ordinary course of its business.
(6) Any contravention or default in complying with requirements under this section shall be an offence liable to a penalty of level 1 on the standard scale.

Rationale

In order to promote digitalization amendment is being proposed.

114. Section 210. Contract of employment with directors.

Existing Provision

210. Contract of employment with directors.—

(1) Every company shall keep at its registered office—

(a) where a contract of service with a director is in writing, a copy of the contract; or

(b) where such a contract is not in writing, a written memorandum setting out its terms.

(2) The copies of the contract or the memorandum kept under sub-section (1) shall be open to inspection by any member of the company without payment of fee.

(3) Any contravention or default in complying with requirement under this section shall be an offence liable to a penalty of level 1 on the standard scale.

(4) The provisions of this section shall not apply to a private company.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Digitization & Ease of doing business

210. Contract of employment with directors.—(1) Every company shall keep at its registered office—

(a) where a contract of service with a director is in writing, a copy of the contract in electronic form; or

(b) where such a contract is not in writing, a written memorandum, in electronic form, setting out its terms.

(2) The copies of the contract or the memorandum kept under sub-section (1) shall be open to inspection by any member of the company without payment of fee.

(3) Any contravention or default in complying with requirement under this section shall be an offence liable to a penalty of level 1 on the standard scale.

(~~4) The provisions of this section shall not apply to a private company~~

Provided that the provisions of this section shall not apply to single member company and private company, not being public interest company and subsidiary of listed company, unless provided in articles of association.

Rationale

Contracts/Memorandum are required to be placed in electronic form to promote digitization. Exemption of private companies is proposed to reduce compliance burden, while retaining for PICs to ensure shareholder access to directors contracts.

115. Section 213. Disclosure to members of directors' interest in contract appointing chief executive or secretary.—

Existing Provision

213. Disclosure to members of directors' interest in contract appointing chief executive or secretary.—(1) Every director of a company who is in any way, whether directly or indirectly, concerned or interested, in any appointment or contract for the appointment of a chief executive, whole-time director or secretary of the company shall disclose the nature of his interest or concern at a meeting of the board in which such appointment or contract is to be approved and the interested director shall not participate or vote in the proceedings of the board.

(2) All contracts entered into by a company for the appointment of a chief executive, whole-time director or secretary shall be kept at the registered office of the company.

(3) Every contract required to be kept under sub-section (2) must be open to inspection by any member of the company without charge.

(4) Any member of the company is entitled, on request and on payment of such fee as may be fixed by the company, to be provided with a copy of any such contract. The copy must be provided within seven days after the request is received by the company.

(5) Any contravention or default in complying with requirements under this section shall be an offence liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Ease of doing business

213. Disclosure to members of directors' interest in contract appointing chief executive or secretary.—

~~(1) Every director of a company who is in any way, whether directly or indirectly, concerned or interested, in any appointment or contract for the appointment of a chief executive, whole-time director or secretary of the company shall disclose the nature of his interest or concern at a meeting of the board in which such appointment or contract is to be approved and the interested director shall not participate or vote in the proceedings of the board.~~

(2) All contracts entered into by a company for the appointment of a chief executive, whole-time director or secretary shall be kept at the registered office of the company.
(3) Every contract required to be kept under sub-section (2) must be open to inspection by any member of the company without charge.
(4) Any member of the company is entitled, on request and on payment of such fee as may be fixed by the company, to be provided with a copy of any such contract. The copy must be provided within seven days after the request is received by the company.
(5) Any contravention or default in complying with requirements under this section shall be an offence liable to a penalty of level 1 on the standard scale.

(6) Provided that the provisions of this section shall not apply to single member company and private company, not being public interest company and subsidiary of listed company, unless provided in articles of association.

Rationale

Exemption of private companies is proposed to reduce compliance burden, while retaining for other companies.

116. Section 215. Liability for undesired activities of the shareholders.

Existing Provision

215. Liability for undesired activities of the shareholders.—(1) A member of a company shall act in good faith while exercising its powers as a shareholder at the general meetings and shall not conduct themselves in a manner that is considered disruptive to proceedings of the meeting.

(2) Without prejudice to his rights under this Act, a member of the company shall not exert influence or approach the management directly for decisions which may lead to create hurdle in the smooth functioning of management.

(3) Any shareholder who fails to conduct in the manner provided in this section and as specified by the Commission shall be guilty of an offence under this section and shall be liable to a penalty not exceeding of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Ease of doing business

~~**215. Liability for undesired activities of the shareholders. —(**1) A member of a company shall act in good faith while exercising its powers as a shareholder at the general meetings and shall not conduct themselves in a manner that is considered disruptive to proceedings of the meeting.~~

~~(2) Without prejudice to his rights under this Act, a member of the company shall not exert influence or approach the management directly for decisions which may lead to create hurdle in the smooth functioning of management.~~

~~(3) Any shareholder who fails to conduct in the manner provided in this section and as specified by the Commission shall be guilty of an offence under this section and shall be liable to a penalty not exceeding of level 1 on the standard scale.~~

Rationale

Liability for "undesired activities" is subjective and restrictive for shareholders. Eliminating the section will reduce ambiguity and will give freedom to shareholders who are actual owners of the company.

117. Section 220. Books of account, to be kept by company.

Existing Provision

220. Books of account, to be kept by company.–

(1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any: Provided that in the case of a company engaged in production, processing, manufacturing or mining activities, such particulars relating to utilisation of material or labour or the other inputs or items of cost as may be specified, shall also be maintained: Provided further that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in Pakistan as the board may decide and where such a decision is taken, the company shall, within seven days thereof, file with the registrar a notice in writing giving the full address of that other place.

(2) Where a company has a branch office in Pakistan or outside Pakistan, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarized returns are sent periodically by the branch office to the company at its registered office or the other place referred to in sub-section (1).

(3) The books of account and other books and papers maintained by the company within Pakistan shall be open for inspection at the registered office of the company or at such other place in Pakistan by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director.

(4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the director making such inspection all assistance in connection with the inspection which the company is reasonably expected to give.

(5) The books of account of every company relating to a period of not less than ten financial years immediately preceding a financial year, or where the company had been in existence for a period less than ten years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order.

(6) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer, of the company who has by his act or omission been the cause of such default shall— (a) in respect of a listed company, be punishable with imprisonment for a term which may extend to two year and with fine which shall not be less than five hundred thousand rupees nor more than five million rupees, and with a further fine which may extend to ten thousand rupees for every day after the first during which the default continues; and

(b) in respect of any other company, be punishable with imprisonment for a term which may extend to one year and with fine which may extend to one hundred thousand rupees.

(7) The provisions of this section except those of sub-section (5), shall apply mutatis mutandis to the books of account which a liquidator is required to maintain and keep.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Ease of doing business

220. Books of account, to be kept by company.–

(1) Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any:

Provided that in the case of a company engaged in production, processing, manufacturing or mining activities, such particulars relating to utilisation of material or labour or the other inputs or items of cost as may be specified, shall also be maintained:

Provided further that all or any of the books of account aforesaid and other relevant papers may be kept at such other place in Pakistan as the board may decide and where such a decision is taken, the company shall, within seven days thereof, file with the registrar a notice in writing giving the full address of that other place.

Provided that the company may keep such books of account and other relevant books and papers in electronic mode.

Provided further that where the books of account and other relevant books and papers are kept in electronic mode, they must be capable of being reproduced in hard copy form.

(2) Where a company has a branch office in Pakistan or outside Pakistan, it shall be deemed to have complied with the provisions of sub-section (1), if proper books of account relating to the transactions effected at the branch office are kept at that office and proper summarized returns are sent periodically by the branch office to the company at its registered office or the other place referred to in sub-section (1).

(3) The books of account and other books and papers maintained by the company within Pakistan shall be open for inspection at the registered office of the company or at such other place in Pakistan by any director during business hours, and in the case of financial information, if any, maintained outside the country, copies of such financial information shall be maintained and produced for inspection by any director.

(4) Where an inspection is made under sub-section (3), the officers and other employees of the company shall give to the director making such inspection all assistance in connection with the inspection which the company is reasonably expected to give.

(5) The books of account of every company relating to a period of not less than five ~~ten~~ financial years immediately preceding a financial year in physical form and permanently in electronic form, or where the company had been in existence for a period less than five ~~ten~~ years, in respect of all the preceding years together with the vouchers relevant to any entry in such books of account shall be kept in good order.

(6) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer, of the company who has by his act or omission been the cause of such default shall—

(a) in respect of a listed company, be punishable with imprisonment for a term which may extend to two year and with fine which shall not be less than five hundred thousand rupees nor more than five million rupees, and with a further fine which may extend to ten thousand rupees for every day after the first during which the default continues; and

(b) in respect of any other company, be punishable with imprisonment for a term which may extend to one year and with fine which may extend to one hundred thousand rupees.

(7) The provisions of this section except those of sub-section (5), shall apply mutatis mutandis to the books of account which a liquidator is required to maintain and keep.

Rationale

Reduced time to keep physical record from 10 to 5 years keeping in view best practices and promote digitization.

118. Section 221. Inspection of books of account by the Commission

Existing Provision

221. Inspection of books of account by the Commission.(1) The books of account and books and papers of every company shall be open to inspection by any officer authorised by the Commission in this behalf if, for reasons to be recorded in writing, the Commission considers it necessary so to do.

(2) It shall be the duty of every director, officer or other employee of the company to produce to the person making inspection under sub-section (1) all such books of account and books and papers of the company in his custody or under his control, and to furnish him with any such statement, information or explanation relating to the affairs of the company, as the said person may require of him within such time and at such place as he may specify.

(3)--(6)…

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Regulatory Oversight/Corporate Governance

221. Inspection of books of account by the Commission.(1) For the purpose of ascertaining whether a company who is complying with or has complied with any provision or requirement of this Act or the terms and conditions of licence or registration, the Commission may from time to time inspect any record or document relating to any company. The books of account and books and papers of every such company shall be open to inspection by any officer authorised by the Commission in this behalf if, for reasons to be recorded in writing, the Commission considers it necessary so to do.

(2) It shall be the duty of every director, officer or other employee of the company to produce to the person making inspection under sub-section (1) all such books of account and books and papers of the company in his custody or under his control, and to furnish him with any such statement, information or explanation relating to the affairs of the company, as the said person may require of him within such time and at such place as he may require ~~specify.~~

(3)--(6)…

(7) Without prejudice to the foregoing provisions of this section, the Commission may, if it is satisfied that the circumstances so warrant, order an inspection under Section 28A of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) against any company to assess compliance with this Act.

Rationale

Subsection (1) (CCoRR) Simplify. Inspection only if there is reasonable suspicion of fraud or wrong doing.

Sub section (2): Correction: The word 'specify' means through regulations. Amended accordingly.

Insertion of sub-section (7): To broad commission powers for inspection and to connect inspection powers given in SECP Act and companies act.

119. Section 222. Default in compliance with provisions of section 221

Existing Provision

222. Default in compliance with provisions of section 221.—(1) If default is made in complying with the provisions of section 221, every person who is in default shall be punishable with imprisonment for a term which may extend to one hundred and eighty days and with fine which may extend to one hundred thousand rupees.

(2) Where a director or any other officer of a company has been convicted of an offence under this section, he shall, on and from the date on which he is so convicted, be deemed to have vacated his office as such and, on such vacation of office, shall be disqualified for holding such office in any company, for a period of three years.

Proposed Amendment

Source: BoI's regulatory reform package for listed companies

Objective: Decriminalization

222. Default in compliance with provisions of section 221.—(1) If default is made in complying with the provisions of section 221, every person who is in default ~~shall be punishable with imprisonment for a term which may extend to one hundred and eighty days and with fine which may extend to one hundred thousand rupees~~. shall be liable to a penalty of level 3 on the standard scale.

(2) Where a director or any other officer of a company has been convicted of an offence under this section, he shall, on and from the date on which he is so convicted, be deemed to have vacated his office as such and, on such vacation of office, shall be disqualified for holding such office in any company, for a period of three years.

Rationale

Decriminalization of penalty provisions. In order to decriminalize the Companies Act, 2017 and replace the imprisonment it with pecuniary penalties.

120. Section 223. Financial Statements

Existing Provision

223. Financial Statements. —(1) The board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such

statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company.

(2) The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company:

Provided that, in the case of a listed company the Commission, and in any other case the registrar, may, for any special reason, extend the period for a term not exceeding thirty days.

(3) Subject to the provision of sub-section (2), the first financial statement must be laid at some date not later than sixteen months after the date of incorporation of the company and subsequently once at least in every calendar year.

(4) The period to which the statements aforesaid relate, not being the first, shall not exceed one year except where special permission of the registrar has been obtained.

(5) The financial statement shall be audited by the auditor of the company, in the manner hereinafter provided, and the auditor's report shall be attached thereto:

Provided that nothing in this sub-section shall apply to a private company having the paid up capital not exceeding one million rupees or such higher amount of paid up capital as may be notified by the Commission.

(6) Every company shall send in the form and manner specified audited financial statements together with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice of general meeting, either by post or electronically at least twenty-one days before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members.

(7) A listed company shall, simultaneously with the dispatch of the financial statements together with the reports referred to in sub-section (6), send by post three copies and electronically a copy of such financial statements together with said reports to each of the Commission, registrar and the securities exchange and shall also post on the company's website:

Provided that the reports shall be made available on the website of the Company for a time period as may be specified.

(8) The provisions of sub-section (6) of section 220 shall apply to any person who is a party to the default in complying with any of the provisions of this section.

(9) This section shall not apply to a single member company except to the extent as provided in sub-section (5).

Proposed Amendment

Source: FBR

Objective: Ease of doing business

223. Financial Statements.—(1) The board of every company must lay before the company in annual general meeting its financial statements for the period, in the case of first such statements since the incorporation of the company and in any other case since the preceding financial statements, made up to the date of close of financial year adopted by the company.

(2) The financial statements must be laid within a period of one hundred and twenty days following the close of financial year of a company:

Provided that, in the case of a listed company the Commission, and in any other case the registrar, may, for any special reason, extend the period for a term not exceeding thirty days.

(3) Subject to the provision of sub-section (2), the first financial statement must be laid at some date not later than sixteen months after the date of incorporation of the company and subsequently once at least in every calendar year.

(4) The period to which the statements aforesaid relate, not being the first, shall not exceed one year except where special permission of the registrar has been obtained.

(5) The financial statement shall be audited by the auditor of the company, in the manner hereinafter provided, and the auditor's report shall be attached thereto:

Provided that nothing in this sub-section shall apply to a single member company and private company, not being subsidiary of public company, having such paid-up capital or such other criteria based on turnover or assets or any other parameter, notified by the Commission ~~paid up capital not exceeding one million rupees or such higher amount of paid up capital as may be notified by the Commission~~.

(6) Every company shall send in the form and manner specified audited financial statements together with the auditors' report, directors' report and in the case of a listed company the chairman's review report to every member of the company and every person who is entitled to receive notice of general meeting, ~~either by post or electronically~~ in the manner provided under section 55 ~~at least twenty-one days~~ such notice period as notified under section 132 of the Act, before the date of meeting at which it is to be laid before the members of the company, and shall keep a copy at the registered office of the company for the inspection of the members.

(7) A listed company shall, simultaneously with the dispatch of the financial statements together with the reports referred to in sub-section (6), send by post ~~three copies and~~ or also electronically a copy of such financial statements together with said reports to ~~each of the Commission~~, the registrar and the securities exchange and shall also post on the company's website:

Provided that the reports shall be made available on the website of the Company for a time period as may be specified.

(8) The provisions of sub-section (6) of section 220 shall apply to any person who is a party to the default in complying with any of the provisions of this section.

(9) This section shall not apply to a single member company and private company, not being subsidiary of public company, having such paid-up capital or such other criteria based on turnover or assets or any other parameter, notified by the Commission except to the extent as provided in sub-section (5).

Rationale

SECP/FBR suggested to make audit of financial statements mandatory based on size of the company (i.e. turnover/assets etc.) rather than only paid up capital.

121. Section Newly Insertion 223A. Special Audit

Existing Provision

Newly inserted section

Proposed Amendment

Source: SECP

Objective: Regulatory Oversight/Corporate Governance

223A. Special Audit.- (1)The Commission may upon an application made by members holding not less that 10% voting rights in a company, order a special audit of the company and appoint an auditor to carry out detailed scrutiny of the affairs of the company.

Provided that the auditor appointed for the purposes of the special audit shall be subject to the regulatory oversight of the Audit Oversight Board under the applicable laws and regulations.

Provided further that Commission may, on its own motion, may order special audit of the company on the receipt of a report under sub-section (5) of section 221 or on the report by the registrar under sub-section (6) of section 254.

(2) On receipt of the special audit report, the commission may issue such directions for immediate compliance to the company and its management as the Commission deems fit.

(3) In case where the special audit has been ordered by the Commission on an application made by the member of the company, one half of the expenses of the special audit shall be borne and paid in advance by such members, and the other half shall be borne by the company.

(4) In case where the special audit has been ordered by the Commission on its own motion, the expenses of the special audit shall be payable by the company.

(5) Where the expenses of the special audit are payable by the company, such expenses in the first instance may be defrayed by the Commission, and the company shall be liable to reimburse the Commission in respect of such expenses

(6) The amount of expenses liable to be paid by the company, the members or any other persons, as the case may be, shall be recoverable as arrears of land revenue.

(7) The provisions of section 255 shall apply mutatis mutandis to the auditor appointed to carry out the special audit of the company under sub-section (1).

Rationale

Section **223A** has been inserted to give shareholders and the Commission a clear, practical mechanism to verify whether a company's affairs are being managed properly. At present, if serious concerns arise regarding misuse of funds, inaccurate accounts, or mismanagement, there is no specific provision requiring an in-depth review of records. This amendment fills that gap by allowing members holding at least twenty percent voting rights to request a special audit, and also enabling the Commission to order one where irregularities are indicated. It strengthens accountability, improves financial transparency, protects shareholder interests, and ensures that company management remains answerable for the proper use of funds and maintenance of true records.

122. Section Newly Insertion 223B. Voluntary revision of financial statements.

Existing Provision

Newly inserted section

Proposed Amendment

Source: AoB

Objective: Ease of doing business

Section 238A. Voluntary revision of financial statements.

(1) Where it appears to the directors of a company that the financial statements of the company are not in compliance with the provisions of this Act, the directors may cause to be prepared revised financial statements in respect of any of the three preceding financial years.

Provided that in the case of a listed company, such revised financial statements shall be prepared only after obtaining prior approval of the Commission, and in the case of any other company, with the approval of the general meeting through a special resolution, in such form and manner as may be specified.

Provided further that no company shall prepare or file revised financial statements more than once in a financial year:

Provided further that the detailed reasons for such revision shall be disclosed in the financial statements of the relevant financial year in which such revision is made.

(2) Where copies of the previous financial statements have been sent out to members or delivered to the registrar or laid before the company in general meeting, the revisions shall be confined to-

(a) the correction in respect of which the previous financial statements did not comply with the provisions of this Act; and

(b) the making of any necessary consequential alteration.

(3) The Commission may make regulations for carrying out the purposes of this section and may, in particular-

(a) make different provisions according to which the previous financial statements are replaced or are supplemented by a document indicating the corrections to be made; and (b) make provisions with respect to the functions of the company's auditor in relation to the revised financial statements; and

(c) require the directors to take such steps as may be specified.

123. Section 226. Duty to prepare directors' report and statement of compliance

Existing Provision

226. Duty to prepare directors' report and statement of compliance.—(1) The board shall prepare a directors' report for each financial year of the company:

Provided that nothing in this sub-section shall apply to a private company, not being a subsidiary of public company, having the paid up capital not exceeding three million rupees.

(2) The Commission may by general or special order, direct such class or classes of companies to prepare a statement of compliance.

(3) The board of a holding company, required to prepare consolidated financial statements under section 228, shall in its report to the members as provided in section 227, include information on matters specified in sub-section (2) of section 227 with respect to the consolidated financial statements.

(4) The directors in their report shall give greater emphasis to the matters that are significant to the undertakings included in the consolidation. (5) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

226. Duty to prepare directors' report and statement of compliance.—

(1) The board shall prepare a directors' report for each financial year of the company:

Provided that The Commission may by notification in the official Gazette, specify the companies or class of companies to which sub-section (1) shall not apply.

~~Provided that nothing in this sub-section shall apply to a private company, not being a subsidiary of public company, having the paid up capital not exceeding three million rupees.~~

(2) The Commission may by general or special order, direct such class or classes of companies to prepare a statement of compliance.

(3) The board of a holding company, required to prepare consolidated financial statements under section 228, shall in its report to the members as provided in section 227, include information on matters specified in sub-section (2) of section 227 with respect to the consolidated financial statements.

(4) The directors in their report shall give greater emphasis to the matters that are significant to the undertakings included in the consolidation. (5) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Rationale

Keeping in view international best practices, companies and groups that meet atleast 2 out of three criteria (small companies and small groups) should be exempt from preparing a director's report

124. Section 229. Financial year of holding company and subsidiary

Existing Provision

229. Financial year of holding company and subsidiary.—(1) The board of a holding company shall ensure that, except where in their opinion there are good reasons against it, its financial year and each of its subsidiaries coincides.
(2) The Commission may, on an application of a holding company or a subsidiary of the holding company, extend the financial year of any such company for the purpose of sub-section (1).
(3) While granting any extension under sub-section (2), the Commission may grant such other relaxations as may be incidental or ancillary thereto.

Proposed Amendment

Source: BOI's Regulatory reform package for listed Companies

Objective: Ease of doing business

~~**229. Financial year of holding company and subsidiary. —(**1) The board of a holding company shall ensure that, except where in their opinion there are good reasons against it, its financial year and each of its subsidiaries coincides.~~
~~(2) The Commission may, on an application of a holding company or a subsidiary of the holding company, extend the financial year of any such company for the purpose of sub-section (1).~~

~~(3) While granting any extension under sub-section (2), the Commission may grant such other relaxations as may be incidental or ancillary thereto.~~

Rationale

Proposed deletion shall provide companies with greater flexibility to adopt financial years suited to their commercial realities, eliminates the need for repetitive applications for extension or relaxation, and reduces regulatory compliance interactions with SECP. This amendment therefore promotes business facilitation, reduces administrative overhead, and aligns Pakistan's corporate regulatory framework with international best practices.

125. Section 230. Rights of holding company's representatives and members

Existing Provision

230. Rights of holding company's representatives and members.—(1) A holding company may, by resolution, authorise representatives named in the resolution to inspect the books of account kept by any of its subsidiaries; and the books of account of any such subsidiary shall be open to inspection by those representatives at any time during business hours.
(2) The rights conferred by section 256 upon members of a company may be exercised, in respect of any subsidiary, by members of the holding company as if they also were members of the subsidiary.

Proposed Amendment

Source: BOI's Regulatory reform package for Listed Companies

Objective: Ease of doing business

230. Rights of holding company's representatives and members.—(1) The Chief executive of a ~~A~~ holding company may, ~~by resolution,~~ authorise representatives ~~named in the resolution~~ to inspect the books of account kept by any of its subsidiaries; and the books of account of any such subsidiary shall be open to inspection by those representatives at any time during business hours.
(2) The rights conferred by section 256 upon members of a company may be exercised, in respect of any subsidiary, by members of the holding company as if they also were members of the subsidiary.

Rationale

The amendment seeks to substitute the requirement of a *board resolution* with *authorization by the Chief Executive* to streamline intra-group oversight and reduce procedural delays. Under modern corporate governance practices, the Chief Executive is responsible for the day-to-day management and operational decision-making of the holding company; therefore, empowering the CEO to authorize representatives for inspection of subsidiary records enhances administrative efficiency without compromising accountability.

126. Section 233. Copy of Financial Statements to be forwarded to the registrar

Existing Provision

233. Copy of Financial Statements to be forwarded to the registrar.—

(1) Without prejudice to the provisions of sub-section (5) of section 223, after the audited financial statements have been laid before the company at the annual general meeting and duly adopted, a copy of such financial statements together with reports and documents required to be annexed to the same, duly signed in the manner provided by sections 226, 232 and 251, shall be filed by the company with the registrar within thirty days from the date of such meeting in case of a listed company and within fifteen days in case of any other company.

(2) If the general meeting before which the financial statement is laid does not adopt the same or defers consideration thereof or is adjourned, a statement of that fact and of the reasons therefor shall be annexed to the said financial statements required to be filed with the registrar.

(3) Nothing in this section shall apply to a private company having the paid up capital not exceeding ten million rupees or such higher amount of paid up capital as may be notified by the Commission.

(4) Any contravention or default in complying with requirements of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and

(b) in case of any other company, to a penalty of level 1 on the standard scale.

Proposed Amendment

233. Copy of Financial Statements to be forwarded to the registrar.—

(1) Without prejudice to the provisions of sub-section (5) of section 223, after the audited financial statements have been laid before the company at the annual general meeting and duly adopted, a copy of such financial statements together with reports and documents required to be annexed to the same, duly signed in the manner provided by sections 226, 232 and 251, shall be filed by the company with the registrar within thirty days from the date of such meeting in case of a listed company and within fifteen days in case of any other company.

(2) If the general meeting before which the financial statement is laid does not adopt the same or defers consideration thereof or is adjourned, a statement of that fact and of the reasons therefor shall be annexed to the said financial statements required to be filed with the registrar.

(3) Nothing in this section shall apply to ~~a private company~~ companies or class of companies ~~having the paid up capital not exceeding ten million rupees or such higher amount of paid up capital~~ as may be notified by the Commission.

(4) Any contravention or default in complying with requirements of this section shall be an offence liable—

(a) in case of a listed company, to a penalty of level 2 on the standard scale; and

(b) in case of any other company, to a penalty of level 1 on the standard scale.

Rationale

Keeping in view international best practices, exemption from filing of audited financial statement shall be linked with size of the company.

127. Section 233A. Filing of unaudited financial statements

Existing Provision

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

233A. Filing of unaudited financial statements or information.—(1) A company, having such paid up capital or such other parameters as may be notified by the Commission, shall file the duly authenticated financial statements or information, on prescribed format, whether audited or not and duly approved in the general meeting within one hundred twenty days of close of financial year, file with the registrar within such time as prescribed by the Commission.

Provided that in case holding of general meeting is exempted under sections 132 or 133 of the Act. Above referred financial statements or information shall be filed, duly approved by the Board, within such time as prescribed by the Commission.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Rationale

Filing of financial information with registrar is necessary therefore this clause is inserted. Format for filing of unaudited financial statements shall be prescribed for standardization and better regulatory oversight.

128. Section 235. Right of member of a company to copies of the Financial Statements and the auditor's report

Existing Provision

235. Right of member of a company to copies of the Financial Statements and the auditor's report.—(1)Any member of the company is entitled, on request and on payment of such fee

as may be fixed by the company to be provided with a copy of any financial statement. The copy must be provided within seven days after the request is received by the company.
(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's Regulatory reform package for Listed Companies

Objective: Digitization

235. Right of member of a company to copies of the Financial Statements and the auditor's report.—(1)Any member of the company is entitled, on request and on payment of such fee as may be fixed by the company to be provided with a copy of any financial statement. The copy must be provided within seven days after the request is received by the company.

Provided that any member of the company may request for electronic copy of any financial statement free of cost.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Rationale

In order to promote digitalization this amendment is being proposed.

129. Section 237. Quarterly financial statements of listed companies.—(

Existing Provision

237. Quarterly financial statements of listed companies.—(1) Every listed company shall prepare the quarterly financial statements within the period of—

(a) **thirty days** of the close of first and third quarters of its year of accounts; and

(b) **sixty days** of the close of its second quarter of its year of accounts:
Provided that the cumulative figures for the half year, presented in the second quarter accounts shall be subjected to a limited scope review by the statutory auditors of the company in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission.
Provided further that the Commission may, upon an application by the company, extend the period of filing in case of accounts of first quarter for a period not exceeding thirty days, if the company was allowed extension in terms of sections 223.

(2) The quarterly financial statements shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1):

Provided that a copy of the quarterly financial statements shall be dispatched in physical form if so requested by any member without any fee.

Provided further that the Commission may specify the time period for which the quarterly financial statements shall be made available on the website of the company.

(3) The provisions of section 232 shall be applicable to the quarterly financial statements.

(4) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.

Proposed Amendment

Source: BOI's Regulatory reform package for Listed Companies

Objective: Ease of doing business

237. Interim ~~Quarterly~~ **financial statements** and results **of listed companies.—**(1) Every listed company shall prepare the ~~quarterly~~ half yearly financial statements within the period of—

~~(a) **thirty days** of the close of first and third quarters of its year of accounts; and~~

~~(b)~~ **sixty days** of the close of its second quarter of its year of accounts:

Provided that the cumulative figures for the half year, presented in the second quarter accounts shall be subjected to a limited scope review by the statutory auditors of the company in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission.

~~Provided further that the Commission may, upon an application by the company, extend the period of filing in case of accounts of first quarter for a period not exceeding thirty days, if the company was allowed extension in terms of sections 223.~~

(1A) Every listed company shall prepare the financial results of the first, second and thirst quarter, duly approved by Board of Directors, of its financial year in the manner prescribed by the Commission.

Provided that the Commission may, upon an application by the company, extend the period in case of financial results of first quarter for a period not exceeding thirty days, if the company was allowed extension in terms of sections 223.

(2) The ~~quarterly~~ half yearly financial statements and the financial results of the each quarter shall be posted on the company's website for the information of its members and also be transmitted electronically to the Commission, securities exchange and with the registrar within the period specified under sub-section (1):

Provided that a copy of the ~~quarterly~~ half yearly financial statements or the financial results as the case may be, shall be dispatched in physical form if so requested by any member without any fee.

Provided further that the Commission may specify the time period for which the ~~quarterly~~ half yearly financial statements or the financial results as the case may be, shall be made available on the website of the company.

(3) The provisions of section 232 shall be applicable to the ~~quarterly~~ half yearly financial statements.

(4) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief financial officer of the company who has by his act or omission been the cause of such default shall be liable to a penalty of level 2 on the standard scale.

Rationale

The proposed shift from quarterly to half yearly financial reporting aims to reduce the regulatory compliance burden on listed companies and align Pakistan's disclosure regime with international practices.

130. Section 238. Power of Commission to require submission of additional statements of accounts and reports.

Existing Provision

238. Power of Commission to require submission of additional statements of accounts and reports.—(1) Notwithstanding anything contained in any other provision of this Act the Commission may, by general or special order, require companies generally, or any class of companies or any particular company, to prepare and send to the members, the Commission, the registrar, the securities exchange and any other person such periodical statements of accounts, information or other reports, in such form and manner and within such time, as may be specified in the order.

(2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 3 on the standard scale.

Proposed Amendment

Source: BOI's regulatory reform Package 01 & listed companies

Objective: Ease of doing business

238. Power of Commission to require submission of additional statements of accounts and reports.—(1) Notwithstanding anything contained in any other provision of this Act the Commission may, by general or special order, require companies generally, ~~or any class of companies~~ or any particular company, to prepare and send to the members, the Commission, the registrar, the securities exchange and any other person such periodical statements of accounts, information or other reports, in such form and manner and within such time, as may be specified in the order. (2) Any contravention or default in complying with requirement of this section shall be an offence liable to a penalty of level 3 on the standard scale.

Rationale

Deleted words 'class of companies' on suggestion of BoI.

131. Section 239. Rights of debenture-holders to obtain copies of financial statements

Existing Provision

239. Rights of debenture-holders to obtain copies of financial statements.—(1) The holders of debentures, including the trustees for holders of debentures, of a company shall be entitled to have copies of financial statements of the company and other reports on payment of such fee as may be fixed by the company.

(2) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Proposed Amendment

Source: BOI's Regulatory reform package for Listed Companies

Objective: Digitalization

239. Rights of debenture-holders to obtain copies of financial statements.—(1) The holders of debentures, including the trustees for holders of debentures, of a company shall be entitled to have copies of financial statements of the company and other reports on payment of such fee as may be fixed by the company.

Provided that the holders of debentures, including the trustees for holders of debentures, of the company may request for electronic copy of any financial statements of the company and other reports, free of cost.

(2) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 1 on the standard scale.

Rationale

To promote digitalization

132. Section 240. Certain restrictions on declaration of dividend.

Existing Provision

240. Certain restrictions on declaration of dividend.—(1) The company in general meeting may declare dividends; but no dividend shall exceed the amount recommended by the board.

(2) No dividend shall be declared or paid by a company for any financial year out of the profits of the company made from the sale or disposal of any immovable property or assets of a capital nature comprised in the undertaking or any of the undertaking of the company, unless the business of the company consists, whether wholly or partly, of selling and purchasing any

such property or assets, except after such profits are set off or adjusted against losses arising from the sale of any such immovable property or assets of a capital nature: Provided that no dividend shall be declared or paid out of unrealized gain on investment property credited to profit and loss account.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

240. Certain restrictions on declaration of dividend.—(1) ~~The company in general meeting may declare dividends; but no dividend shall exceed the amount recommended by the board.~~

~~(2) No dividend shall be declared or paid by a company for any financial year out of the profits of the company made from the sale or disposal of any immovable property or assets of a capital nature comprised in the undertaking or any of the undertaking of the company, unless the business of the company consists, whether wholly or partly, of selling and purchasing any such property or assets, except after such profits are set off or adjusted against losses arising from the sale of any such immovable property or assets of a capital nature: Provided that no dividend shall be declared or paid out of unrealized gain on investment property credited to profit and loss account.~~

(1) The directors of a company may, by resolution, authorise a distribution by way of dividend to members at such time and of such an amount, as it thinks fit if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test as specified by the Commission.

(2) A resolution of directors passed under subsection (1) shall contain a statement that, in the opinion of the directors, the company will, immediately after the distribution, satisfy the solvency test.

(3) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 3 on the standard scale and in addition, shall jointly and severally reimbursed to the company by the chief executive officer, directors or any other responsible officer shall, jointly and severally, reimburse the company for any amount distributed in breach of the solvency test or for any loss thereby caused.

Rationale

Omission of sub-section (1): To give effect to the changes in section 243.

Replacement of sub-section (2): The deletion of sub-section (2) removes restriction on dividend distribution from capital gains, which no longer reflects modern accounting standards and business realities. Instead, the proposed proviso introduces a **solvency test** to ensure that dividends, whether from current or accumulated profits, are declared only when the company can meet its financial obligations.

133. Section 241. Dividend to be paid only out of profits.

Existing Provision

241. Dividend to be paid only out of profits. —Any dividend may be paid by a company either in cash or in kind only out of its profits.

Explanation. —The payment of dividend in kind shall only be in the form of shares of listed company held by the distributing company.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business

241. Dividend to be paid only out of profits. —Any dividend may be paid by a company either in cash or in kind ~~only~~ out of its profits, including accumulated profits or reserves, subject to the solvency test as specified by the Commission.

Provided that a company shall declare dividend at least once in every three years, subject to the availability of accumulated profits or reserves and satisfaction of the solvency test.

Explanation. —The payment of dividend in kind shall only be in the form of shares of listed company held by the distributing company.

Rationale

Dividend issuance from accumulated profit of previous years.

134. Section 243. Directors not to withhold declared dividend.

Existing Provision

243. Directors not to withhold declared dividend.—(1) When a dividend has been declared, it shall not be lawful for the directors of the company to withhold or defer its payment and the chief executive of the company shall be responsible to make the payment in the manner provided in section 242.

Explanation.— Dividend shall be deemed to have been declared on the date of the general meeting in case of a dividend declared or approved in the general meeting and on the date of commencement of closing of share transfer for purposes of determination of entitlement of dividend in the case of an interim dividend and where register of members is not closed for such purpose, on the date on which such dividend is approved by the board.

(2) Where a dividend has been declared by a company but is not paid within the period specified under section 242, the chief executive of the company shall be punishable with imprisonment for a term which may extend to two years and with fine which may extend to five million rupees:

(a) where the dividend could not be paid by reason of the operation of any law; (b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with; (c) where there is a dispute regarding the right to

receive the dividend; (d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or (e) where, for any other reason, the failure to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the company; and

Provided that no offence shall be deemed to have been committed within the meaning of the foregoing provisions in the following cases, namely—

the Commission has, on an application of the company on the specified form made within forty-five days from the date of declaration of the dividend, and after providing an opportunity to the shareholder or person who may seem to be entitled to receive the dividend of making representation against the proposed action, permitted the company to withhold or defer payment as may be ordered by the Commission.

(3) Notwithstanding anything contained in sub-section (2), a company may withhold the payment of dividend of a member where the member has not provided the complete information or documents as specified by the Commission.

(4) Chief executive convicted under sub-section (2) shall from the day of the conviction cease to hold the office of chief executive of the company and shall not, for a period of five years from that day, be eligible to be the chief executive or a director of that company or any other company.

Proposed Amendment

Source: BOI's regulatory reform Package 01

Objective: Ease of doing business and decriminalization

243. Directors not to withhold declared dividend.—(1) When a dividend has been declared, it shall not be lawful for the directors of the company to withhold or defer its payment and the chief executive of the company shall be responsible to make the payment in the manner provided in section 242.

Explanation.— Dividend shall be deemed to have been declared ~~on the date of the general meeting in case of a dividend declared or approved in the general meeting and~~ on the date of commencement of closing of share transfer for purposes of determination of entitlement of dividend ~~in the case of an interim dividend~~ and where register of members is not closed for such purpose, on the date on which such dividend is approved by the board.

(2) Where a dividend has been declared by a company but is not paid within the period specified under section 242, the chief executive of the company shall be liable to a penalty of level 3 on the standard scale ~~punishable with imprisonment for a term which may extend to two years and with fine which may extend to five million rupees~~:

(a) where the dividend could not be paid by reason of the operation of any law; (b) where a shareholder has given directions to the company regarding the payment of the dividend and those directions cannot be complied with; (c) where there is a dispute regarding the right to receive the dividend; (d) where the dividend has been lawfully adjusted by the company against any sum due to it from the shareholder; or (e) where, for any other reason, the failure

to pay the dividend or to post the warrant within the period aforesaid was not due to any default on the part of the company; and

Provided that no offence shall be deemed to have been committed within the meaning of the foregoing provisions in the following cases, namely—
the Commission has, on an application of the company on the specified form made within forty-five days from the date of declaration of the dividend, and after providing an opportunity to the shareholder or person who may seem to be entitled to receive the dividend of making representation against the proposed action, permitted the company to withhold or defer payment as may be ordered by the Commission.
(3) Notwithstanding anything contained in sub-section (2), a company may withhold the payment of dividend of a member where the member has not provided the complete information or documents as specified by the Commission.
(4) Chief executive convicted under sub-section (2) shall from the day of the conviction cease to hold the office of chief executive of the company and shall not, for a period of five years from that day, be eligible to be the chief executive or a director of that company or any other company.

Rationale

The proposed amendment of removing the requirement of shareholders' approval for the final dividend aims to shorten the time for payment of the final dividend. The said proposal is also in line with the power of the board to approve interim dividends. Further, it is also in line with the power of the board to approve issuance of bonus and right issues, without the approval of the shareholders.

Decriminalization of penalty provisions. In order to decriminalize the Companies Act, 2017 and replace the imprisonment it with pecuniary penalties.

135. Section 244. Unclaimed shares, modaraba certificates and dividend to vest with the Federal Government

Existing Provision

244. Unclaimed shares, modaraba certificates and dividend to vest with the Federal Government.—(1) Notwithstanding anything to the contrary contained in this Act or any other law—

(i) where shares of a company or modaraba certificates of a Modaraba have been issued; or

(ii) where dividend has been declared by a company or Modaraba;

which remain unclaimed or unpaid for a period of three years from the date it is due and payable, or

(iii) any other instrument or amount which remain unclaimed or unpaid, having such nature and for such period as may be specified;

the company shall give ninety days notices to the shareholders or certificate holders or the owner, as the case may be, to file claim, in the following manner—(a) by a registered post acknowledgement due on his last known address; and

(b) after expiry of notice period as provided under clause (a), final notice in the specified form shall be published in two daily newspapers of which one will be in Urdu and one in English having wide circulation.

Explanation.—For the purpose of this section "shares" or "modaraba certificates" include unclaimed or undelivered bonus shares or modaraba certificates and "company" includes a "modaraba company".

(2) If no claim is made before the company by the shareholder, certificate holder or the owner, as the case may be, the company shall after ninety days from the date of publication of notice under clause (b) of sub-section (1) shall—

(a) in case of sum of money, deposit any unclaimed or unpaid amount to the credit of the Federal Government; and

(b) in case of shares or modaraba certificates or other instrument, report and deliver to the Commission such shares or modaraba certificates or other instrument and the Commission shall sell such shares or modaraba certificates or other instrument, as the case may be, in the manner and within such period as may be specified and deposit the proceeds to the credit of Federal Government:

Provided that where the company has deposited the unclaimed or unpaid amount or delivered the shares or modaraba certificates or other instrument with the Commission for credit of the Federal Government, the company shall preserve and continue to preserve all original record pertaining to the deposited unclaimed or unpaid amount and the shares or modaraba certificates or other instrument and provide copies of the relevant record to the Commission until it is informed by the Commission in writing that they need not to be preserved any longer.

(3) Notwithstanding anything contained in any law or procedure for the time being in force, the unclaimed or unpaid amount as well as the proceeds from the sale of shares or modaraba certificates or any other instrument or any benefit accrued thereon, as the case may be, shall be maintained in a profit bearing account with the State Bank of Pakistan or National Bank of Pakistan to be called "Companies Unclaimed Instruments and Dividend and Insurance Benefits and Investors Education Account" as may be notified by the concerned Minister-in-Charge of the Federal Government and shall be deemed to be part of public accounts and interest / profit accumulated thereon shall be credited on quarterly basis to the Fund established under section 245 of this Act.

(4) Any person claiming to be entitled to any money paid into "Companies Unclaimed Instruments and Dividend and Insurance Benefits andInvestors Education Account" may in pursuance of this section apply to the Commission in such manner along with such documents

as may be specified for payment thereof, and the Commission after necessary verification from the company concerned forward to the bank as notified under sub-section (3) to make the payment to entitled person of the sum equivalent to his unclaimed or unpaid dividend or amount of proceeds:

Provided that the payment to the claimant shall be made within a period of thirty days from the date of verification by the company.

(5) A person shall be entitled to receive the shares or modaraba certificates or any other instrument as delivered to the Commission by the company, making a claim under this Act before the sale of such unclaimed shares or modaraba certificates or the instrument, is effected by the Commission.

(6) A person making a claim under this section shall be entitled to the proceeds of the sale of the shares or modaraba certificates or the instrument less any deduction for expenses of sale.

(7) Payment to the claimant pursuant to sub-section (4) and a receipt given by the bank in this respect shall be a good discharge to the Commission and the bank.

(8) Where any dispute regarding unclaimed shares, modaraba certificates, the instrument or dividend arises or is pending adjudication before the competent authority or Court, the Commission shall process the claim in accordance with the decision of such authority or Court.

(9) No claim whatsoever shall be entertained after the period of ten years from the credit of any amount to the account of the Federal Government to be maintained under this section.

(10) Every company within thirty days of the close of each financial year shall submit to the Commission a return of all unclaimed shares, modaraba certificates, the instruments or dividend in its books in the manner as may be specified by the Commission.

(11) Whoever contravenes the provisions of this section shall be punishable with a penalty of level 3 on the standard scale.

(12) The account to be maintained under sub-section (3) shall be available on the direction of Minister-in-Charge to serve as a collateral in order to facilitate the provision of credit facility to the clearing house to address any systemic risk in the capital market:

Provided that powers under this sub-section shall be exercised only in case where in opinion of the Commission the resources of the clearing house are or likely to be insufficient for timely settlement of trades executed at the securities and future exchanges.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

244. Unclaimed ~~shares, modaraba certificates and dividend to vest with the Federal Government~~ and amounts.—(1) Notwithstanding anything to the contrary contained in this Act or any other law—

~~(i) where shares of a company or modaraba certificates of a Modaraba have been issued; or~~

(~~i~~ i) where dividend has been declared by a company or Modaraba;

which remain unclaimed or unpaid for a period of three years from the date it is due and payable, or

(ii~~i~~) any ~~other instrument or~~ amount which remains unclaimed or unpaid, having such nature and for such period as may be specified;

the company shall give ninety days notices to the shareholders or certificate holders or the owner, as the case may be, to file claim, in the following manner—(a) by a registered post acknowledgement due on his last known address; and

(b) after expiry of notice period as provided under clause (a), final notice in the specified form shall be published in two daily newspapers of which one will be in Urdu and one in English having wide circulation.

Explanation.—For the purpose of this section ~~"shares" or "modaraba certificates" include unclaimed or undelivered bonus shares or modaraba certificates and "company" includes a "modaraba company"~~ company means a listed company and includes a modaraba.

(2) If no claim is made before the company by the shareholder, certificate holder or the owner, as the case may be, the company shall after ninety days from the date of publication of notice under clause (b) of sub-section (1) shall—deposit any unclaimed or unpaid amount to the Fund established under Section 245 of this Act.

~~(a) in case of sum of money, deposit any unclaimed or unpaid amount to the credit of the Federal Government; and~~

~~(b) in case of shares or modaraba certificates or other instrument, report and deliver to the Commission such shares or modaraba certificates or other instrument and the Commission shall sell such shares or modaraba certificates or other instrument, as the case may be, in the manner and within such period as may be specified and deposit the proceeds to the credit of Federal Government:~~

Provided that where the company has deposited the unclaimed or unpaid amount ~~or delivered the shares or modaraba certificates or other instrument~~ with the ~~Commission for credit of the Federal Government~~ Fund established under section 245 of this Act, the company shall preserve and continue to preserve all original record pertaining to the deposited unclaimed or unpaid amount and ~~the shares or modaraba certificates or other instrument and~~ provide copies of the relevant record to the Commission until it is informed by the Commission in writing that they need not to be preserved any longer.

(3) Notwithstanding anything contained in any law or procedure for the time being in force, the unclaimed or unpaid amount ~~as well as the proceeds from the sale of shares or modaraba~~

~~certificates or any other instrument~~ or any benefit accrued thereon, as the case may be, shall be transferred ~~maintained in a profit bearing account with the State Bank of Pakistan or National Bank of Pakistan to be called "Companies Unclaimed Instruments and Dividend and Insurance Benefits and Investors Education Account" as may be notified by the concerned Minister in Charge of the Federal Government and shall be deemed to be part of public accounts and interest / profit accumulated thereon shall be credited on quarterly basis~~ to the Fund established under ~~s~~Section 245 of this Act.

(4) Any person claiming to be entitled to any money paid into the Fund established under Section 245 of the Act~~Companies Unclaimed Instruments and Dividend and Insurance Benefits andInvestors Education Account" ~~may in pursuance of this section apply to the company concerned ~~Commission~~ in such manner along with such documents as may be specified for payment thereof, and the company ~~Commission~~ after necessary verification ~~from the company concerned~~ forward the application with recommendation ~~to the bank as notified under sub section (3)~~ to make the payment to entitled person from the Fund established under Section 245 of the sum equivalent to his unclaimed or unpaid dividend or amount ~~of proceeds:~~

Provided that the payment to the claimant shall be made from the Fund established under section 245 of this Act within a period of thirty days from the date of verification by the company.

~~(5) A person shall be entitled to receive the shares or modaraba certificates or any other instrument as delivered to the Commission by the company, making a claim under this Act before the sale of such unclaimed shares or modaraba certificates or the instrument, is effected by the Commission.~~

~~(6) A person making a claim under this section shall be entitled to the proceeds of the sale of the shares or modaraba certificates or the instrument less any deduction for expenses of sale.~~

(7) Payment to the claimant pursuant to sub-section (4) ~~and a receipt given by the bank in this respect~~ shall be a good discharge to the Fund and Commission~~. and the bank.~~

(8) Where any dispute regarding unclaimed ~~shares, modaraba certificates, the instrument or~~ dividend or amount arises or is pending adjudication before the competent authority or Court, the Fund ~~Commission~~ shall process the claim in accordance with the decision of such authority or Court.

(9) No claim whatsoever shall be entertained after the period of ten years from the credit of any amount to the account ~~of the Federal Government~~ to be maintained under this section.

(10) Every company within thirty days of the close of each financial year shall submit to the Commission a return of all unclaimed ~~shares, modaraba certificates, the instruments or~~ dividend and amounts in its books in the manner as may be specified by the Commission.

(11) Whoever contravenes the provisions of this section shall be punishable with a penalty of level 3 on the standard scale.

~~(12) The account to be maintained under sub-section (3) shall be available on the direction of Minister-in-Charge to serve as a collateral in order to facilitate the provision of credit facility to the clearing house to address any systemic risk in the capital market:~~

~~Provided that powers under this sub-section shall be exercised only in case where in opinion of the Commission the resources of the clearing house are or likely to be insufficient for timely settlement of trades executed at the securities and future exchanges.~~

(12) The aggregate amount collected in terms of sub-section (3) of this section, shall be available on the direction of Commission to serve as a collateral in order to facilitate the provision of credit facility to the clearing house to address any systemic risk in the capital market:

Provided that powers under this sub-section shall be exercised only in case where in opinion of the Commission the resources of the clearing house are or likely to be insufficient for timely settlement of trades executed at the securities and future exchanges.

Provided further that—

(a) any credit facility secured under this sub-section shall be repaid in full by the clearing house, together with all charges thereon; and

(b) the terms, safeguards and reporting obligations necessary to ensure the timely repayment against the collaterals, shall be specified by the Commission.

Rationale

The proposed amendments enhance the administrative role of SECP and streamline the claims process, while aligning unclaimed dividend management with investor education objectives.

136. Section 245.Establishment of Investor Education and Awareness Fund

Existing Provision

245. Establishment of Investor Education and Awareness Fund.—

(1) There is hereby established a fund to be called Investor Education and awareness Fund (hereinafter in this section referred to as "Fund") to be managed and controlled by the Commission as may be prescribed through rules.

(2) The Fund shall be credited with—

(a) the interest/profit earned on the "Companies Unclaimed Instruments

and Dividend and Insurance Benefits and Investors Education Account";

(b) forfeited amounts under sub-section (7) of section 87 of the Securities Act, 2015;

(c) grants or donations given by the Federal Government, Provincial Governments, companies, or any other institution or person for the purposes of the Fund;

(d) the interest or other income received out of the investments made from the Fund;

(e) the amount realised in terms of fourth proviso of section 341 or fourth proviso of sub-section (4) of section 372; and

(f) such other amounts as may be prescribed.

(3) The Fund shall be utilized for—

(a) the promotion of investor education and awareness in such manner as may be prescribed;

(b) without prejudice to the generality of the object of sub-clause (a) of sub-section (3), the Fund may be used for the following purposes,

namely—

(i) educational activities including seminars, training, research and publications aimed at investors;

(ii) awareness programs including through media – print, electronic, social media, aimed at investors;

(iii) funding investor education and awareness activities approved by the Commission; and

(iv) to meet the administrative expenses of the Fund.

Explanation.—"Investors" means investor in securities, insurance policyholders and customers of non-bank finance companies and Modarabas.

(4) The Commission shall, by notification in the official Gazette, constitute an advisory committee with such members as may be prescribed, for recommending investor education and awareness activities that may be undertaken directly by the Commission or through any other agency, for utilization of the Fund for the purposes referred to in sub-section (3).

(5) The accounts of the Fund shall be audited by auditors appointed by the Commission who shall be a firm of chartered accountants. The Commission shall ensure maintenance of proper and separate accounts and other relevant records in relation to the Fund giving therein the details of all receipts to, and, expenditure from, the Fund and other relevant particulars.

(6) The Commission may invest the moneys of the Fund in such manner

as set out in section 20 of the Trusts Act, 1882 (II of 1882).

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

245. Establishment of Investor Education and Awareness Fund.—

(1) There is hereby established a fund to be called Investor Education and Awareness Fund (hereinafter in this section referred to as "Fund") to be managed and controlled by the Commission as may be prescribed through rules.

(2) The Fund shall be credited with—

(a) amounts under sub-section (2) and (3) of Section 244 ;

~~(a) the interest/profit earned on the "Companies Unclaimed Instruments and Dividend and Insurance Benefits and Investors Education Account";~~

(b) forfeited amounts under sub-section (~~7~~8) of section 87 of the Securities Act, 2015;

(c) grants or donations given by the Federal Government, Provincial Governments, companies, or any other institution or person for the purposes of the Fund;

(d) the interest or other income received out of the investments made from the Fund;

(e) the amount realised in terms of fourth proviso of section 341 or fourth proviso of sub-section (4) of section 372; and

(f) such other amounts as may be prescribed.

(3) The Fund shall be utilized for—

(a) the promotion of investor education and awareness in such manner as may be prescribed;

(aa) the refund in respect of unclaimed dividends or any other unclaimed or unpaid amount deposited into the Fund under sub-section (2) and (3) of Section 244 or in accordance with any other law or procedure for the time being in force, with approval of the Commission.

(b) without prejudice to the generality of the object of sub-clause (a) of sub-section (3), the Funds collected in terms of above sub-section 2(b) to 2(f) ~~Fund~~ may be used for the following purposes,

namely—

(i) educational activities including seminars, training, research and publications aimed at investors;

(ii) awareness programs including through media – print, electronic, social media, aimed at investors;

(iii) funding investor education and awareness activities approved by the Commission; and

(iv) to meet the administrative expenses of the Fund.

(v) any other purpose incidental thereto.

Explanation.—"Investors" means investor in securities, insurance policyholders and customers of non-bank finance companies and Modarabas.

(4) The Commission shall, by notification in the official Gazette, constitute an advisory committee with such members as may be prescribed, for recommending investor education and awareness activities that may be undertaken directly by the Commission or through any other agency, for utilization of the Fund for the purposes referred to in sub-section (3).

(5) The accounts of the Fund shall be audited by auditors appointed by the Commission who shall be a firm of chartered accountants. The Commission shall ensure maintenance of proper and separate accounts and other relevant records in relation to the Fund giving therein the details of all receipts to, and, expenditure from, the Fund and other relevant particulars.

(6) The Commission may invest the moneys of the Fund in such manner as may be prescribed through Rules. ~~set out in section 20 of the Trusts Act, 1882 (II of 1882).~~

Rationale

Consequential to sec 244 changes. The proposed amendments enhance the administrative role of SECP and streamline the claims process, while aligning unclaimed dividend management with investor education objectives.

137. Section 246A. Newly inserted section: Auditor not to render certain services

Existing Provision

No existing provision

Proposed Amendment

Source: SECP

Objective: corporate governance

246A. Auditor not to render certain services.— An auditor appointed under this Act shall provide to the company only such other services as are approved by the Board of Directors or the audit committee, as the case may be, but which shall not include any of the following services, whether such services are rendered directly or indirectly to the company, or its holding company or subsidiary company, namely:-

(a) accounting and book keeping services;

(b) internal audit;

(c) design and implementation of any financial information system;

(d) actuarial services;

(e) investment advisory services;

(f) investment banking services;

(g) rendering of outsourced financial services;

(h) management services; and

(i) any other kind of services as may be specified: Provided that an auditor or audit firm who or which has been performing any non-audit services shall comply with the provisions of this section before the closure of the first financial year of the company.

Explanation.—For the purposes of this sub-section, the term "directly or indirectly" shall include rendering of services by the auditor,—

(i) in case of auditor being an individual, either himself or through his relative or any other person connected or associated with such individual or through any other entity, whatsoever, in which such individual has significant influence or control, or whose name or trade mark or brand is used by such individual;

(ii) in case of auditor being a firm, either itself or through any of its partners or through its parent, subsidiary or associate entity or through any other entity, whatsoever, in which the firm or any partner of the firm has significant influence or control, or whose name or trade mark or brand is used by the firm or any of its partners.

Rationale

The insertion of section 246A seeks to strengthen auditor independence and enhance the integrity of financial reporting by restricting auditors from providing non-audit services that may create self-review, advocacy, or conflict-of-interest threats. By prohibiting auditors from rendering services such as bookkeeping, internal audit, financial system design, or investment advisory, the provision aligns Pakistan's corporate audit framework with international best practices, including the IFAC Code of Ethics and similar provisions under the Companies Acts of other jurisdictions. This measure ensures objectivity, promotes transparency in audits, and upholds public confidence in the reliability of financial statements.

138. Section 250. Audit of cost accounts.

Existing Provision

250. Audit of cost accounts.—(1)Where any company or class of companies is required under first proviso of sub-section (1) of section 220 to include in its books of account the particulars referred to therein, the Commission may direct that an audit of cost accounts of the company shall be conducted in such manner and with such stipulations as may be specified in the order by an auditor who is a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), or a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966); and such auditor shall have

the same powers, duties and liabilities as an auditor of a company and such other powers, duties and liabilities as may be specified.

(2) The audit of cost accounts of the company under sub-section (1) shall be directed by the Commission subject to the recommendation of the regulatory authority supervising the business of relevant sector or any entity of the sector.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

~~**250. Audit of cost accounts.** —(1)Where any company or class of companies is required under first proviso of sub-section (1) of section 220 to include in its books of account the particulars referred to therein, the Commission may direct that an audit of cost accounts of the company shall be conducted in such manner and with such stipulations as may be specified in the order by an auditor who is a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961), or a cost and management accountant within the meaning of the Cost and Management Accountants Act, 1966 (XIV of 1966); and such auditor shall have the same powers, duties and liabilities as an auditor of a company and such other powers, duties and liabilities as may be specified.~~

~~(2) The audit of cost accounts of the company under sub-section (1) shall be directed by the Commission subject to the recommendation of the regulatory authority supervising the business of relevant sector or any entity of the sector.~~

Rationale

The omission of section 250 relating to "Audit of Cost Accounts" is proposed as the provision has no practical relevance and regulatory effectiveness. The Commission, after issuance of a concept paper on the cost audit regime in Pakistan and obtaining extensive stakeholder feedback, concluded that the cost audit mechanism has limited impact in improving transparency, governance, or regulatory supervision. Sectoral regulators already obtain detailed cost and tariff information under their own regimes, while financial disclosures under the Companies Act and international accounting standards sufficiently meet regulatory needs. Moreover, internationally, only India and Bangladesh continue to maintain a statutory cost audit requirement- no other major jurisdiction follows this practice- making Pakistan's provision redundant. Therefore, its omission aims to eliminate duplication, reduce compliance burden, and align Pakistan's corporate regulatory framework with global best practices and efficiency standards.

139. Section 252. Penalty for non-compliance with provisions by companies

Existing Provision

252. Penalty for non-compliance with provisions by companies.—Any contravention or default in complying with requirements of sections 246, 247, 248 and 250 shall be an offence liable to a penalty of level 3 on the standard scale.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

252. Penalty for non-compliance with provisions by companies.—Any contravention or default in complying with requirements of sections 246, 247 and~~,~~ 248~~ and 250~~ shall be an offence liable to a penalty of level 3 on the standard scale.

Rationale

Consequential amendment of omission of section 250

140. Section 254. Power of registrar to call for information or explanation.
Existing Provision

254. Power of registrar to call for information or explanation.

—(1) Where on a scrutiny of any document filed by a company or on any information received by him under this Act, or any notice, advertisement, other communication, or otherwise, the registrar is of opinion that any information, explanation or document is necessary with respect to any matter, he may, by a written notice, call upon the company and any of its present or past directors, officers or auditors to furnish such information or explanation in writing, or such document, within thirty days:
Provided that a director, officer or auditor who ceased to hold office more than six years before the date of the notice of the registrar shall not be compelled to furnish information or explanation or document under this sub-section.

(2) On receipt of the notice under sub-section (1) it shall be the duty of the company and all persons who are or have been directors, officers or auditors of the company to furnish such information, explanation or documents as required.

(3) If no information or explanation is furnished within the time specified or if the information or explanation furnished is, in the opinion of the registrar, inadequate, the registrar may if he deems fit, by written order, call on the company and any such person as is referred to in sub-section (1) or (2) to produce before him for his inspection such books and papers as he considers necessary within such time as he may specify in the order; and it shall be the duty of the company and of such persons to produce such books and papers.

(4) If the company or any such person as is referred to in sub-section (1), (2) or (3) refuses or makes default in furnishing any such information or in producing any such books or papers—

(a) the company shall be liable to a penalty of level 2 on the standard scale; and

(b) every officer of the company who authorises or permits, or is a party to, the default shall be punishable with imprisonment of either description for a term which may extend to two years, and shall also be liable to fine which may extend to one million rupees and the court trying the offence may, make an order directing the company to produce such books or papers as in its opinion may reasonably be required by the registrar.

(5) On receipt of such information or explanation or production of any books and papers, the registrar may annex the same or any copy thereof or extract therefrom to the original document submitted to him; and any document so annexed shall be subject to the provisions as to inspection and the taking of extracts and furnishing of copies to which the original document is subject.

(6) If the information or explanation or book or papers required by the registrar under sub-section (1) is not furnished within the specified time, or if after perusal of such information or explanation or books or papers the registrar is of opinion that the document in question or the information or explanation or book or 150 paper discloses an unsatisfactory state of affairs, or that it does not disclose a full and fair statement of the matter to which it purports to relate, the registrar shall without prejudice to any other provisions, and whether or not action under subsection (3) or sub-section (4) has been taken, report in writing the circumstances of the case to the Commission.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

Section 254. Power of registrar or the Commission to call for information or explanation.

—(1) Where on a scrutiny of any document filed by a company or on any information received by him under this Act, or any notice, advertisement, other communication, or otherwise, the registrar or the Commission is of opinion that any information, explanation or document is necessary with respect to any matter, he may, by a written notice, call upon the company and any of its present or past directors, officers or auditors to furnish such information or explanation in writing, or such document, within thirty days:

Provided that a director, officer or auditor who ceased to hold office more than six years before the date of the notice of the registrar shall not be compelled to furnish information or explanation or document under this sub-section.

(2) On receipt of the notice under sub-section (1) it shall be the duty of the company and all persons who are or have been directors, officers or auditors of the company to furnish such information, explanation or documents as required.

(3) If no information ~~or~~ explanation or documents is furnished within the time provided ~~specified~~ or if the information, ~~or~~ explanation or documents furnished is inadequate, in the

opinion of the registrar or the Commission, ~~inadequate,~~ the registrar or the Commission may if he deems fit, by written order, call on the company and any such person as is referred to in sub-section (1) or (2) to produce before him for his inspection such books and papers as he considers necessary within such time as he may specify in the order; and it shall be the duty of the company and of such persons to produce such books and papers.

4) If the company or any such person as is referred to in sub-section (1), (2) or (3) refuses or makes default in furnishing any such information or explanation or documents or in producing any such books or papers, the registrar or any other officer may exercise power in accordance with section 255, in addition, the Commission may also impose penalty or take regulatory action as under —

(a) the company and every officer of the company who authorises or permits, or is a party to, the default shall be liable to a penalty of level 2 on the standard scale~~; and~~

(b) every officer of the company who authorises or permits, or is a party to, the default shall be ~~punishable with imprisonment of either description for a term which may extend to two years, and shall also be~~ liable to penalty of level 3 on the standard scale ~~fine which may extend to one million rupees and the court trying the offence may, make an order directing the company to produce such books or papers as in its opinion may reasonably be required by the registrar.~~

(5) On receipt of such information or explanation or documents or production of any books and papers, the registrar or the Commission may annex the same or any copy thereof or extract therefrom to the original document submitted to him; and any document so annexed shall be subject to the provisions as to inspection and the taking of extracts and furnishing of copies to which the original document is subject.

6) If the information or explanation or book or papers required by the registrar or the Commission under sub-section (1) is not furnished within the provided ~~specified~~ time, or if after perusal of such information or explanation or books or papers the registrar is of opinion that the document in question or the information or explanation or book or paper discloses an unsatisfactory state of affairs, or that it does not disclose a full and fair statement of the matter to which it purports to relate, the registrar or the Commission, as the case may be, shall without prejudice to any other provisions, and whether or not action under subsection (3) or sub-section (4) has been taken, report in writing the circumstances of the case to the Commission.

Rationale

Previously, the power to call for information or explanation was vested only in the Registrar. Through this amendment, the power has been extended to the Commission to enable direct regulatory oversight and intervention by the SECP in cases of non-compliance, supervisory concern, or matters involving systemic implications. This ensures improved enforcement efficiency, consistency in regulatory actions, and timely response in significant or sensitive cases where the Commission's direct involvement is warranted.

Amendment is made to make non-compliance of this section civil on standard scale rather than criminal offence.

Correction: The word 'specified' means through regulations. Amended accordingly.

141. Section 256. Investigation into affairs of company.

Existing Provision

256. Investigation into affairs of company.—(1) Where the Commission is of the opinion, that it is necessary to investigate into the affairs of a company—

(a) on the application of the members holding not less than one tenth of the total voting power in a company having share capital;

(b) on the application of not less than one tenth of the total members of a company not having share capital;

(c) on the receipt of a report under sub-section (5) of section 221 or on the report by the registrar under sub-section (6) of section 254;

it may order an investigation into the affairs of the company and appoint one or more persons as inspectors to investigate into the affairs of the company and to report thereon in such manner as the Commission may direct:

Provided that before making an order of investigation, the Commission shall give the company an opportunity of being heard.

(2) While appointing an inspector under sub-section (1), the Commission may define the scope of the investigation, the period to which it is to extend or any other matter connected or incidental to the investigation.

(3) An application by members of a company under clause (a) or (b) of sub-section (1) shall be supported by such evidence as the Commission may require for the purpose of showing that the applicants have good reason for requiring the investigation.

(4) The Commission may, before appointing an inspector, require the applicants to give such security for payment of the costs of the investigation as the Commission may specify.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

256. Investigation into affairs of company.—(1) Where the Commission is of the opinion, that it is necessary to investigate into the affairs of a company—

(a) on the application of the members holding not less than one tenth of the total voting power in a company having share capital;

(b) on the application of not less than one tenth of the total members of a company not having share capital;

(c) on the receipt of a report under sub-section (5) of section 221 or on the report by the registrar under sub-section (6) of section 254;

it may order an investigation into the affairs of the company and appoint one or more persons as inspectors to investigate into the affairs of the company and to report thereon in such manner as the Commission may direct:

~~Provided that before making an order of investigation, the Commission shall give the company an opportunity of being heard.~~

Provided that nothing in this section shall restrict the right of the Commission to exercise its power under Part VIII of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

(2) While appointing an inspector under sub-section (1), the Commission may define the scope of the investigation, the period to which it is to extend or any other matter connected or incidental to the investigation.

(3) An application by members of a company under clause (a) or (b) of sub-section (1) shall be supported by such evidence as the Commission may require for the purpose of showing that the applicants have good reason for requiring the investigation.

(4) The Commission may, before appointing an inspector, require the applicants to give such security for payment of the costs of the investigation as the Commission may specify.

Rationale

The previous proviso requiring the Commission to issue a show-cause notice before starting an investigation has been removed to avoid delays and prevent companies from using the notice requirement to obstruct or postpone investigative action. The newly inserted proviso clarifies that this amendment connect the Commission's existing powers under the SECP Act, 1997, with companies act, 2017. This ensures that investigations can begin without mandatory prior notice, while the Commission's broader legal authority remains fully intact.

142. Section 257 Investigation of company's affairs in other cases.

Existing Provision

257. Investigation of company's affairs in other cases.—(1) Without prejudice to its power under section 256, the Commission—

(a) shall appoint one or more competent persons as inspectors to investigate the affairs of a company and to report thereon in such manner as the Commission may direct, if—

(i) the company, by a special resolution, or

(ii) the Court, by order,

declares that the affairs of the company ought to be investigated; and

(b) may appoint one or more competent persons as inspectors to investigate the affairs of a company and to report thereon in such manner as the Commission may direct if in its opinion there are circumstances suggesting—

(i) that the business of the company is being or has been conducted with intent to defraud its creditors, members or any other person or for a fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose; or

(ii) that persons concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance, breach of trust or other misconduct towards the company or towards any of its members or have been carrying on unauthorised business; or

(iii) that the affairs of the company have been so conducted or managed as to deprive the members thereof of a reasonable return; or

(iv) that the members of the company have not been given all the information with respect to its affairs which they might reasonably expect; or

(v) that any shares of the company have been allotted for inadequate consideration; or

(vi) that the affairs or the company are not being managed in accordance with sound business principles or prudent commercial practices; or

(vii) that the financial position of the company is such as to endanger its solvency:

Provided that, before making an order under clause (b), the Commission shall give the company an opportunity of being heard.

(2) While appointing an inspector under sub-section (1), the Commission may define the scope of the investigation, whether as respects the matters or the period to which it is to extend or otherwise.

Proposed Amendment

Source: SECP & FBR

Objective: Regulatory oversight/Corporate Governance

257. Investigation of company's affairs in other cases.—(1) Without prejudice to its power under section 256, the Commission—

(a) shall appoint one or more competent persons as inspectors to investigate the affairs of a company and to report thereon in such manner as the Commission may direct, if—

(i) the company, by a special resolution, or

(ii) the Court, by order,

declares that the affairs of the company ought to be investigated; and

(b) may appoint one or more competent persons as inspectors to investigate the affairs of a company and to report thereon in such manner as the Commission may direct if in its opinion there are circumstances suggesting—

(i) that the business of the company is being or has been conducted with intent to defraud its creditors, members or any other person or for a fraudulent or unlawful purpose, or in a manner oppressive of any of its members or that the company was formed for any fraudulent or unlawful purpose; or

(ii) that persons concerned in the formation of the company or the management of its affairs have in connection therewith been guilty of fraud, misfeasance, breach of trust or other misconduct towards the company or towards any of its members or have been carrying on unauthorised business; or

(iii) that the affairs of the company have been so conducted or managed as to deprive the members thereof of a reasonable return; or

(iv) that the members of the company have not been given all the information with respect to its affairs which they might reasonably expect; or

(v) that any shares of the company have been allotted for inadequate consideration; or

(vi) that the affairs or the company are not being managed in accordance with sound business principles or prudent commercial practices; or

(vii) that the financial position of the company is such as to endanger its solvency:

(viii) that a dispute exists among the members or directors regarding shareholding or directorship, necessitating rectification of the registers of the company under section 126 or 197 of the Act.

~~Provided that, before making an order under clause (b), the Commission shall give the company an opportunity of being heard.~~

Provided that nothing in this section shall restrict the right of the Commission to exercise its power under Part VIII of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997).

Explanation: "Opinion" means any offsite or onsite examination of the company's financial statement and other statutory record or on recommendation of the any Government authority or agency, duly approved by Head of such authority or agency, pointing out any violation of the provisions of this Act, which the Commission after consideration deems fit to investigate, in its discretion.'

(2) While appointing an inspector under sub-section (1), the Commission may define the scope of the investigation, whether as respects the matters or the period to which it is to extend or otherwise.

Rationale

The newly added ground for investigation strengthens the investigation framework by explicitly covering disputes among members or directors regarding shareholding or directorship, enabling timely rectification of company records.

The proviso requiring the Commission to provide a prior hearing before ordering investigation has been omitted to avoid procedural delays and prevent companies from obstructing investigative action through prolonged responses or litigation.

It is aalso clarified that the Commission's power to investigate—whether triggered through onsite/offsite examination or recommendations of other government authorities—remains intact and unaffected. Furthermore, investigation powers of the Commission under SECP Act are connected with Companies Act, thereby ensuring swift regulatory intervention where necessary for investor protection, transparency, and good corporate governance.

143. Section 258 Serious Fraud Investigation

Existing Provision

258. Serious Fraud Investigation—(1) –(4)…

(5) Upon completion of investigation, the Joint Investigation Team shall, through the Special Public Prosecutor, submit a report before the Court as mentioned in section 483 of this Act: Provided that notwithstanding anything contained in the Qanun-e-Shahadat (Order), 1984 (P.O. No. X of 1984) or any other law, such report shall be admissible as an evidence in the Court.

(6) –(7) …

Proposed Amendment

Source: SECP

Objective: Regulatory insight

258. Serious Fraud Investigation.—(1) –(4)…

(5) Upon completion of investigation, the Joint Investigation Team shall, through the Special Public Prosecutor, submit a report before the ~~Court~~ Commission as mentioned in section ~~483~~ 486 of this Act: Provided that notwithstanding anything contained in the Qanun-e-Shahadat (Order), 1984 (P.O. No. X of 1984) or any other law, such report shall be admissible as an evidence in the Court.

(6) –(7) …

Rationale

It is correction.

144. Section 261. Duty of officers to assist the inspector.

Existing Provision

261. Duty of officers to assist the inspector.—(1) It shall be the duty of all officers and other employees and agents of the company and all persons who have dealings with the company to give to the inspector all assistance in connection with the investigation.
(2) Any such person who makes default in complying with the provisions of sub-section (1) shall, without prejudice to any other liability, be publishable in respect of each offence with imprisonment of either description for a term which may extend to two years and shall also be liable to a fine which may extend to one million rupees.
(3) In this section:
(a) the expression "agents", in relation to any company, body corporate or person, includes the bankers, legal advisers and auditors of the company;
(b) the expression "officer", in relation to any company or body corporate, include any trustee for the debenture-holders of such company or body corporate; and
(c) any reference to officers and other employees and agents shall be construed as a reference to past as well as present officers and other employees and agents, as the case may be.

Proposed Amendment

Source: SECP

Objective: Decriminalization

261. Duty of officers to assist the inspector.—(1) It shall be the duty of all officers and other employees and agents of the company and all persons who have dealings with the company to give to the inspector all assistance in connection with the investigation.
(2) Any such person who makes default in complying with the provisions of sub-section (1) shall, without prejudice to any other liability, be liable to a penalty of level 3 on the standard scale ~~publishable in respect of each offence with imprisonment of either description for a term which may extend to two years and shall also be liable to a fine which may extend to one million rupees~~.
(3) In this section:

(a) the expression "agents", in relation to any company, body corporate or person, includes the bankers, legal advisers and auditors of the company;

(b) the expression "officer", in relation to any company or body corporate, include any trustee for the debenture-holders of such company or body corporate; and

(c) any reference to officers and other employees and agents shall be construed as a reference to past as well as present officers and other employees and agents, as the case may be.

Rationale

Decriminalization of penalty provisions. In order to decriminalize the Companies Act, 2017 and replace the imprisonment it with pecuniary penalties.

145. Section 272. Imposition of restrictions on shares and debentures and prohibition of transfer of shares or debentures in certain cases.

Existing Provision

272. Imposition of restrictions on shares and debentures and prohibition of transfer of shares or debentures in certain cases.—(1) Where it appears to the Commission in connection with any investigation that there is good reason to find out the relevant facts about any shares, whether issued or to be issued, and the Commission is of the opinion that such facts cannot be found out unless the restrictions specified in sub-section (2) are imposed, the Commission may, by order, direct that the shares shall be subject to the restrictions imposed by sub-section (2) for such period not exceeding one year as may be specified in the order:

Provided that, before making an order under this sub-section, the Commission shall provide an opportunity of showing cause against the proposed action to the company and the persons likely to be affected by the restriction.

(2)—(8) …

(9) Any person who—

(a) exercises or purports to exercise any right to dispose of any shares or of any right to be issued with any such shares, when to his knowledge he is not entitled to do so by reason of any of the restrictions applicable to the case under sub-section (1); or

(b) votes in respect of any shares, whether as holder or proxy, or appoints a proxy to vote in respect thereof, when to his knowledge he is not entitled to do so by reason of any of the restrictions applicable to the case under sub-section (2) or by reason of any order made under sub-section (3); or

(c) transfers any shares in contravention of any order made under sub- section (4); or

(d) being the holder of any shares in respect of which an order under sub- section (2) or sub-section (3) has been made, fails to give notice of the fact of their being subject to any such order to any person whom he does not know to be aware of that fact but whom he knows to be otherwise entitled to vote in respect of those shares, whether as holder or a proxy;

shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to one million rupees, or with both.

(10)—(12)…

Proposed Amendment

Source: SECP

Objective: Decriminalization

272. Imposition of restrictions on shares and debentures and prohibition of transfer of shares or debentures in certain cases.—(1) Where it appears to the Commission in connection with any investigation that there is good reason to find out the relevant facts about any shares, whether issued or to be issued, and the Commission is of the opinion that such facts cannot be found out unless the restrictions specified in sub-section (2) are imposed, the Commission may, by order, direct that the shares shall be subject to the restrictions imposed by sub-section (2) for such period not exceeding one year as may be specified in the order:

Provided that, before making an order under this sub-section, the Commission shall provide an opportunity of showing cause against the proposed action to the company and the persons likely to be affected by the restriction.

(2)—(8) …

(9) Any person who—

(a) exercises or purports to exercise any right to dispose of any shares or of any right to be issued with any such shares, when to his knowledge he is not entitled to do so by reason of any of the restrictions applicable to the case under sub-section (1); or

(b) votes in respect of any shares, whether as holder or proxy, or appoints a proxy to vote in respect thereof, when to his knowledge he is not entitled to do so by reason of any of the restrictions applicable to the case under sub-section (2) or by reason of any order made under sub-section (3); or

(c) transfers any shares in contravention of any order made under sub- section (4); or

(d) being the holder of any shares in respect of which an order under sub- section (2) or sub-section (3) has been made, fails to give notice of the fact of their being subject to any such order to any person whom he does not know to be aware of that fact but whom he knows to be otherwise entitled to vote in respect of those shares, whether as holder or a proxy;

shall be liable to penalty of level 3 on the standard scale ~~punishable with imprisonment for a term which may extend to one year, or with fine which may extend to one million rupees, or with both~~.

(10)—(12) …

Rationale

Decriminalization of penalty provisions. In order to decriminalize the Companies Act, 2017 and replace the imprisonment it with pecuniary penalties.

146. Section 276. Mediation and Conciliation Panel

Existing Provision

276. Mediation and Conciliation Panel.- (1) Any of the parties to the proceedings may, by mutual consent, at any time during the proceedings before the Commission or the Appellate

Bench, apply to the Commission or the Appellate Bench, as the case may be, in such form along with such fees as may be specified, for referring the matter pertaining to such proceedings to the Mediation and Conciliation Panel and the Commission or the Appellate Bench, as the case may be, shall appoint one or more individuals from the panel referred to in sub-section (2).

(2) The Commission shall maintain a panel to be called as the Mediation and Conciliation Panel consisting of individuals having such qualifications as may be specified for mediation between the parties during the pendency of any proceedings before the Commission or the Appellate Bench under this Act.

(3) The fee and other terms and conditions of individuals of the Mediation and Conciliation Panel shall be such as may be specified.

(4) The Mediation and Conciliation Panel shall follow such procedure as and dispose of the matter referred to it within a period of ninety days from the date of such reference and forward its recommendations to the Commission or the Appellate Bench, as the case may be.

Proposed Amendment

Source: SECP

Objective: Ease of doing Business

276. Mediation and Conciliation Centre and Panel.- (1) Any of the parties to the proceedings shall ~~may, by mutual consent~~, before initiating any ~~time during the~~ proceedings before the Commission or the Appellate Bench, apply to the Commission or the Appellate Bench, as the case may be, in such form and manner along with such fees as may be specified, for referring the matter pertaining to such proceedings to the Mediation and Conciliation Center established under sub section (4) ~~Panel~~ and the Commission or the Appellate Bench, as the case may be, shall appoint one or more individuals from the panel referred to in sub-section (2).
(2) The Commission shall maintain a panel to be called as the Mediation and Conciliation Panel consisting of individuals having such qualifications as may be specified for mediation between the parties during the pendency of any proceedings before the Commission or the Appellate Bench under this Act.
(3) The fee and other terms and conditions of individuals of the Mediation and Conciliation Panel shall be such as may be specified.
(4) ~~The~~ There shall be Mediation and Conciliation Centre established by the Commission in such form and manner as may be specified which ~~Panel~~ shall follow such procedure as and dispose of the matter referred to it in form of settlement agreement ~~within a period of ninety days from the date of such reference and forward its recommendations to the Commission or the Appellate Bench, as the case may be~~.
(5) Every company shall put in place appropriate internal policies and procedures for the mediation of its disputes and shall, to the extent practicable, exhaust such internal dispute

resolution mechanisms before referring any matter to the Mediation and Conciliation Centre established by the Commission.

Rationale

The establishment of a **Mediation and Conciliation Centre by the Commission** under section 276 is intended to institutionalize **alternative dispute resolution (ADR)** within the regulatory framework of the Companies Act, 2017, and to promote timely, efficient, and non-adversarial resolution of disputes arising under the Act.

Proceedings before the Commission and the Appellate Bench often involve such disputes or issues that are capable of amicable settlement without recourse to prolonged adjudication. Experience has shown that formal proceedings may result in delays, increased compliance costs, and adversarial outcomes, which can adversely impact business continuity and regulatory efficiency.

The proposed framework makes it mandatory for companies to seek referral of disputes to mediation before initiating proceedings with the Commission or Appellate Bench, thereby encouraging early resolution while preserving the authority of the Commission and the Appellate Bench. The creation of a dedicated Centre, supported by a qualified Mediation and Conciliation Panel, ensures consistency, professionalism, and credibility in the mediation process.

Overall, this amendment strengthens the Commission's regulatory toolkit by embedding structured ADR mechanisms within the Act, without curtailing the right of parties to pursue adjudication where mediation does not result in settlement.

Insertion of sub-section (5): The insertion of sub-section (5) is intended to encourage companies to adopt structured internal dispute resolution mechanisms and to promote early, consensual settlement of disputes before recourse is made to external regulatory forums.

Corporate disputes often arise from operational, contractual, or procedural issues that can be effectively resolved through internal dialogue and mediation without the need for external intervention. Requiring companies to put in place appropriate internal policies and procedures for mediation fosters a culture of constructive engagement, reduces escalation of disputes, and minimizes disruption to business operations.

147. Section 277. Resolution of disputes through mediation

Existing Provision

277. Resolution of disputes through mediation.- A company, its management or its members or creditors may by written consent, directly refer a dispute, claim or controversy arising between them or between the members or directors inter-se, for resolution, to any individuals enlisted on the mediation and conciliation panel maintained by the Commission before taking recourse to formal dispute resolution.

Proposed Amendment

Source: SECP

Objective: Ease of doing Business

277. Resolution of disputes through mediation.- A company, its management or its members or creditors shall ~~may by written consent~~, directly refer a dispute, claim or controversy arising between them or between the members or directors inter-se, for resolution, to Mediation and Conciliation Center established by the Commission in such form and manner as may be specified or to any individuals enlisted on the mediation and conciliation panel maintained by the Commission before taking recourse to formal dispute resolution.

Rationale

Consequential to amendments proposed in section 276 of the Act.

148. Section 291. Management by Administrator.

Existing Provision

291. Management by Administrator.—(1) If at any time a creditor or creditors having interest equivalent in amount not less than sixty percent of the paid up capital of a company, represents or represent to the Commission that—

(a) the affairs or business of the company are or is being or have or has been conducted or managed in a manner likely to be prejudicial to the interest of the company, its members or creditors, or any director of the company or person concerned with the management of the company is or has been guilty of breach of trust, mis-feasance or other misconduct towards the company or towards any of its members or creditors or director;
(b) the affairs or business of the company are or is being or have or has been conducted or managed with intent to defraud its members or creditors or any other person or for a fraudulent or unlawful purpose, or in a manner oppressive of any of such persons or for purposes as aforesaid; or
(c) the affairs of the company have been so conducted or managed as to deprive the members thereof of a reasonable return; or
(d) any industrial project or unit to be set up or belonging to the company has not been completed or has not commenced operations or has not been operating smoothly or its production or performance has so deteriorated that– (i) the market value of its shares as quoted on the securities exchange or the net worth of its share has fallen by more than seventy-five per cent of its par value; or
(ii) debt equity ratio has deteriorated beyond 9:1; or
(iii) current ratio has deteriorated beyond 5:1; or

(e) any industrial unit owned by the company is not in operation for over a period of two years or has been in operation intermittently or partially during the preceding two years; or

(f) the accumulated losses of the company exceed sixty percent of its paid up capital,
and request the Commission to take action under this section, the Commission may, after giving the company an opportunity of being heard, without prejudice to any other action that may be taken under this Act or any other law, by order in writing, appoint an Administrator, hereinafter referred to as the Administrator within sixty days of the date of receipt of the representation, from a panel maintained by it on the recommendation of the State Bank of Pakistan to manage the affairs of the company subject to such terms and conditions as may be specified in the order:

Provided that the Commission may, if it considers it necessary so to do, for reasons to be recorded, or on the application of the creditors on whose representation it proposes to appoint the Administrator, and after giving a notice to the State Bank of Pakistan, appoint a person whose name does not appear on the panel maintained for the purpose to be the Administrator.

Explanation.—…..
(2)—(3)

(4) Where it appears to the Administrator that any purchase or sales agency contract has been entered into, or any employment given, patently to benefit any director or other person in whom the management vested or his nominees and to the detriment of the interest of the general members, the Administrator may, with the previous approval in writing of the Commission, terminate such contract or employment.
(5) No person shall be entitled to, or be paid, any compensation or damages for termination of any office, contract or employment under sub-section (3) or sub-section (4).
(6) If at any time it appears to the Commission that the purpose of the order appointing the Administrator has been fulfilled, it may permit the company to appoint directors and, on the appointment of directors, the Administrator shall cease to hold office.
(7) Save as provided in sub-section (8), no suit, prosecution or other legal proceeding shall lie against the Administrator for anything which is in good faith done or intended to be done by him in pursuance of this section or of any rules or regulations made thereunder.
(8) Any person aggrieved by an order of the Commission under sub-section (1) or sub-section (10), or of the Administrator under sub-section (4) may, within sixty days from the date of the order, appeal against such order to the concerned Minister-in-Charge of the Federal Government.
(9) If any person fails to deliver to the Administrator any property, records or documents relating to the company or does not furnish any information required by him or in any way obstructs the Administrator in the management, of the affairs of the company or acts for or

represents the company in any way, the Commission may by order in writing, direct that such person shall be liable to a penalty of level 3 on the standard scale.
(10) The Commission may issue such directions to the Administrator as to his powers and duties as it deems desirable in the circumstances of the case, and the Administrator may apply to the Commission at any time for instructions as to the manner in which he shall conduct the management of the company or in relation to any matter arising in the course of such management.
(11) Any order or decision or direction of the Commission made in pursuance of this section shall be final and shall not be called in question in any Court.
(12) The Commission may, make regulations to carry out the purposes of this section.
(13) The provisions of this section shall have effect notwithstanding anything contained in any other provision of this Act or any other law or contract, or in the memorandum or articles of a company.

Proposed Amendment

Source: SECP

Objective: Decriminalization

291. Management by Administrator.—(1) The Commission or the registrar may, either on its own motion or upon receipt of information, apply to the Court for the appointment of an administrator, if it is satisfied that, in view of the circumstances specified in sub-section (1A), it is expedient to appoint an administrator for managing the affairs of the company.

(1A) If at any time the members having not less than sixty percent of the paid up capital of a company or a secured creditor or secured creditors having interest equivalent in amount not less than sixty percent of the paid up capital of a company, represents or represent to the Commission that—

(a) the affairs or business of the company are or is being or have or has been conducted or managed in a manner likely to be prejudicial to the interest of the company, its members or creditors, or any director of the company or person concerned with the management of the company is or has been guilty of breach of trust, mis-feasance or other misconduct towards the company or towards any of its members or creditors or director;
(b) the affairs or business of the company are or is being or have or has been conducted or managed with intent to defraud its members or creditors or any other person or for a fraudulent or unlawful purpose, or in a manner oppressive of any of such persons or for purposes as aforesaid; or
(c) the affairs of the company have been so conducted or managed as to deprive the members thereof of a reasonable return; or
(d) any industrial project or unit to be set up or belonging to the company has not been completed or has not commenced operations or has not been operating smoothly or its production or performance has so deteriorated that– (i) the market value of its shares as quoted on the securities exchange or the net worth of its share has fallen by more than seventy-five per cent of its par value; or

(ii) debt equity ratio has deteriorated beyond 9:1; or
(iii) current ratio has deteriorated beyond 5:1; or
(e) any industrial unit owned by the company is not in operation for over a period of two years or has been in operation intermittently or partially during the preceding two years; or
(f) the accumulated losses of the company exceed sixty percent of its paid up capital,
and request the Commission to take action under this section, the Commission may, after giving the company an opportunity of being heard, without prejudice to any other action that may be taken under this Act or any other law, by order in writing, appoint an Administrator, hereinafter referred to as the Administrator within sixty days of the date of receipt of the representation, from a panel maintained by it on the recommendation of the State Bank of Pakistan to manage the affairs of the company subject to such terms and conditions as may be specified in the order:
Provided that the Commission may, if it considers it necessary so to do, for reasons to be recorded, or on the application of the creditors on whose representation it proposes to appoint the Administrator, and after giving a notice to the State Bank of Pakistan, appoint a person whose name does not appear on the panel maintained for the purpose to be the Administrator.
Explanation.—.....
(2)—(3)...

(4) Where it appears to the Administrator that any purchase or sales agency contract has been entered into, or any employment given, patently to benefit any director or other person in whom the management vested or his nominees and to the detriment of the interest of the general members, the Administrator may, with the previous approval in writing of the Court or Commission, as the case may be, terminate such contract or employment.

(5) No person shall be entitled to, or be paid, any compensation or damages for termination of any office, contract or employment under sub-section (3) or sub-section (4).

(6) If at any time it appears to the Court or Commission, as the case may be, that the purpose of the order appointing the Administrator has been fulfilled, it may permit the company to appoint directors and, on the appointment of directors, the Administrator shall cease to hold office.

(7) Save as provided in sub-section (8), no suit, prosecution or other legal proceeding shall lie against the Administrator for anything which is in good faith done or intended to be done by him in pursuance of this section or of any rules or regulations made thereunder.

(8) Any person aggrieved by an order of the Commission under subsection (1A) or sub-section (10), or of the Administrator under sub-section (4) may, within sixty days from the date of the order, appeal against such order to the concerned Minister-in-Charge of the Federal Government.

(9) If any person fails to deliver to the Administrator any property, records or documents relating to the company or does not furnish any information required by him or in any way

obstructs the Administrator in the management, of the affairs of the company or acts for or represents the company in any way, the Commission may by order in writing, direct that such person shall be liable to a penalty of level 3 on the standard scale.

(10) The Commission may issue such directions to the Administrator appointed under sub-section (1A) as to his powers and duties as it deems desirable in the circumstances of the case, and the Administrator may apply to the Commission at any time for instructions as to the manner in which he shall conduct the management of the company or in relation to any matter arising in the course of such management.

(11) Any order or decision or direction of the Commission made in pursuance of this section shall be final and shall not be called in question in any Court.
(12) The Commission may, make regulations to carry out the purposes of this section.
(13) The provisions of this section shall have effect notwithstanding anything contained in any other provision of this Act or any other law or contract, or in the ~~memorandum or~~ articles of a company.

Rationale

To bring it in line with the Corporate Rehabilitation Act, 2018

Correction: The word 'specified' means through regulations. Amended accordingly

149. Section 285 Power to acquire shares of members dissenting from scheme or contract.
Existing Provision

285. Power to acquire shares of members dissenting from scheme or contract.–

(1) Where a scheme or contract involving the transfer of shares or any class of shares in any company (in this section referred to as "the transferor company") to another company (in this section referred to as "transferee company") has, within one hundred and twenty days after the making of the offer in that behalf by the transferee company, been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary), the transferee company may, at any time within sixty days after the expiry of the said one hundred and twenty days, give notice in the specified manner to any dissenting shareholder that it desires to acquire his shares; when such a notice is given the transferee company, shall, unless, on an application made by the dissenting shareholder within thirty days from the date on which the notice was given, the Commission thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company: Provided that, where shares in the transferor

company of the same class as the shares whose transfer is involved are already held as aforesaid by the transferee company to a value greater than one-tenths of the aggregate of the value of all the shares in the company of such class, the foregoing provisions of this sub-section shall not apply, unless—

(a) the transferee company offers the same terms to all holders of the shares of that class (other than those already held as aforesaid) whose transfer is involved; and

(b) the holders who approve the scheme or contract, besides holding not less than nine-tenths in value of the shares (other than those already held as aforesaid) whose transfer is involved, are not less than three-fourths in number of the holders of those shares.

(2) Where, in pursuance of any such scheme or contract as aforesaid, shares, or shares of any class, in a company are transferred to another company or its nominee, and those shares together with any other shares or any other shares of the same class, as the case may be, in the first mentioned company held at the date of the transfer by, or by a nominee for, the transferee company or its subsidiary comprise nine-tenth in value of the shares, or shares of that class, as the case may be, in the first-mentioned company, then—

(a) the transferee company shall, within thirty days from the date of the transfer (unless on a previous transfer in pursuance of the scheme or contract it has already complied with this requirement), give notice of that fact in the specified manner to the holders of the remaining shares or of the remaining shares of that class, as the case may be, who have not assented to the scheme or contract; and

(b) any such holder may, within ninety days from the giving of the notice to him, require the transferee company to acquire the shares in question; and where a shareholder gives notice under clause (b) with respect to any shares, the transferee company shall be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders were transferred to it, or on such other terms as may be agreed, or as the Commission on the application of either the transferee company or the shareholders thinks fit to order.

(3) Where a notice has been given by the transferee company under sub-section (1) and the Commission has not, on an application made by the dissenting shareholder, made an order to the contrary, the transferee company shall, on the expiration of thirty days from the date on which the notice has been given or, if an application to the Commission by the dissenting shareholder is then pending, after that application has been disposed of, transmit a copy of the notice to the transferor company together with an instrument of transfer executed on behalf of the shareholder by any person

appointed by the transferee company and on its own behalf by the transferee company and pay or transfer to the transferor company the amount or other consideration representing the price payable by the transferee company for the shares which, by virtue of this section, that company is entitled to acquire; and the transferor company shall—

(a) thereupon register the transferee company as the holders of those shares; and

(b) within thirty days of the date of such registration, inform the dissenting shareholders of the fact of such registration and of the receipt of the amount or other consideration representing the price payable to them by the transferee company: Provided that an instrument of transfer shall not be required for any share for which a share warrant is for the time being outstanding.

(4) Any sums received by the transferor company under this section shall forthwith be paid into a separate bank account to be opened in a scheduled bank and any such sum and any other consideration so received shall be held by that company in trust for the several persons entitled to the shares in respect of which the said sums or other consideration were or was respectively received.

(5) The following provisions shall apply in relation to every offer of a scheme or contract involving the transfer of shares or any class of shares in the transferor company to the transferee company, namely—

(a) every such offer or every circular containing such offer or every recommendation to the members of the transferor company by its board to accept such offer shall be accompanied by such information as may be specified;

(b) every such offer shall contain a statement by or on behalf of the transferee company disclosing the steps it has taken to ensure that necessary cash will be available;

(c) every circular containing or recommending acceptance of, such offer shall be presented to the registrar for registration and no such circular shall be issued until it is so registered;

(d) the registrar may refuse to register any such circular which does not contain the information required to be given under clause (a) or which sets out such information in a manner likely to give a misleading, erroneous or false impression; and

(e) an appeal shall lie to the Commission against an order of the registrar refusing to register any such circular.

(6) The Commission or any party may make a reference to the Court, on any matter including but not limited to the determination of liabilities of the company or incidental thereto as provided under sections 279 to 285, for necessary orders.

(7) Whoever issues a circular referred to in clause (c) of sub-section (5) which has not been registered shall be punishable to a penalty of level 1 on the standard scale.

(8) Notwithstanding anything contained in sections 279 to 283 and 285, the powers of the Commission shall be exercised by the Court for such companies or class of companies or having such capital, as may be notified by the concerned Minister-in-Charge of the Federal Government.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

285. Power to acquire shares of members dissenting from scheme or contract.–

(1) Where a scheme or contract involving the transfer of shares or any class of shares in any company (in this section referred to as "the transferor company") to another company (in this section referred to as "transferee company") has, within one hundred and twenty days after the making of the offer in that behalf by the transferee company, been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary), the transferee company may, at any time within sixty days after the expiry of the said one hundred and twenty days, give notice in the specified manner to any dissenting shareholder that it desires to acquire his shares; when such a notice is given the transferee company, shall, unless, on an application made by the dissenting shareholder within thirty days from the date on which the notice was given, the Commission thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company: Provided that, where shares in the transferor company of the same class as the shares whose transfer is involved are already held as aforesaid by the transferee company to a value greater than one-tenths of the aggregate of the value of all the shares in the company of such class, the foregoing provisions of this sub-section shall not apply, unless—

(a) the transferee company offers the same terms to all holders of the shares of that class (other than those already held as aforesaid) whose transfer is involved; and

(b) the holders who approve the scheme or contract, besides holding not less than nine-tenths in value of the shares (other than those already held as aforesaid) whose transfer is involved, are not less than three-fourths in number of the holders of those shares.

(2) Where, in pursuance of any such scheme or contract as aforesaid, shares, or shares of any class, in a company are transferred to another company or its nominee, and those shares together with any other shares or any other shares of the same class, as the case may be, in the first mentioned company held at the date of the transfer by, or by a nominee for, the transferee company or its subsidiary comprise nine-tenth in value of the shares, or shares of that class, as the case may be, in the first-mentioned company, then—

(a) the transferee company shall, within thirty days from the date of the transfer (unless on a previous transfer in pursuance of the scheme or contract it has already complied with this requirement), give notice of that fact in the specified manner to the holders of the remaining shares or of the remaining shares of that class, as the case may be, who have not assented to the scheme or contract; and

(b) any such holder may, within ninety days from the giving of the notice to him, require the transferee company to acquire the shares in question; and where a shareholder gives notice under clause (b) with respect to any shares, the transferee company shall be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders were transferred to it, or on such other terms as may be agreed, or as the Commission on the application of either the transferee company or the shareholders thinks fit to order.

(3) Where a notice has been given by the transferee company under sub-section (1) and the Commission has not, on an application made by the dissenting shareholder, made an order to the contrary, the transferee company shall, on the expiration of thirty days from the date on which the notice has been given or, if an application to the Commission by the dissenting shareholder is then pending, after that application has been disposed of, transmit a copy of the notice to the transferor company together with an instrument of transfer executed on behalf of the shareholder by any person appointed by the transferee company and on its own behalf by the transferee company and pay or transfer to the transferor company the amount or other consideration representing the price payable by the transferee company for the shares which, by virtue of this section, that company is entitled to acquire; and the transferor company shall—

(a) thereupon register the transferee company as the holders of those shares; and

(b) within thirty days of the date of such registration, inform the dissenting shareholders of the fact of such registration and of the receipt of the amount or other consideration representing the price payable to them by the transferee company: Provided that an instrument of transfer shall not be required for any share for which a share warrant is for the time being outstanding.

(4) Any sums received by the transferor company under this section shall forthwith be paid into a separate bank account to be opened in a scheduled bank and any such sum and any other consideration so received shall be held by that company in trust for the several

persons entitled to the shares in respect of which the said sums or other consideration were or was respectively received.

(5) The following provisions shall apply in relation to every offer of a scheme or contract involving the transfer of shares or any class of shares in the transferor company to the transferee company, namely—

(a) every such offer or every circular containing such offer or every recommendation to the members of the transferor company by its board to accept such offer shall be accompanied by such information as may be specified;

(b) every such offer shall contain a statement by or on behalf of the transferee company disclosing the steps it has taken to ensure that necessary cash will be available;

(c) every circular containing or recommending acceptance of, such offer shall be presented to the registrar for registration and no such circular shall be issued until it is so registered;

(d) the registrar may refuse to register any such circular which does not contain the information required to be given under clause (a) or which sets out such information in a manner likely to give a misleading, erroneous or false impression; and

(e) an appeal shall lie to the Commission against an order of the registrar refusing to register any such circular.

(6) The Commission or any party may make a reference to the Court, on any matter including but not limited to the determination of liabilities of the company or incidental thereto as provided under sections 279 to 285, for necessary orders.

(7) Whoever issues a circular referred to in clause (c) of sub-section (5) which has not been registered shall be punishable to a penalty of level 1 on the standard scale.

~~(8) Notwithstanding anything contained in sections 279 to 283 and 285, the powers of the Commission shall be exercised by the Court for such companies or class of companies or having such capital, as may be notified by the concerned Minister-inCharge of the Federal Government.~~

Rationale

In order to facilitate the corporate sector, the matters to approve compromise, arrangement, reconstruction and amalgamation are proposed to be exclusively given under the jurisdiction of the Commission for the disposal of such cases on a fast track basis.

Accordingly, it is proposed to authorize the Commission to approve schemes of arrangement for all classes of companies, which at present are being exercised by the courts in respect of public interest companies, large sized companies and medium sized companies by virtue of the notification no. SRO. 1351/2023 dated 22 September 2023.

150. Section 301 Power to acquire shares of members dissenting from scheme or contract.

Existing Provision

301. Circumstances in which a company may be wound up by Court.—A company may be wound up by the Court—

(a) if the company has, by special resolution, resolved that the company be wound up by the Court; or

(b) if default is made in delivering the statutory report to the registrar or in holding the statutory meeting; or

(c) if default is made in holding any two consecutive annual general meetings; or

(d) if the company has made a default in filing with the registrar its financial statements or annual returns for immediately preceding two consecutive financial years; or

(e) if the number of members is reduced, in the case of public company, below three and in the case of a private company below two; or

(f) if the company is unable to pay its debts; or

(g) if the company is—

(i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or

(ii) carrying on business prohibited by any law for the time being in force in Pakistan; or restricted by any law, rules or regulations for the t

(iii) conducting its business in a manner oppressive to the minority members or persons concerned with the formation or promotion of the company; or

(iv) run and managed by persons who fail to maintain proper and true accounts, or commit fraud, misfeasance or malfeasance in relation to the company; or

(v) managed by persons who refuse to act according to the requirements of the memorandum or articles or the provisions of this Act or failed to carry out the directions or decisions of the Commission or the registrar given in the exercise of powers under this Act; or

(h) if, being a listed company, it ceases to be such company; or

(i) if the Court is of opinion that it is just and equitable that the company should be wound up; or

(j) if a company ceases to have a member; or

(k) if the sole business of the company is the licensed activity and it ceases to operate consequent upon revocation of a licence granted by the Commission or any other licencing authority; or

(l) if a licence granted under section 42 to a company has been revoked or such a company has failed to comply with any of the provisions of section 43 or where a company licenced under section 42 is being wound up voluntarily and its liquidator has failed to complete the winding up proceedings within a period of one year from the date of commencement of its winding up; or

(m) if a listed company suspends its business for a whole year.

Explanation I.—The promotion or the carrying on of any scheme or business, howsoever described—

(a) whereby, in return for a deposit or contribution, whether periodically or otherwise, of a sum of money in cash or by means of coupons, certificates, tickets or other documents, payment, at future date or dates of money or grant of property, right or benefit, directly or indirectly, and whether with or without any other right or benefit, determined by chance or lottery or any other like manner, is assured or promised; or

(b) raising un-authorised deposits from the general public, indulging in referral marketing, multi-level marketing (MLM), Pyramid and Ponzi Schemes, locally or internationally, directly or indirectly; or (c) any other business activity notified by the Commission to be against public policy or a moral hazard;

shall be deemed to be an unlawful activity.
Explanation II.—"Minority members" means members together holding not less than ten percent of the equity share capital of the company.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

301. Circumstances in which a company may be wound up by Court.—A company may be wound up by the Court—
(a) if the company has, by special resolution, resolved that the company be wound up by the Court; or ~~(b) if default is made in delivering the statutory report to the registrar or in holding the statutory meeting~~; or (c) if default is made in holding any two consecutive annual general meetings; or (d) if the company has made a default in filing with the registrar its financial statements or annual returns for immediately preceding two consecutive financial years; or (e) if the number of members is reduced, in the case of public company, below three and in the case of a private company below two; or (f) if the company is unable to pay its debts; or (g) if the company is—

(i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or
(ii) carrying on business prohibited by any law for the time being in force in Pakistan; or restricted by any law, rules or regulations for the t
(iii) conducting its business in a manner oppressive to the minority members or persons concerned with the formation or promotion of the company; or

(iv) run and managed by persons who fail to maintain proper and true accounts, or commit fraud, misfeasance or malfeasance in relation to the company; or

(v) managed by persons who refuse to act according to the requirements of the ~~memorandum or~~ articles or the provisions of this Act or failed to carry out the directions or decisions of the Commission or the registrar given in the exercise of powers under this Act; or

(h) if, being a listed company, it ceases to be such company; or

(i) if the Court is of opinion that it is just and equitable that the company should be wound up; or

(j) if a company ceases to have a member; or

(k) if the sole business of the company is the licensed activity and it ceases to operate consequent upon revocation of a licence granted by the Commission or any other licencing authority; or

(l) if a licence granted under section 42 to a company has been revoked or such a company has failed to comply with any of the provisions of section 43 or where a company licenced under section 42 is being wound up voluntarily and its liquidator has failed to complete the winding up proceedings within a period of one year from the date of commencement of its winding up; or

(m) if a listed company suspends its business for a whole year.

Explanation I.—The promotion or the carrying on of any scheme or business, howsoever described—

(a) whereby, in return for a deposit or contribution, whether periodically or otherwise, of a sum of money in cash or by means of coupons, certificates, tickets or other documents, payment, at future date or dates of money or grant of property, right or benefit, directly or indirectly, and whether with or without any other right or benefit, determined by chance or lottery or any other like manner, is assured or promised; or

(b) raising un-authorised deposits from the general public, indulging in referral marketing, multi-level marketing (MLM), Pyramid and Ponzi Schemes, locally or internationally, directly or indirectly, as may be specified by the Commission; or

(c) any other business activity notified by the Commission to be against public policy or a moral hazard;

shall be deemed to be an unlawful activity.

Explanation II.—"Minority members" means members together holding not less than ten percent of the equity share capital of the company.

Rationale

The principal issue is the absence of clear statutory definitions and regulatory parameters for identifying and prohibiting activities such as referral marketing, multi-level marketing (MLM), pyramid schemes, and Ponzi schemes under the Act. Due to this legislative gap, cases involving companies suspected of engaging in such activities are currently judged and decided on case to case basis. Hence, proposed amendment is made.

151. Section 324. Custody of company's properties.

Existing Provision

324. Custody of company's properties.—(1) Where a winding up order has been made or where a provisional manager has been appointed, the official liquidator or the provisional manager, as the case may be, shall, on the order of the Court, forthwith take into his custody or control all the property, effects and actionable claims to which the company is or appears to be entitled to and take such steps and measures, as may be necessary, to protect and preserve the properties of the company.

(2) On an application by the official liquidator or otherwise, the Court may, at any time after the making of a winding up order, require any contributory for the time being on the list of contributories, and any trustee, receiver, banker, agent, officer or other employee of the company, to pay, deliver, surrender or transfer forthwith, or within such time as the Court directs, to the official liquidator, any money, property or books and papers in his custody or under his control to which the company is or appears to be entitled.

(3) The promoters, directors, officers and employees, who are or have been in employment of the company or acting or associated with the company shall extend full cooperation to the official liquidator in discharge of his functions and duties.

(4) Notwithstanding anything contained in sub-section (1), all the property and effects of the company shall be deemed to be in the custody of the Court from the date of the appointment of the Provisional manager or the passing of order for the winding up of the company as the case may be.

(5) Where any person, without reasonable cause, fails to discharge his obligations under sub-sections (2) or (3), he shall be punishable with imprisonment which may extend to two years or with fine which may extend to five hundred thousand rupees, or with both.

Proposed Amendment

Source: SECP

Objective: Decriminalization

324. Custody of company's properties.—(1) Where a winding up order has been made or where a provisional manager has been appointed, the official liquidator or the provisional manager, as the case may be, shall, on the order of the Court, forthwith take into his custody or control all the property, effects and actionable claims to which the company is or appears to be entitled to and take such steps and measures, as may be necessary, to protect and preserve the properties of the company.

(2) On an application by the official liquidator or otherwise, the Court may, at any time after the making of a winding up order, require any contributory for the time being on the list of contributories, and any trustee, receiver, banker, agent, officer or other employee of the company, to pay, deliver, surrender or transfer forthwith, or within such time as the Court directs, to the official liquidator, any money, property or books and papers in his custody or under his control to which the company is or appears to be entitled.
(3) The promoters, directors, officers and employees, who are or have been in employment of the company or acting or associated with the company shall extend full cooperation to the official liquidator in discharge of his functions and duties.
(4) Notwithstanding anything contained in sub-section (1), all the property and effects of the company shall be deemed to be in the custody of the Court from the date of the appointment of the Provisional manager or the passing of order for the winding up of the company as the case may be.
(5) Where any person, without reasonable cause, fails to discharge his obligations under sub-sections (2) or (3), he shall be liable to a penalty of level 3 on the standard scale ~~punishable with imprisonment which may extend to two years or with fine which may extend to five hundred thousand rupees, or with both.~~

Rationale

Decriminalization of penalty

152. Section 372. Powers and duties of liquidator in voluntary winding up

Existing Provision

372. Powers and duties of liquidator in voluntary winding up.—(1) –(4)
(5) The winding up proceedings shall be completed by the liquidator within a period of one year from the date of commencement of winding up:

Provided that the Court may, on the application of the liquidator, grant extension by thirty days at any time but such extension shall not exceed a period of one hundred and eighty days in all and shall be allowed only for the reason that any proceedings for or against the company are pending in a court and the Court shall also have the power to require expeditious disposal of such proceedings as it could under section 337 if the company was being wound up by the Court.

(6)- (7)

Proposed Amendment

Source: SECP

Objective: Ease of doing Business

372. Powers and duties of liquidator in voluntary winding up.—(1) –(4)

(5) The winding up proceedings shall be completed by the liquidator within a period of one year from the date of commencement of winding up:

Provided that the company ~~Court~~ may, ~~on the application of the liquidator~~ by passing special resolution in general meeting and meeting of creditors in case of creditors voluntary winding up, grant extension by thirty days at any time but such extension shall not exceed a period of one hundred and eighty days in all. ~~and shall be allowed only for the reason that any proceedings for or against the company are pending in a court and the Court shall also have the power to require expeditious disposal of such proceedings as it could under section 337 if the company was being wound up by the Court.~~

(6)- (7)

Rationale

The amendment clarifies that the Court has no role in voluntary winding-up proceedings, which are intended to be managed independently by the company and its creditors without judicial intervention. Accordingly, the power to approve any extension in the completion of winding-up proceedings has been aligned with the voluntary nature of the process and vested in the company, through a special resolution in the general meeting, and in the creditors' meeting in case of a creditors' voluntary winding up. This change ensures procedural consistency, reduces unnecessary court involvement, and promotes efficiency, self-regulation, and timely closure of companies.

153. Section 400. Penalty for fraud by officers of companies which have gone into liquidation.

Existing Provision

400. Penalty for fraud by officers of companies which have gone into liquidation.—(1) If any person, being at the time of the commission of the alleged offence an officer of a company which is subsequently ordered to be wound up by the Court or which subsequently passes a resolution for voluntary winding up—

(a) has, by false pretenses or by means of any other fraud, induced any person to give credit to the company; or

(b) with intent to defraud creditors of the company, has made or caused to be made any gift or transfer of or charge on, or has caused or connived at the levying of any execution against, the property of the company; or

(c) with intent to defraud creditors of the company, has concealed or removed any part of the property of the company since, or within **sixty days** before, the date of any unsatisfied judgment or order for payment of money obtained against the company;

he shall be punishable with imprisonment for a term which may extend to three years, and shall also be liable to a fine which may extend to one million rupees.
(2) Where the Court has passed an order of winding up of a company and *prima facie* concludes that any of the offence provided in sub-section (1) has been committed, the Court may send a reference for adjudication of offence under sub-section (1) to the court as provided under section 482.

Proposed Amendment

Source: SECP

Objective: Decriminalization

400. Penalty for fraud by officers of companies which have gone into liquidation.—(1) If any person, being at the time of the commission of the alleged offence an officer of a company which is subsequently ordered to be wound up by the Court or which subsequently passes a resolution for voluntary winding up—

(a) has, by false pretenses or by means of any other fraud, induced any person to give credit to the company; or

(b) with intent to defraud creditors of the company, has made or caused to be made any gift or transfer of or charge on, or has caused or connived at the levying of any execution against, the property of the company; or

(c) with intent to defraud creditors of the company, has concealed or removed any part of the property of the company since, or within **sixty days** before, the date of any unsatisfied judgment or order for payment of money obtained against the company;
he shall be liable to a penalty of level 3 on the standard scale ~~punishable with imprisonment for a term which may extend to three years, and shall also be liable to a fine which may extend to one million rupees~~.
(2) Where the Court has passed an order of winding up of a company and *prima facie* concludes that any of the offence provided in sub-section (1) has been committed, the Court may send a reference for adjudication of offence under sub-section (1) to the ~~court as provided under section 482~~ Commission

Rationale

Decriminalization of penalty

The reference to court under section 482 has been replaced with Commission to align with changes in section 400(1)(c)

154. Section 401. Liability where proper accounts not kept.

Existing Provision

401. Liability where proper accounts not kept.—(1) If, where a company is being wound up, it is shown that proper books of account were not kept by the company throughout the period of two years immediately preceding the commencement of the winding up, or the period between the incorporation of the company and the commencement of the winding up, whichever is the shorter, every officer of the company who is in default shall, unless he shows that he acted honestly and that in the circumstances in which the business of the company was carried on the default was excusable, be punishable with imprisonment for a term which may extend to three years or with fine which may extend to one hundred thousand rupees or with both.

(2) For the purpose of sub-section (1), proper books of account shall be deemed not to have been kept in the case of a company, if there have not been kept−

(a) such books or accounts as are necessary to exhibit and explain the transactions and financial position of the trade or business of the company, including books containing entries from day to day in sufficient detail of all cash received and all cash paid; and

(b) where the trade or business has involved dealings in goods, statement of the annual stock takings and (except in the case of goods sold by way of ordinary retail trade) of all goods sold and purchased, showing the goods and the buyers and sellers thereof in sufficient detail to enable those goods and those buyers and sellers to be identified.

Proposed Amendment

Source: SECP

Objective: Decriminalization

401. Liability where proper accounts not kept.—(1) If, where a company is being wound up, it is shown that proper books of account were not kept by the company throughout the period of two years immediately preceding the commencement of the winding up, or the period between the incorporation of the company and the commencement of the winding up, whichever is the shorter, every officer of the company who is in default shall, unless he shows that he acted honestly and that in the circumstances in which the business of the company was carried on the default was excusable, in case of listed company shall be liable:

(a) in case of a listed company, to a penalty of level 3 on the standard scale; and

(b) in case of any other company, to a penalty of level 2 on the standard scale.

Provided that, in addition to the above penalties, the Commission may also take regulatory actions, as deemed appropriate.

~~punishable with imprisonment for a term which may extend to three years or with fine which may extend to one hundred thousand rupees or with both.~~

(2) For the purpose of sub-section (1), proper books of account shall be deemed not to have been kept in the case of a company, if there have not been kept−
(a) such books or accounts as are necessary to exhibit and explain the transactions and financial position of the trade or business of the company, including books containing entries from day to day in sufficient detail of all cash received and all cash paid; and

(b) where the trade or business has involved dealings in goods, statement of the annual stock takings and (except in the case of goods sold by way of ordinary retail trade) of all goods sold and purchased, showing the goods and the buyers and sellers thereof in sufficient detail to enable those goods and those buyers and sellers to be identified.

Rationale

Decriminalization of penalty:

It is proposed that Act, shall be decriminalized by replacing imprisonment with pecuniary penalties.

155. Section 402. Penalty for falsification of books.

Existing Provision

402. Penalty for falsification of books.—If any director, manager, officer, auditor or contributory of any company being wound up destroys, mutilates, alters or falsifies or fraudulently secrets any books, papers or securities, or makes or is privy to the making of any false or fraudulent entry in any register, books or paper belonging to the company with intent to defraud or deceive any person, he shall be liable to imprisonment for a term which may extend to three years, or with fine which may extend to one million rupees, or with both.

Proposed Amendment

Source: SECP

Objective: Decriminalization

402. Penalty for falsification of books.—If any director, manager, officer, auditor or contributory of any company being wound up destroys, mutilates, alters or falsifies or fraudulently secrets any books, papers or securities, or makes or is privy to the making of any false or fraudulent entry in any register, books or paper belonging to the company with intent to defraud or deceive any person, he shall be liable to a penalty of level 3 on the standard scale. ~~imprisonment for a term which may extend to three years, or with fine which may extend to one million rupees, or with both.~~

Rationale

Decriminalization of penalty

156. Section 405. Penal Provisions.

Existing Provision

405. Penal Provisions.—(1) If any person, being a past or present director, chief executive, manager, auditor or other officer of a company which at the time of the commission of the alleged offence, is being wound up, whether by or under the supervision of the Court or voluntarily or is subsequently ordered to be wound up by the Court or subsequently passes a resolution for voluntary winding up—

(a) does not to the best of his knowledge and belief fully and truly discover to the liquidator all the property, real and personal, of the company, and how and to whom and for what consideration and when the company disposed of any part thereof, except such part as has been disposed of in the ordinary way of the business of the company; or

(b) -- (p)…

he shall be punishable, in the case of the offences mentioned respectively in clauses (m), (n) and (o) of this sub-section, with imprisonment for a term which may extend to five years, and, in the case of any other offence, with imprisonment for a term which may extend to three years and shall also be liable to fine which may extend to five million rupees in each case and the liquidator may, with the permission of the Court, file a complaint before the Court as provided under section 482 for adjudication of offence:

Provided that it shall be a good defence, to a charge under any of clauses (b), (c), (d), (f), (n) and (o), if the accused proves that he had no intent to defraud, and to a charge under any of clauses (a), (h), (i) and (j), if he proves that he had no intent to conceal the state of affairs of the company or to defeat the law.

(2) Where any person pawns, pledges or disposes of any property in circumstances which amount to an offence under clause (o) of sub-section (1) every person who takes in pawn or pledge or otherwise receives the property knowing it to be pawned, pledged or disposed of in such circumstances as aforesaid shall be punishable with imprisonment for a term which may extend to three years, and shall also be liable to a fine which may extend to one million rupees.

Proposed Amendment

Source: SECP

Objective: Decriminalization

405. Penal Provisions.—(1) If any person, being a past or present director, chief executive, manager, auditor or other officer of a company which at the time of the commission of the alleged offence, is being wound up, whether by or under the supervision of the Court or

voluntarily or is subsequently ordered to be wound up by the Court or subsequently passes a resolution for voluntary winding up—

(a) does not to the best of his knowledge and belief fully and truly discover to the liquidator all the property, real and personal, of the company, and how and to whom and for what consideration and when the company disposed of any part thereof, except such part as has been disposed of in the ordinary way of the business of the company; or

(b) -- (p)…

he shall be liable to a penalty of level 3 on the standard scale ~~punishable~~, in the case of the offences mentioned respectively in clauses (m), (n) and (o) of this sub-section, ~~with imprisonment for a term which may extend to five years~~, and, in the case of any other offence, liable to a penalty of level 2 on the standard scale ~~with imprisonment for a term which may extend to three years and shall also be liable to fine which may extend to five million rupees~~ in each case and the liquidator may, with the permission of the Court, file a complaint before the ~~Court~~ Commission as provided under section 482 for adjudication of offence:

Provided that it shall be a good defence, to a charge under any of clauses (b), (c), (d), (f), (n) and (o), if the accused proves that he had no intent to defraud, and to a charge under any of clauses (a), (h), (i) and (j), if he proves that he had no intent to conceal the state of affairs of the company or to defeat the law.

(2) Where any person pawns, pledges or disposes of any property in circumstances which amount to an offence under clause (o) of sub-section (1) every person who takes in pawn or pledge or otherwise receives the property knowing it to be pawned, pledged or disposed of in such circumstances as aforesaid shall be punishable with imprisonment for a term which may extend to three years, and shall also be liable to a penalty of level 3 on the standard scale. ~~fine which may extend to one million rupees.~~

Rationale

Decriminalization of penalty

The reference to court under section 482 has been replaced with Commission to align with changes in section 405

157. Section 417. Unclaimed dividends and undistributed assets to be paid to the account maintained under section 244.

Existing Provision

417. Unclaimed dividends and undistributed assets to be paid to the account maintained under section 244.—(1) Without prejudice to the provision of section 244, where any company is being wound up, if the liquidator has in his hands or under his control any money

of the company representing unclaimed dividends or undistributed assets payable to any contributory which have remained unclaimed or undistributed for one hundred and eighty days after the date on which they became payable the liquidator shall forthwith deposit the said money in the account to be maintained under section 244 of this Act and the liquidator shall, on the dissolution of the company, similarly pay into the said account any money representing unclaimed dividends or undistributed assets in his hands at the date of dissolution.

(2) The liquidator shall when making any payment referred to in sub-section (1) furnish to the Commission a statement in the specified form setting forth in respect of all sums included in such payment the nature of the sums, the names and last known addresses of the persons entitled to participate therein, the amount to which each is entitled and the nature of his claim thereto, and such other particulars as may be specified, alongwith the official receipt of the receipt of the State Bank of Pakistan or National Bank of Pakistan, as the case may be.

(3) The receipt of the State Bank of Pakistan or National Bank of Pakistan, as the case may be, for any money paid to it under sub-section (1) shall be an effectual discharge of the liquidator in respect thereof.

(4) The liquidator shall, when filing a statement in pursuance of sub-section (1) of section 415 indicate the sum of money which is payable to the State Bank of Pakistan or National Bank of Pakistan, as the case may be, under sub-section (1) which he has had in his hands or under his control during the **one hundred and eighty days** preceding the date to which the said statement is brought down and shall within fourteen days of the date of filing the said statement, pay that sum into the account maintained under section 244.

(5) Any person claiming to be entitled to any money paid into the account maintained under section 244 may apply to the Commission for payment thereof in the manner prescribed under said section.

(6) Any liquidator retaining any money which should have been paid by him into the account maintained under section 244 shall, in addition to such money, pay surcharge on the amount retained at the rate of two per cent per month or part thereof and shall also be liable to pay any expenses or losses occasioned by reason of his default and he shall also be liable to disallowance of all or such part of his remuneration as the Court may think just and to be removed from his office by the Court on an application by the Commission.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

417. Unclaimed dividends and undistributed ~~assets~~ amounts **to be paid to the** ~~account maintained under section 244~~ Fund established under Section 245**.—**(1) Without prejudice to

the provision of section 244, where any company is being wound up, if the liquidator has in his hands or under his control any money of the company representing unclaimed dividends or ~~undistributed assets~~ any other unclaimed or undistributed amounts payable to any contributory which have remained unclaimed or undistributed for one hundred and eighty days after the date on which they became payable the liquidator shall forthwith deposit the said money in the ~~account to be maintained under section 244 of this Act~~ Fund established under Section 245 of this Act; and the liquidator shall, on the dissolution of the company, similarly pay into the said ~~account~~ Fund any money representing unclaimed dividends or undistributed ~~assets~~ amounts in his hands at the date of dissolution.

(2) The liquidator shall when making any payment referred to in sub-section (1) furnish to the Commission a statement in the specified form setting forth in respect of all sums included in such payment the nature of the sums, the names and last known addresses of the persons entitled to participate therein, the amount to which each is entitled and the nature of his claim thereto, and such other particulars as may be specified, alongwith the official receipt ~~of the receipt of the State Bank of Pakistan or National Bank of Pakistan, as the case may be~~ evidencing deposit into the Fund established under Section 245.

(3) The receipt of the ~~State Bank of Pakistan or National Bank of Pakistan, as the case may be,~~ Fund established under Section 245 for any money paid to it under sub-section (1) shall be an effectual discharge of the liquidator in respect thereof.

(4) The liquidator shall, when filing a statement in pursuance of sub-section (1) of section 415 indicate the sum of money which is payable to the ~~State Bank of Pakistan or National Bank of Pakistan, as the case may be~~, Fund established under Section 245 under sub-section (1) which he has had in his hands or under his control during the **one hundred and eighty days** preceding the date to which the said statement is brought down and shall within fourteen days of the date of filing the said statement, pay that sum into the ~~account maintained under section 244~~ Fund established under Section 245.

(5) Any person claiming to be entitled to any money paid into the ~~account maintained under section 244~~ **Fund under this section** may apply to the Commission ~~for payment thereof in the manner prescribed under said section~~ in the manner prescribed for payment thereof, and the Commission, after necessary verification, shall make payment to the claimant from the Fund.

(6) Any liquidator retaining any money which should have been paid by him into the ~~account maintained under section 244~~ Fund under this section shall, in addition to such money, pay a surcharge on the amount retained at the rate of two per cent per month or part thereof and shall also be liable to pay any expenses or losses occasioned by reason of his default and he shall also be liable to disallowance of all or such part of his remuneration as the Court may think just and to be removed from his office by the Court on an application by the Commission.

Rationale

Consequential to proposed amendments in sec 244 and 245. The proposed amendments enhance the administrative role of SECP and streamline the claims process, while aligning unclaimed dividend management with investor education objectives.

158. Section 418. Books of accounts and other proceedings to be kept by liquidators.

Existing Provision

418. Books of accounts and other proceedings to be kept by liquidators.—(l) Every liquidator shall maintain at the registered office proper books of accounts in the manner required in the case of companies under section 220 and the provisions of that section shall apply *mutatis mutandis* to companies being wound up.

(2) Every liquidator shall also keep at the registered office proper books and papers in the manner required under section 338.

(3) Any creditor or contributory may, subject to the control of the Court, inspect any books and papers kept by the liquidator under sub-section (l) and (2).

(4) The concerned Minister-in-Charge of the Federal Government may alter or add to any requirements of this section by a general or special order in which case the provisions so altered or added shall apply.

(5) If any liquidator contravenes any provisions of this section, he shall be punishable with imprisonment for a term, which may extend to two years and with fine, which may extend to five hundred thousand rupees.

Proposed Amendment

Source: SECP

Objective: Decriminalization

418. Books of accounts and other proceedings to be kept by liquidators.—(l) Every liquidator shall maintain at the registered office proper books of accounts in the manner required in the case of companies under section 220 and the provisions of that section shall apply *mutatis mutandis* to companies being wound up.

(2) Every liquidator shall also keep at the registered office proper books and papers in the manner required under section 338.

(3) Any creditor or contributory may, subject to the control of the Court, inspect any books and papers kept by the liquidator under sub-section (l) and (2).

(4) The concerned Minister-in-Charge of the Federal Government may alter or add to any requirements of this section by a general or special order in which case the provisions so altered or added shall apply.

(5) If any liquidator contravenes any provisions of this section, he shall be liable to a penalty of level 3 on the standard scale ~~punishable with imprisonment for a term, which may extend to two years and with fine, which may extend to five hundred thousand rupees.~~

Rationale

Decriminalization of penalty

159. Section 423. Power to make rules.

Existing Provision

423. Power to make rules.—(1) The Supreme Court may, in consultation with the Courts or, where the Supreme Court advises the Federal Government to do so, the Federal Government may in consultation with the Courts, from time to time, make rules, consistent with this Act, concerning the mode of proceedings to be **held** for winding up a company in a Court and in the **courts** subordinate thereto, and for voluntary winding up (both members and creditors), for the holding of meetings of creditors and members in connection with proceedings under section 279 of this Act, and for giving effect to the provisions as to the reduction of the capital and the scheme of reorganisation of a company and generally for all applications to be made to the Court and all other proceedings or matters coming within the purview or powers or duties of the Court under the provisions of this Act and shall make rules providing for all matters relating to the winding up of companies which, by this Act, are to be prescribed.
(2)…

(a)--(e) ..

Proposed Amendment

Source: SECP

Objective: regulatory oversight /Corporate Governance

423. Power to make rules.—(1) The Supreme Court may, in consultation with the Courts or, where the Supreme Court advises the Federal Government to do so, the Federal Government may in consultation with the Courts, from time to time, make rules, consistent with this Act, concerning the mode of proceedings to be **held** for winding up a company in a Court and in the **courts** subordinate thereto, and for voluntary winding up (both members and creditors), for the holding of meetings of creditors and members in connection with proceedings under section 304 ~~279~~ of this Act, ~~and for giving effect to the provisions as to the reduction of the capital and the scheme of reorganisation of a company~~ and generally for all applications to be made to the Court and all other proceedings or matters coming within the purview or powers or duties of the Court under the provisions of this Act and shall make rules providing for all matters relating to the winding up of companies which, by this Act, are to be prescribed.

(2)…

(a)--(e) …

Rationale

MRD suggestion:

The Companies Court Rules 1997 formulated under section 438 of the Companies Ordinance 1984 (corresponding provision of section 423 of the Companies Act, 2017) apply only to matters within the purview, powers or duties of the court. These Rules have been saved under section 509(2)(b) of the Act and remain applicable for court proceedings.

It needs to be mentioned that while making a change of forum in section 279 of the Companies Act, 2017 from the Court to the Commission, the corresponding change required in section 423 of the Act was overlooked, which needs to be rectified.

160. Section 424 Inactive Company

Existing Provision

424. Inactive Company.—
(1) –(6) …
(7) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 2 on the standard scale and in case false or misleading information has been given to obtain the status of an inactive company, the directors and other officers of the company in default shall be liable to imprisonment for a term which may extend to three years.

Proposed Amendment

(1) –(6) …
(7) Any contravention or default in complying with requirements of this section shall be an offence liable to a penalty of level 2 on the standard scale and in case false or misleading information has been given to obtain the status of an inactive company, the directors and other officers of the company in default shall be liable ~~to imprisonment for a term which may extend to three years~~ to a penalty of level 3 on the standard scale.

Rationale

Decriminalization of penalty:
It is proposed that Act be decriminalized by replacing imprisonment with pecuniary penalties.

161. Section 425 Registrar may strike defunct company off register.

Existing Provision

Section 425. Registrar may strike defunct company off register.—(1) Where the registrar has reasonable cause to believe that a company is not carrying on business or is not in operation, he may send to the company by post a letter inquiring whether the company is carrying on business or is in operation.

(2) ..

(3) ..

(4) ..

(5) At the expiration of the time mentioned in the notice the registrar may, unless cause to the contrary is previously shown by the company or the liquidator, as the case may be, strike its name off the register, and shall publish notice thereof in the official Gazette, and, on the publication in the official Gazette of this notice, the company shall be dissolved:

(6)—(10) ..

Proposed Amendment

Source: SECP

Objective: Decriminalization

Section 425. Registrar may strike defunct company off register —

~~—(1) Where the registrar has reasonable cause to believe that a company is not carrying on business or is not in operation, he may send to the company by post a letter inquiring whether the company is carrying on business or is in operation.~~

(1) Notwithstanding any provisions in this Act, the Registrar may strike a company off the register, after examination of available statutory record or such other evidence, if –

a) the company is not carrying on business or is not in operation; or

b) the company has no assets and liabilities; or

c) the company is being used for unlawful purpose or any purpose prejudicial to or incompatible with peace, welfare, security, public order, good order or morality in Pakistan subject to order approval from the concern ministry; or

d) it is expedient in the public interest so to do.

e) engaged in espionage activities prejudicial to the sovereignty, security, or interests of the State or involved in any anti-state activities

(2) ..

(3) ..

(4) ..

(5) At the expiration of the time mentioned in the notice the registrar may, unless cause to the contrary is previously shown by the company or the liquidator, as the case may be, strike its name off the register, and shall:

(a) serve a notice on the Company that the company has been dissolved; and

(b) publish notice thereof as may be specified by the Commission ~~in the official Gazette;~~

On publication of notice as specified by the Commission, the company shall stand dissolved.

:~~and, on the publication in the official Gazette of this~~

(6)—(10) …

Rationale

The insertion of new grounds (c), (d), and (e) strengthens the legal framework for striking off non-operational or dormant companies that pose risks beyond simple inactivity or lack of assets. Companies involved in unlawful, anti-state, or activities prejudicial to national security, public order, or public interest should not remain on the corporate register, as their continued legal existence may facilitate misuse of corporate identity for illicit or harmful purposes. Introducing these grounds- subject to approval from the relevant ministry in sensitive matters- enhances state oversight, prevents abuse of corporate structures, and protects national security, investor confidence, and public welfare.

Currently, the publication of notice in official gazette is lengthy and delayed due to which the dissolution process of companies takes too long which is against the spirit of simplifying the dissolution process for companies having no assets and liabilities. Therefore, amendments is proposed to enable the Commission to specify the mode of publication, allowing faster, more efficient, and modern communication channels.

162. Section 426. Easy exit of a defunct company.

Existing Provision

Section 426. Easy exit of a defunct company.

—(1) A company which ceases to operate and has no known assets and liabilities, may apply to the registrar in the specified manner, seeking to strike its name off the register of companies on payment of such fee mentioned in the Seventh Schedule.

(2) After examination of the application, the registrar on being satisfied, may publish a notice in terms of sub-section (3) of section 425 of this Act, in the Official Gazette stating that at the expiration of ninety days from the date of that notice, unless cause is shown to the contrary, the name of the applicant company will be struck off the register of companies and the company will be dissolved. Such notice shall also be posted on the Commission's website.

(3) At the expiration of the time mentioned in the notice, the registrar may, unless any objection to the contrary is received by him, strike its name off the register, and shall publish a notice thereof in the official Gazette, and, on the publication of such notice, the company shall stand dissolved:

Provided that the liability criminal, civil or otherwise (if any) of every director, officer and member of the company shall continue and may be enforced as if the company had not been dissolved

Proposed Amendment

Section 426. Easy exit of a defunct company.—(1) A company which ceases to operate and has no known assets and liabilities, may apply to the registrar in the specified manner, seeking to strike its name off the register of companies on payment of such fee mentioned in the Seventh Schedule.

(2) After examination of the application, the registrar on being satisfied, may publish a notice in terms of sub-section (3) of section 425 of this Act, stating that at the expiration of ninety days from the date of that notice, unless cause is shown to the contrary, the name of the applicant company will be struck off the register of companies and the company will be dissolved. Such notice shall also be posted on the Commission's website.

(3) At the expiration of the time mentioned in the notice, the registrar may, unless any objection to the contrary is received by him, strike its name off the register, and shall:

(a) serve a notice on the Company that the company has been dissolved; and

(b) publish notice thereof as may be specified by the Commission.

On publication of notice as specified by the Commission, the company shall stand dissolved.

Provided that the liability criminal, civil or otherwise (if any) of every director, officer and member of the company shall continue and may be enforced as if the company had not been dissolved.

Rationale

Currently, the publication of notice in official gazette is lengthy and delayed due to which the dissolution process of companies takes too long which is against the spirit of simplifying the dissolution process for companies having no assets and liabilities. Therefore, amendments is proposed to enable the Commission to specify the mode of publication, allowing faster, more efficient, and modern communication channels.

163. Section 427. Meaning of "unregistered company".-

Existing Provision

Section 427. Meaning of "unregistered company".—

For the purposes of this Part, the expression "unregistered company" shall not include a railway company incorporated by Act of Parliament of the United Kingdom or by a Pakistan law, nor a company registered under any previous Companies Act or under this Act, but save as aforesaid, shall include any partnership, association or company consisting of more than seven members.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

~~**Section 427. Meaning of "unregistered company".—**~~

~~For the purposes of this Part, the expression "unregistered company" shall not include a railway company incorporated by Act of Parliament of the United Kingdom or by a Pakistan law, nor a company registered under any previous Companies Act or under this Act, but save as aforesaid, shall include any partnership, association or company consisting of more than seven members.~~

Rationale

Consequential to amendment of omitting section 9 of the Act.

164. Section 428. Winding up of unregistered companies.—

Existing Provision

Section 428. Winding up of unregistered companies.—

(1) Subject to the provisions of this Part, any unregistered company may be wound up under this Act, and all the provisions of this Act with respect to winding up shall apply to an unregistered company, with the following exceptions and additions—

(a) an unregistered company shall, for the purpose of determining the Court having jurisdiction in the matter of the winding up, be deemed to be registered in the Province where its principal place of business is situated or, if it has a principal place of business situate in more than one Province then in each Province where it has a principal place of business; and the principal place of business situate in the Province in which proceedings are being instituted shall, for all the purposes of the winding up, be deemed to be the registered office of the company;

(b) no unregistered company shall be wound up under this Act voluntarily or subject to supervision of the Court;

(c) the circumstances in which an unregistered company may be wound up are as follows (that is to say)−

(i) if the company is dissolved, or has ceased to carry on business or is carrying on business only for the purpose of winding up its affairs;

(ii) if the company is unable to pay its debts;

(iii) if the Court is of opinion that it is just and equitable that the company should be wound up;

(d) an unregistered company shall, for the purposes of this Act, be deemed to be unable to pay its debts—

(i) if a creditor, by assignment or otherwise, to whom the company is indebted in a sum exceeding fifty thousand rupees then due, has served on the company, by leaving at its principal place of business, or by delivering to the secretary, or some director, manager or principal officer of the company, or by otherwise serving in such manner as the Court may approve or direct, a demand under his hand requiring the company to pay the sum so due, and the company has for thirty days after the service of the demand neglected to pay the sum, or to secure or compound for it to the satisfaction of the creditor;

(ii) if any suit or other legal proceeding has been instituted against any member for any debt or demand due or claimed to be due, from the company or from him in his character of member, and notice in writing of the institution of the suit or other legal proceeding having been served on the company by leaving the same at its principal place of business or by delivering it to the secretary, or some director, manager or principal officer of the company or by otherwise serving the same in such manner as the Court may approve or direct, the company has not within fifteen days after service of the notice paid, secured or compounded for the debt or demand, or procured the suit or other legal proceeding to be stayed, or indemnified the defendant to his reasonable satisfaction against the suit or other legal proceeding, and against all costs, damages and expenses to be incurred by him by reason of the same;

(iii) if execution or other process issued on a decree or order obtained in any Court or other competent authority in favour of a creditor against the company, or any member thereof as such, or any person authorised to be sued as nominal defendant on behalf of the company, is returned unsatisfied in whole or in part;

(iv) if it is otherwise proved to the satisfaction of the Court that the company is unable to pay its debts; and, in determining whether a company is unable to pay its debts, the Court shall take into account the contingent and prospective liabilities of the company and its solvency.

(2) Nothing in this Part shall affect the operation of any enactment which provides for any partnership, association or company being wound up, or being wound up as a company or as an unregistered company, under any previous Companies Act:

Provided that references in any such enactment to any provision contained in any previous Companies Act shall be read as references to the corresponding provision (if any) of this Act.

(3) Where a company incorporated outside Pakistan which has been carrying on business in Pakistan ceases to carry on business in Pakistan, it may be wound up as an unregistered company under this Part, notwithstanding that it has been dissolved or otherwise ceased to exist as a company under or by virtue of the laws of the country under which it was incorporated.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

Section 428. Winding up of unregistered companies.—

(1) Subject to the provisions of this Part, any unregistered company may be wound up under this Act, and all the provisions of this Act with respect to winding up shall apply to an unregistered company, with the following exceptions and additions—

(a) an unregistered company shall, for the purpose of determining the Court having jurisdiction in the matter of the winding up, be deemed to be registered in the Province where its principal place of business is situated or, if it has a principal place of business situate in more than one Province then in each Province where it has a principal place of business; and the principal place of business situate in the Province in which proceedings are being instituted shall, for all the purposes of the winding up, be deemed to be the registered office of the company;

(b) no unregistered company shall be wound up under this Act voluntarily or subject to supervision of the Court;

(c) the circumstances in which an unregistered company may be wound up are as follows (that is to say)—

(i) if the company is dissolved, or has ceased to carry on business or is carrying on business only for the purpose of winding up its affairs;

(ii) if the company is unable to pay its debts;

(iii) if the Court is of opinion that it is just and equitable that the company should be wound up;

(d) an unregistered company shall, for the purposes of this Act, be deemed to be unable to pay its debts—

(i) if a creditor, by assignment or otherwise, to whom the company is indebted in a sum exceeding fifty thousand rupees then due, has served on the company, by leaving at its principal place of business, or by delivering to the secretary, or some director, manager or principal officer of the company, or by otherwise serving in such manner as the Court may approve or direct, a demand under his hand requiring the company to pay the sum so due, and the company has for thirty days after the service of the demand neglected to pay the sum, or to secure or compound for it to the satisfaction of the creditor;

(ii) if any suit or other legal proceeding has been instituted against any member for any debt or demand due or claimed to be due, from the company or from him in his character of member, and notice in writing of the institution of the suit or other legal proceeding having been served on the company by leaving the same at its principal place of business or by delivering it to the secretary, or some director, manager or principal officer of the company or by otherwise serving the same in such manner as the Court may approve or direct, the company has not within fifteen days after service of the notice paid, secured or compounded for the debt or demand, or procured the suit or other legal proceeding to be stayed, or

~~indemnified the defendant to his reasonable satisfaction against the suit or other legal proceeding, and against all costs, damages and expenses to be incurred by him by reason of the same;~~

~~(iii) if execution or other process issued on a decree or order obtained in any Court or other competent authority in favour of a creditor against the company, or any member thereof as such, or any person authorised to be sued as nominal defendant on behalf of the company, is returned unsatisfied in whole or in part;~~

~~(iv) if it is otherwise proved to the satisfaction of the Court that the company is unable to pay its debts; and, in determining whether a company is unable to pay its debts, the Court shall take into account the contingent and prospective liabilities of the company and its solvency.~~

~~(2) Nothing in this Part shall affect the operation of any enactment which provides for any partnership, association or company being wound up, or being wound up as a company or as an unregistered company, under any previous Companies Act:~~

~~Provided that references in any such enactment to any provision contained in any previous Companies Act shall be read as references to the corresponding provision (if any) of this Act.~~

~~(3) Where a company incorporated outside Pakistan which has been carrying on business in Pakistan ceases to carry on business in Pakistan, it may be wound up as an unregistered company under this Part, notwithstanding that it has been dissolved or otherwise ceased to exist as a company under or by virtue of the laws of the country under which it was incorporated.~~

Rationale

Consequential to amendment of omitting section 9 of the Act.

165. Section 429. Contributories in winding up of unregistered companies.—

Existing Provision

Section 429. Contributories in winding up of unregistered companies.—

(1) In the event of an unregistered company being wound up, every person shall be deemed to be a contributory who is liable to pay or contribute to the payment of any debt or liability of the company or to pay or contribute to the payment of any sum for the adjustment of the rights of the members among themselves, or to pay or contribute to the payment of the cost and expenses of winding up the company, and every contributory shall be liable to contribute to the assets of the company all sums due from him in respect of any such liability as aforesaid.

(2) In the event of any contributory dying or being adjudged insolvent, the provisions of this Act with respect to the legal representatives and heirs of deceased contributories, and to the assignees of insolvent contributories, shall apply.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

~~**Section 429. Contributories in winding up of unregistered companies.—**~~

~~(1) In the event of an unregistered company being wound up, every person shall be deemed to be a contributory who is liable to pay or contribute to the payment of any debt or liability of the company or to pay or contribute to the payment of any sum for the adjustment of the rights of the members among themselves, or to pay or contribute to the payment of the cost and expenses of winding up the company, and every contributory shall be liable to contribute to the assets of the company all sums due from him in respect of any such liability as aforesaid.~~

~~(2) In the event of any contributory dying or being adjudged insolvent, the provisions of this Act with respect to the legal representatives and heirs of deceased contributories, and to the assignees of insolvent contributories, shall apply.~~

Rationale

Consequential amendment of omitting section 9 of the Act.

166. Section 430. Power to stay or restrain proceedings.—

Existing Provision

430. Power to stay or restrain proceedings.—

The provisions of this Act with respect to staying and restraining suits and legal proceedings against a company at any time after the presentation of a petition for winding up and before the making of a winding up order shall, in the case of an unregistered company where the application to stay or restrain is by a creditor; extend to suits and legal proceedings against any contributory of the company.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

~~**430. Power to stay or restrain proceedings.—**~~

~~The provisions of this Act with respect to staying and restraining suits and legal proceedings against a company at any time after the presentation of a petition for winding up and before the making of a winding up order shall, in the case of an unregistered company where the application to stay or restrain is by a creditor; extend to suits and legal proceedings against any contributory of the company.~~

Rationale

Consequential to omission of section 9 and 428

167. Section 431. Contributories in winding up of unregistered companies.—

Existing Provision

431. Suits stayed on winding up order.—

Where an order has been made for winding up an unregistered company, no suit or other legal proceedings shall be proceeded with or commenced against any contributory of the company in respect of any debt of the company, except by leave of the Court, and subject to such terms as the Court may impose.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

~~**431. Suits stayed on winding up order.—**~~

~~Where an order has been made for winding up an unregistered company, no suit or other legal proceedings shall be proceeded with or commenced against any contributory of the company in respect of any debt of the company, except by leave of the Court, and subject to such terms as the Court may impose.~~

Rationale

Consequential to omission of section 9 & 428

168. Section 432. Directions as to property in certain cases.—

Existing Provision

432. Directions as to property in certain cases.—

If an unregistered company has no power to sue and be sued in a common name, or if for any reason it appears expedient, the Court may, by the winding up order, or by any subsequent order, direct that all or any part of the property, movable or immovable, including all interests and rights in, to and out of property, movable and immovable, and including obligations and actionable claims as may belong to the company or to trustees on its behalf, is to vest in the official liquidator by his official name and thereupon the property or any part thereof specified in the order shall vest accordingly; and the official liquidator may, after giving such indemnity (if any) as the Court may direct, bring or defend in his official name any suit or other legal proceeding relating to that property, or necessary to be brought or defended for the purposes of effectually winding up the company and recovering its property.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

~~**432. Directions as to property in certain cases.—**~~

~~If an unregistered company has no power to sue and be sued in a common name, or if for any reason it appears expedient, the Court may, by the winding up order, or by any subsequent order, direct that all or any part of the property, movable or immovable, including all interests and rights in, to and out of property, movable and immovable, and including obligations and actionable claims as may belong to the company or to trustees on its behalf, is to vest in the official liquidator by his official name and thereupon the property or any part thereof specified in the order shall vest accordingly; and the official liquidator may, after giving such indemnity (if any) as the Court may direct, bring or defend in his official name any suit or other legal proceeding relating to that property, or necessary to be brought or defended for the purposes of effectually winding up the company and recovering its property.~~

Rationale

Consequential to omission of section 9 & 428

169. Section 433. Provisions of this part cumulative.—

Existing Provision

433. Provisions of this part cumulative.—

The provisions of this Part with respect to unregistered companies shall be in addition to, and not in derogation of, any provisions hereinbefore, in this Act contained with respect to winding up of companies by the Court and the Court or official liquidator may exercise any powers or do any act in the cases of unregistered companies which might be exercised or done by it or him in winding up companies formed and registered under this Act; but an unregistered company shall not, except in the event of its being wound up, be deemed to be a company under this Act, and then only to the extent provided by this Part.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

~~**433. Provisions of this part cumulative.—**~~

~~The provisions of this Part with respect to unregistered companies shall be in addition to, and not in derogation of, any provisions hereinbefore, in this Act contained with respect to~~

~~winding up of companies by the Court and the Court or official liquidator may exercise any powers or do any act in the cases of unregistered companies which might be exercised or done by it or him in winding up companies formed and registered under this Act; but an unregistered company shall not, except in the event of its being wound up, be deemed to be a company under this Act, and then only to the extent provided by this Part.~~

Rationale

Consequential to omission of section 9 & 428

170. Section 452. Companies' Global Register of Beneficial Ownership.

Existing Provision

452. Companies' Global Register of Beneficial Ownership.—(1) Every substantial shareholder or officer of a company incorporated under **the Company law**, who is citizen of Pakistan within the meaning of the Citizenship Act, 1951 (II of 1951), **including dual citizenship holder whether residing in Pakistan or not** having shareholding in a foreign company or body corporate shall report to the company his shareholding or any other interest as may be notified by the Commission, on a specified form within thirty days of holding such position or interest.

***Explanation*.**–For the purposes of this section the expression "foreign company" means a company or body corporate incorporated or registered in any form, outside Pakistan regardless of the fact that it has a place of business or conducts any business activity or has a liaison office in Pakistan or not.

(2) The company shall submit all the aforesaid information received by it during the year to the registrar along with the annual return.

(3) Any investment in securities or other interest as may be notified in sub-section (1) by a company incorporated under this Act, in a foreign company or body corporate or any other interest shall also be reported to the registrar along with the annual return.

(4) All the above information shall be reported to the registrar through a special return on a specified form within sixty days from the commencement of this Act and thereafter in accordance with the sub-section (2).

(5) Any contravention or default in complying with requirements of this section shall be an offence liable to a fine of level 1 on the standard scale and the registrar shall make an order specifying time to provide information under sub-section (1) and (3).

(6) Any person who fails to comply with the direction given under sub-section (5) by the registrar shall be punishable with imprisonment which may extend to three years and with fine upto five hundred thousand rupees or both.

(7) The Commission shall keep record of the information in the Companies' Global Register of Beneficial Ownership.

(8) The Commission shall provide the information maintained under sub-section (7) to the Federal Board of Revenue or to any other agency, authority and court.

Proposed Amendment

Source: BoI's regulatory reform package 01 & UFT Package

Objective: Ease of doing Business

~~**452. Companies' Global Register of Beneficial Ownership.—**(1) Every substantial shareholder or officer of a company incorporated under the Company law, who is citizen of Pakistan within the meaning of the Citizenship Act, 1951 (II of 1951), including dual citizenship holder whether residing in Pakistan or not having shareholding in a foreign company or body corporate shall report to the company his shareholding or any other interest as may be notified by the Commission, on a specified form within thirty days of holding such position or interest.~~

~~***Explanation.***—For the purposes of this section the expression "foreign company" means a company or body corporate incorporated or registered in any form, outside Pakistan regardless of the fact that it has a place of business or conducts any business activity or has a liaison office in Pakistan or not.~~

~~(2) The company shall submit all the aforesaid information received by it during the year to the registrar along with the annual return.~~

~~(3) Any investment in securities or other interest as may be notified in sub-section (1) by a company incorporated under this Act, in a foreign company or body corporate or any other interest shall also be reported to the registrar along with the annual return.~~

~~(4) All the above information shall be reported to the registrar through a special return on a specified form within sixty days from the commencement of this Act and thereafter in accordance with the sub-section (2).~~

~~(5) Any contravention or default in complying with requirements of this section shall be an offence liable to a fine of level 1 on the standard scale and the registrar shall make an order specifying time to provide information under sub-section (1) and (3).~~

~~(6) Any person who fails to comply with the direction given under sub-section (5) by the registrar shall be punishable with imprisonment which may extend to three years and with fine upto five hundred thousand rupees or both.~~

~~(7) The Commission shall keep record of the information in the Companies' Global Register of Beneficial Ownership.~~

~~(8) The Commission shall provide the information maintained under sub-section (7) to the Federal Board of Revenue or to any other agency, authority and court.~~

Rationale

The requirement for shareholders and officers of Pakistani companies to declare their foreign shareholdings under this section resulted in duplication of reporting obligations already enforced by the Federal Board of Revenue (FBR) and other relevant authorities under tax and anti–money laundering frameworks. Since uncoordinated dual reporting created unnecessary administrative burden and compliance overlap, the provision has been omitted to streamline regulatory processes, eliminate redundancy, and ensure that disclosure of foreign assets and ownership interests remains governed under the relevant tax and financial reporting laws.

171. **Section 454.** Free Zone Company

Existing Provision

454. Free Zone Company.—(1) A company incorporated for the purpose of carrying on business in the export processing zone or an area notified by the Federal Government as free zone, shall be eligible to such exemptions from the requirements of this Act as may be notified in terms of section 459.

(2) The Commission may, for the protection of foreign investors and to secure foreign investment, restrict the disclosure of information maintained by the registrar regarding promoters, shareholders and directors of the company incorporated under sub-section (1), who are foreign nationals unless such disclosure of information is authorized by the company in writing:

Provided that the restriction of non-disclosure contained in this section shall not apply to the revenue authorities collecting tax, duties and levies or requirement or obligation under international law, treaty or commitment of the Government.

(3) A company formed for the purposes stated in sub-section (1) may be dispensed with the words “Private Limited” or “Limited” as the case may be, and called as the “Free Zone Company” having the parenthesis and alphabets "FZC" at the end of its name.

(4) A Free Zone Company shall pay the annual renewal fee as specified in the Seventh Schedule.

Proposed Amendment

Source: SECP

Objective: rectification

454. Free Zone Company.—(1) A company incorporated for the purpose of carrying on business in the export processing zone or an area notified by the Federal Government as free zone, shall be eligible to such exemptions from the requirements of this Act as may be notified in terms of section 458~~9~~.

(2) The Commission may, for the protection of foreign investors and to secure foreign investment, restrict the disclosure of information maintained by the registrar regarding promoters, shareholders and directors of the company incorporated under sub-section (1),

who are foreign nationals unless such disclosure of information is authorized by the company in writing:

Provided that the restriction of non-disclosure contained in this section shall not apply to the revenue authorities collecting tax, duties and levies or requirement or obligation under international law, treaty or commitment of the Government.

(3) A company formed for the purposes stated in sub-section (1) may be dispensed with the words “Private Limited” or “Limited” as the case may be, and called as the “Free Zone Company” having the parenthesis and alphabets "FZC" at the end of its name.

(4) A Free Zone Company shall pay the annual renewal fee as specified in the Seventh Schedule.

Rationale

Correction of section number reference in sub-section (1).

172. Section 458A. Measures for greater ease of doing business

Existing Provision

458A. Measures for greater ease of doing business.—Notwithstanding anything contained in this Act or in any other law for the time being in force, the Commission may implement measures for providing greater ease of doing business, improving regulatory quality and efficiency and facilitating innovation and the use of technology in conducting business by the corporate sector, including but not limited to-

(a) formalizing existing practice through regulations and implementing other measures for attaining international standards of regulatory quality and efficiency for greater ease of doing business;

(b) specifying modes and procedures for enabling greater ease of entry into and exit from the market to startup companies;

(c) constituting special task groups from the corporate sector for encouraging the use of financial technology in the conduct of business;

(d) creating environments for testing and examining the impact of innovation, new processes or technologies outside the existing regulatory framework including but not limited to crowdfunding, digital assets, open application programming interface (APIs), smart contracts, cloud based solutions and allowing the establishment and use of regulatory sandboxes;

(e) encouraging the use of technology for providing and meeting regulatory reporting requirements, risk assessment, customer due diligence, the issuance of suspicious transaction reports, keeping records and such other requirements as may be specified to meet anti-money laundering and counter-terrorism financing standards;

(f) improving regulatory compliance and specifying proportionate data-driven standards for the corporate sector to take measures for cyber-security, data sovereignty and algorithm supervision;

(g) specifying exemptions and incentives under the prevailing laws with the object of fostering innovation, promoting startups and entrepreneurship ecosystem in line with international best practices;

(h) improving regulatory monitoring, reporting and compliance requirements; and

(i) prescribing such other frameworks as may be notified by the Commission for stimulating innovation and financial inclusion in the conduct of business by the corporate sector through the use of financial technology, regulatory technology and supervisory technology:
Provided that the Commission may take such other measures prior to the issuance of regulations as it may deem fit through guidelines, policy papers, frameworks or any other modes or mechanisms.]

Proposed Amendment

Source: BOI's Regulatory reform package for listed companies

Objective: Ease of doing business

458A. Measures for greater ease of doing business.—Notwithstanding anything contained in this Act or in any other law for the time being in force, the Commission may implement measures for providing greater ease of doing business, improving regulatory quality and efficiency and facilitating innovation and the use of technology in conducting business by the corporate sector, including but not limited to-

(a) formalizing existing practice through regulations and implementing other measures for attaining international standards of regulatory quality and efficiency for greater ease of doing business;

(b) specifying modes and procedures for enabling greater ease of entry into and exit from the market to startup companies;

(c) constituting special task groups from the corporate sector for encouraging the use of financial technology in the conduct of business;

(d) creating environments for testing and examining the impact of innovation, new processes or technologies outside the existing regulatory framework including but not limited to crowdfunding, digital assets, open application programming interface (APIs), smart contracts, cloud based solutions and allowing the establishment and use of regulatory sandboxes;

(e) encouraging the use of technology for providing and meeting regulatory reporting requirements, risk assessment, customer due diligence, the issuance of suspicious transaction reports, keeping records and such other requirements as may be specified to meet anti-money laundering and counter-terrorism financing standards;

(f) improving regulatory compliance and specifying proportionate data-driven standards for the corporate sector to take measures for cyber-security, data sovereignty and algorithm supervision;

(g) specifying exemptions and incentives under the prevailing laws with the object of fostering innovation, promoting startups and entrepreneurship ecosystem in line with international best practices;

(h) improving regulatory monitoring, reporting and compliance requirements; and

(i) prescribing such other frameworks as may be notified by the Commission for stimulating innovation and financial inclusion in the conduct of business by the corporate sector through the use of financial technology, regulatory technology and supervisory technology:
Provided that the Commission may take such other measures prior to the issuance of regulations as it may deem fit through guidelines, policy papers, frameworks or any other modes or mechanisms.]

(j) reviewing, rationalizing and eliminating outdated, redundant or cumbersome regulatory requirements in line with international best practices, and undertaking stakeholder consultation to ensure proportional and efficient regulation.

Rationale

BoI has suggested to add a sub section on reviewing and eliminating outdated or cumbersome regulatory requirements in line with internationals best practices and stakeholder consultation.

173. Section 461. Security clearance of shareholder and director.-

Existing Provision

461. Security clearance of shareholder and director.—The Commission may require the security clearance of any shareholder or director or other office bearer of a company or class of companies as may be notified by the concerned Minister-in-charge of the Federal Government.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

461. Security clearance of shareholder and director.—The Commission may require the security clearance of any shareholder or director or other office bearer of a company or class of companies as may be notified by the concerned Minister-in-charge of the Federal Government.

Explanation.— For the purposes of this section, the expression "Minister-in-Charge of the Federal Government" shall mean the Minister-in-Charge of the Ministry of Interior and Narcotics Control.

Rationale

Explanation is added for clarity.

174. Section 464. Registrar not to accept defective documents.

Existing Provision

464. Registrar not to accept defective documents.—(1) Where, in the opinion of the registrar, any document required or authorised by or under this Act to be filed or registered with the registrar−

(a) contains any matter contrary to law, or does not otherwise comply with the requirements of law;
(b) is not complete owing to any defect, error or omission;
(c) is insufficiently legible or is written upon paper which is not durable; or
(d) is not properly authenticated;
the registrar may require the company to file a revised document in the form and within the period to be specified by him.

(2) If the company fails to submit the revised document within the specified period, the registrar may refuse to accept or register the document and communicate his decision in writing to the company.

(3) Subject to the provisions of sub-sections (4) and (5), if the registrar refuses to accept any document for any of the reasons aforesaid, the same shall not be deemed to have been delivered to him in accordance with the provisions of this Act unless a revised document in the form acceptable to the registrar is duly delivered within such time, or such extended time, as the registrar may specify in this behalf.

(4) If registration of any document is refused, the company may either supply the deficiency and remove the defect pointed out or, within thirty days of the order of refusal, prefer an appeal−

(a) where the order of refusal has been passed by an additional registrar, a joint registrar, an additional joint registrar, a deputy registrar, an assistant registrar or such other officer as may be designated by the Commission, to the registrar; and

(b) where the order of refusal has been passed, or upheld in appeal, by the registrar, to the Commission.
(5) An order of the Commission under sub-section (4) shall be final and shall not be called in question before any court or other authority.

(6) If a document has been accepted for record and its data or any of the information contained therein or any of the supporting documents subsequently found to be defective or incorrect or false or forged, the registrar concerned may for special reasons to be recorded in writing, after obtaining such evidence as he may deem appropriate, allow the rectification in such document or allow the filing of a revised document in lieu thereof.

(7) If a document has been accepted for record and its data or any of the information contained therein or any of the supporting documents subsequently found to be defective or incorrect which is not possible of rectification or false or forged or it was accepted by mistake, the registrar concerned may for special reasons to be recorded in writing, after obtaining such evidence as he may deem appropriate cancel the recording thereof.

Proposed Amendment

Source: SECP

Objective: Objective: Regulatory Oversight/Corporate Governance

464. Registrar not to accept defective documents.—(1) Where, in the opinion of the dealing registrar, any document required or authorised by or under this Act to be filed or registered with the registrar−

(a) contains any matter contrary to law, or does not otherwise comply with the requirements of law;
(b) is not complete owing to any defect, error or omission;

(c) is insufficiently legible or is written upon paper which is not durable; or
(d) is not properly authenticated;

the dealing registrar may require the company to file a revised document in the form and within the period to be specified by him.

(2) If the company fails to submit the revised document within the specified period, the dealing registrar may refuse to accept or register the document and communicate his decision in writing to the company.

(3) Subject to the provisions of sub-sections (4) and (5), if the dealing registrar refuses to accept any document for any of the reasons aforesaid, the same shall not be deemed to have been delivered to him in accordance with the provisions of this Act unless a revised document in the form acceptable to the dealing registrar is duly delivered within such time, or such extended time, as the dealing registrar may specify in this behalf.

(4) If registration of any document is refused, the company may either supply the deficiency and remove the defect pointed out or, within thirty days of the order of refusal, prefer an appeal−

(a) where the order of refusal has been passed by an additional registrar, a joint registrar, an additional joint registrar, a deputy registrar, an assistant registrar or such other officer as may be designated by the Commission, to the registrar concerned ; and

(b) where the order of refusal has been passed, or upheld in appeal, by the registrar concerned, to Registrar of Companies ~~Commission~~.

(5) An order of the Commission under sub-section (4) shall be final and shall not be called in question before any court or other authority.

(6) If a document has been accepted for record and its data or any of the information contained therein or any of the supporting documents subsequently found to be defective or incorrect or false or forged, the Registrar of Companies ~~concerned~~ may for special reasons to be recorded in writing, after obtaining such evidence as he may deem appropriate, allow the rectification in such document or allow the filing of a revised document in lieu thereof.

Provided that where the defect or error is not material or is in the nature of a typographical or clerical mistake, the Registrar of Companies may accept the revised document without following procedure provided in this sub-section, subject to satisfaction that no material change in particulars is involved.

(7) If a document has been accepted for record and its data or any of the information contained therein or any of the supporting documents subsequently found to be defective or incorrect which is not possible of rectification or false or forged or it was accepted by mistake or the name of any person is fraudulently or without sufficient cause entered in or omitted from the register of members or register of debenture-holders of a company, the Registrar of Companies ~~concerned~~ may for special reasons to be recorded in writing, after obtaining such evidence as he may deem appropriate cancel the recording thereof and may give any such direction to the Company for rectification in the register of members or register of debenture-holders of a company, as the case may be.

Provided that the Registrar of Companies may, in its aforesaid direction, give such incidental and consequential directions as to the payment of costs or otherwise as it deems fit.

Provided further that if default is made in giving effect to the direction of the Registrar of Companies within the period specified time given in the direction, every director and officer of the company shall be liable to a penalty of level 3 on the standard scale and such register shall be deemed to have been updated to the extent specified in the said direction, in accordance with the provisions of this Act.

Explanation: "dealing registrar" means registrar, an additional registrar, a joint registrar, an additional joint registrar, a deputy registrar, an assistant registrar or such other officer as may be designated by the Commission, performing duties and functions under this Act.

Rationale

464(1-3): Earlier term 'registrar' was used, which is now clarified that it would be 'dealing registrar' and dealing registrar is also explained in end of sec 464.

464(4): Sequence of powers is made logical. Dealing registrar may refuse defective return under 464(1-3), appeal against return refusal by dealing registrar, may be preferred to 'registrar concerned', then appeal against order of 'registrar concerned' may be preferred to 'Registrar of Companies'.

464(6): Here powers are given to Registrar of Companies. Proviso is added under subsection 6 to make revision of documents easy where there is no material rectification.

464(7): Here powers are given to 'Registrar of Companies'. Moreover, the amendment to section 464(7) complements the omission of section 126 by empowering the **Registrar of Companies** to address cases involving Fraudulent or erroneous entries or omissions in registers.

By expressly including fraudulent or unjustified entries or omissions in the register of members or debenture-holders within the scope of section 464(7), the amendment ensures that serious violations are dealt with administratively.

Further, the provision:

- Allows issuance of **incidental and consequential directions**, including costs;
- Introduces a **clear enforcement mechanism** through standardized penalties for non-compliance; and
- Deems the register updated in accordance with the Commission's direction in case of continued default, ensuring regulatory certainty.

175. Section 464A. Newly inserted section: Acceptance of returns or documents.

Existing Provision

No existing section

Proposed Amendment

Source: SECP

Objective: Regulatory Oversight/Corporate Governance

464A. Acceptance of returns or documents.

(1) Where a return, statement or document is filed or delivered to the registrar in compliance with the provisions of this Act or the rules or regulations made thereunder, and upon examination, the registrar is satisfied that-

(a) the document is complete in all material respects and complies with the requirements of law;
(b) all prescribed fees and penalties, if any, have been duly paid; and
(c) the document is properly authenticated in the manner prescribed,

the registrar shall accept such return or document for registration and record the same in the register.

(2) The registrar shall issue a certificate, acknowledgment, or such other confirmation of acceptance as may be prescribed.

(3) Acceptance of a document or return under this section shall not be construed as a certification of the correctness, validity, or legality of the contents thereof, and the responsibility for the accuracy and completeness of the information contained therein shall remain with the company and its officers.

(4) Nothing contained in this section shall prevent the Registrar of Companies from subsequently taking action under sub-sections (6) or (7) of section 464 in respect of any document found to be false, forged, incorrect, or otherwise not in compliance with the law.

Rationale

The insertion of this section aims to provide a clear statutory basis for the acceptance of returns and documents filed with the registrar, complementing the existing provision under section 464 which deals only with refusal of defective documents. It ensures procedural transparency, establishes legal recognition of accepted filings, and clarifies that acceptance does not imply verification of the document's contents.

176. Section 465. Special return to rectify the data.

Existing Provision

465. Special return to rectify the data.—(1) The Commission or the registrar may at any time, by a general or specific order, require a company or class of companies or all the companies to file a special return signed by all the directors to rectify the record.

(2) The information provided in the special return filed under this section shall be a conclusive evidence of all the relevant facts and shall not be called in question by any of the person who has signed it.

(3) The persons who have signed the special return shall be responsible for the loss caused to any person on account of incorrect information provided in the return filed under this section.

(4) A company shall inform the registrar about any change of more than twenty five percent in its shareholding or membership or voting rights in a manner as may be specified by the Commission.

Proposed Amendment

Source: SECP

Objective: Regulatory Oversight/Corporate Governance

465. Special return to rectify the data.—(1) The Commission or the registrar may at any time, by a general or specific order, require a company or class of companies or all the companies to file a special return signed by all the directors to rectify the record.

(2) The information provided in the special return filed under this section shall be a conclusive evidence of all the relevant facts and shall not be called in question by any of the person who has signed it.

(3) The persons who have signed the special return shall be responsible for the loss caused to any person on account of incorrect information provided in the return filed under this section.

(4) A company shall inform the registrar about any change ~~of more than twenty five percent~~ in its shareholding or membership or voting rights in a manner as may be specified by the Commission.

Rationale

The amendment broadens the reporting requirement so that **all changes in shareholding, membership, or voting rights** are now required to be reported to the registrar, rather than only those exceeding twenty-five percent. This change aims to **enhance transparency and accuracy of ownership records**, ensuring that even incremental changes in shareholding are captured in the corporate registry.

177. Section 466. Jurisdiction in the disputes relating to shareholding and directorship

Existing Provision

466. Jurisdiction in the disputes relating to shareholding and directorship.—The registrar shall have no jurisdiction to determine the rights of the parties relating to shareholding and directorship.

Proposed Amendment

Source: SECP

Objective: Ease of doing business

~~**466. Jurisdiction in the disputes relating to shareholding and directorship.—**The registrar shall have no jurisdiction to determine the rights of the parties relating to shareholding and directorship.~~

Rationale

Consequential to amendments made in section 126 and 197.

178. Section 471A (newly inserted) Record Keeping and Transmission of Data.-

Existing Provision

No existing section

Proposed Amendment

Source: SECP

Objective: Regulatory Oversight/Corporate Governance

Section 471A. Record Keeping and Transmission of Data.-

(1) Every company shall maintain its records, including but not limited to books of account, registers, financial statements, and all other statutory documents, in physical, electronic, or digital form, ensuring that such records are-

(i) clear, legible, accessible, and capable of being readily retrieved;

(ii) maintained in a manner that ensures authenticity, integrity, and reproducibility in accordance with applicable legal standards;

(iii) capable of being produced or presented to the Commission or any other authority when so required under the law; and

(iv) protected from unauthorized access, alteration, or destruction.

(2) Without prejudice to the generality of sub-section (1), the Commission may, by notification or directive, require any company or class of companies to:-

(i) maintain records in such system, program, or format - whether physical, electronic, digital, or any combination thereof - as may be specified; and

(ii) provide, submit, or transmit data or information in real time, periodic, or batch form through such physical or automated mechanism as may be prescribed, including but not limited to Application Programming Interfaces (APIs), Data Acquisition Portals (DAPs), Secure File Transfers (FTPs), or other secure and automated data-sharing systems.

(3) The Commission may prescribe such standards, security protocols, and procedures as it considers necessary to ensure the confidentiality, reliability, and lawful use of data transmitted or maintained under this section.

Rationale

The insertion of this section aims to modernize the record-keeping and regulatory reporting framework under the Companies Act, 2017 in line with global best practices and digital transformation objectives. The current provisions of the Act primarily cater to physical documentation and manual filing processes, which limit regulatory efficiency, transparency, and real-time oversight.

This new provision provides a legal foundation for digital record-keeping and automated data transmission, allowing companies to maintain and transmit information securely through electronic or digital means. It empowers the SECP to prescribe technical standards, formats, and mechanisms (such as APIs, data portals, and secure transfers) to ensure seamless regulatory integration and improved compliance monitoring.

Furthermore, the section ensures data integrity, authenticity, and security, protecting companies and stakeholders from risks of tampering, loss, or unauthorized access, while facilitating timely decision-making and policy formulation through efficient access to verified corporate data.

179. Section 479A. Newly inserted section: Review and revision

Existing Provision

Newly inserted section

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

479A. Review and revision.-

(1) Any order, other than an order under section 479, passed under this Act by the registrar or an officer exercising powers of the Commission, not being an order of the Court, shall be subject to revision by the registrar or the Commission, upon application being made by any aggrieved person within sixty days from the date of such order and the revision order shall be final.

(2) The Commission or the registrar may, upon an application being made to it within sixty days from the date of any order passed by it otherwise than in revision under sub-section (1), or on its own motion, review such order, and such review order shall be final.

(3) An order passed or made by the Federal Government under this Act shall be subject to review by the Federal Government of its own motion or on an application made to it within sixty days from the date of the order.

Rationale

The insertion of Section 479A aims to provide a clear, efficient, and self-contained mechanism for review and revision of quasi-judicial and administrative orders passed under the Companies Act, 2017 by the Registrar, the Commission, or their delegated officers. The existing framework lacks an explicit statutory provision allowing aggrieved persons to seek reconsideration of such orders without resorting to appellate or judicial forums, which often results in procedural delays and increased litigation.

This new section introduces a time-bound internal remedy- allowing the Registrar, the Commission, or the Federal Government, as the case may be, to review or revise their own

orders to rectify errors apparent on record or address grievances efficiently. It ensures administrative fairness, transparency, and procedural economy by empowering the competent authority to correct mistakes, clarify ambiguities, and uphold good governance principles without compromising finality of decisions.

180. Section 480. Appeal against order passed by officer of the Commission.—

Existing Provision

480. Appeal against order passed by officer of the Commission.—

Any person aggrieved by any order passed under this Act may, within thirty days of such order, except as otherwise provided in this Act, prefer an appeal to—

(a) the registrar designated by the Commission against the order passed by an additional registrar, a joint registrar, an additional joint registrar, a deputy registrar or an assistant registrar or such other officer as may be designated by the Commission; and

(b) officer authorized by the Commission where the order has been passed or upheld by the registrar designated under clause (a) by the Commission.

Proposed Amendment

Source: SECP

Objective: Regulatory oversight/Corporate Governance

480. Appeal against order passed by officer of the Commission.—

Any person aggrieved by any order passed under this Act may, within thirty days of such order, except as otherwise provided in this Act, prefer an appeal to~~—~~

~~(a) the registrar designated by the Commission against the order passed by an additional registrar, a joint registrar, an additional joint registrar, a deputy registrar or an assistant registrar or such other officer as may be designated by the Commission; and~~

~~(b)~~ officer authorized by the Commission where the order has been passed or upheld by the Registrar of Companies ~~registrar designated under clause (a) by the Commission~~.

Rationale

Consequential to amendments proposed in section 464(6) & (7) where powers are given/amended to Registrar of Companies. In light of these amendments, the appellate structure envisaged under section 480(a), which provides for an appeal to a registrar designated by the Commission against orders passed by officers subordinate to the Registrar, has become redundant and no longer relevant in the context of actions taken under sections 464(6) and (7).

181. Section 496. Penalty for false statement, falsification, forgery, fraud, deception

Existing Provision

496. Penalty for false statement, falsification, forgery, fraud, deception. — (1) Notwithstanding anything contained in the Criminal Procedure Code, 1898, (V of 1898) or any other law, whoever in relations to affairs of the company or body corporate−

(a) makes a statement or submit any document in any form, which is false or incorrect in any material particular, or omits any material fact, knowing it to be material, in any return, report, certificate, statement of financial position, profit and loss account, income and expenditure account, offer of shares, books of account, application, information or explanation required by or for the purposes of any of the provisions of this Act or pursuant to an order or direction given under this Act with an intention to defraud, or cheat the Commission or to obtain incorporation or to avoid any penal action for an offence under this Act or administered legislation;

(b) makes any false entry or omits or alter any material particular from books, paper or accounts with an intent to defraud, destroy, alter or falsifies any books of account belonging to or in his possession shall commit an offence of falsification of account;

(c) submit, present or produce any forged or fabricated document, knowingly to be forged or fabricated, to the Commission for the purposes of cheating or cheating by personation or to obtain any wrongful gain or wrongful loss or to avoid any penal action for an offence under this Act or administered legislation; or

(d) employ any scheme, artifice or practice in the course of business of the company to defraud or deceive general public; shall be punishable with imprisonment which shall not be less than one year but which may extend to seven years and shall also be liable to fine which shall not be less than the amount involved in the fraud but may extend to three times the amount involved in the offence:

Provided further that in case of offence involves public interest, the term of imprisonment under this section shall not be less than three years along with fine.

Explanation.— For the purpose of this section−

(i) “fraud” in relation to affairs of the company or body corporate shall mean doing a thing with an intent to defraud other person;

(ii) “wrongful gain” means the gain by unlawful means of property to which the person gaining is not legally entitled;

(iii) “wrongful loss” means the loss by unlawful means of property to which the person losing is legally entitled.

(iv) “cheating, cheating by personation, falsification of accounts or forgery or forgery for the purposes of cheating” shall have the same meanings as assign to it in Pakistan Penal Code, 1860 (XLV of 1860).

(2) All offences under this section shall be non-bailable and non-compoundable

Proposed Amendment

Source: SECP

Objective: Decriminalization

496. ~~Penalty~~ Punishment for false statement, falsification, forgery, fraud, deception. — (1)Notwithstanding anything contained in the Criminal Procedure Code, 1898, (V of 1898) or any other law, whoever in relations to affairs of the company or body corporate-

(a) makes a statement or submit any document in any form, which is materially false or incorrect ~~in any material particular,~~ or omits any material fact, knowing it to be material, in any return, report, certificate, financial statements ~~statement of financial position, profit and loss account, income and expenditure account, offer of shares~~, books of account, application, information or explanation required by or for the purposes of any of the provisions of this Act or pursuant to an order or direction given under this Act with an intention to defraud, or cheat the Commission or to obtain incorporation or to avoid any penal action for an offence under this Act or administered legislation;

(b) makes any false entry or omits or alter any material particular from books, paper or accounts with an intent to defraud, destroy, alter or falsifies any books of account belonging to or in his possession shall commit an offence of falsification of account;
(c) submit, present or produce any forged or fabricated document, knowingly to be forged or fabricated, to the Commission for the purposes of cheating or cheating by personation or to obtain any wrongful gain or wrongful loss or to avoid any penal action for an offence under this Act or administered legislation; or

(d) employ any scheme, artifice or practice in the course of business of the company to defraud or deceive general public;
shall be punishable with imprisonment which shall not be less than one year but which may extend to seven years and shall also be liable to fine which shall not be less than the amount involved in the fraud but may extend to three times the amount involved in the offence: Provided ~~further~~ that in case of offence involves public interest, the term of imprisonment under this section shall not be less than three years along with fine.

Provided further that where such act or omission does not involve any criminal intent or is not material ~~or does not damage to the company or its stakeholders~~, such person shall only be liable to a penalty which may extend to level 3 on the standard scale.

Explanation.—For the purpose of this section-
(i) "fraud" in relation to affairs of the company or body corporate shall mean doing a thing with an intent to defraud other person;
(ii) "wrongful gain" means the gain by unlawful means of property to which the person gaining is not legally entitled;
(iii) "wrongful loss" means the loss by unlawful means of property to which the person losing is legally entitled.

(iv) "cheating, cheating by personation, falsification of accounts or forgery or forgery for the purposes of cheating" shall have the same meanings as assign to it in Pakistan Penal Code, 1860 (XLV of 1860).

(v) "Material" means any information which, if altered or obscured, would reasonably influence the decision of the stakeholders relying on such information.

(2) All offences under this section shall be non-bailable and non-compoundable.

Rationale

Changes are made to bring more clarity in provision. Moreover, penalty is decriminalized for actions/omissions which are immaterial without criminal intent.

182. Section 497. Penalty for wrongful withholding of property

Existing Provision

497. Penalty for wrongful withholding of property.—(1) Any director, chief executive or other officer or employee or agent of a company who wrongfully obtains possession of any property of the company, or having any such property in his possession wrongfully withholds it or wilfully applies it to purposes other than those expressed or directed in the articles and authorised by this Act shall, on the complaint of the company or any creditor or contributory thereof or a memorandum placed on record by the registrar or an officer subordinate to him, be punishable with a fine not exceeding one million rupees and may be ordered by the Court, or officer, Commission or registrar or the concerned Minister-in-Charge of the Federal Government trying the offence, to deliver up or refund within a time to be fixed by the said Court, officer, Commission or registrar or the concerned Minister-in-Charge of the Federal Government any such property improperly obtained or wrongfully withheld or wilfully misapplied and any gain or benefit derived therefrom.

(2) Whoever fails to comply with an order under sub-section (1), shall be punishable with imprisonment for a term which may extend to three years and shall also be liable to a fine which may extend to five hundred thousand rupees.

Proposed Amendment

Source: SECP

Objective: Decriminalization

497. Penalty for wrongful withholding of property.—(1) Any director, chief executive or other officer or employee or agent of a company who wrongfully obtains possession of any property of the company, or having any such property in his possession wrongfully withholds it or wilfully applies it to purposes other than those expressed or directed in the articles and authorised by this Act shall, on the complaint of the company or any creditor or contributory thereof or a ~~memorandum~~ articles placed on record by the registrar or an officer subordinate to him, be punishable with a fine not exceeding one million rupees and may be ordered by

the Court,~~ or officer, Commission or registrar or the concerned Minister in Charge of the Federal Government~~ trying the offence, to deliver up or refund within a time to be fixed by the said Court, ~~officer, Commission or registrar or the concerned Minister in Charge of the Federal Government~~ any such property improperly obtained or wrongfully withheld or wilfully misapplied and any gain or benefit derived therefrom.

(2) Whoever fails to comply with an order under sub-section (1), shall be ~~**punishable with imprisonment for a term which may extend to three years and shall also**~~ be liable to penalty of level 3 on the standard scale.~~a fine which may extend to five hundred thousand rupees.~~

Rationale

Decriminalization of penalty

183. Replacement of word Memorandum of association wherever it is appearing in the Companies Act, 2017

Existing Provision

Replacement of expression 'memorandum of association' or 'memorandum' with 'Articles of association' or 'articles' wherever appearing in the Act.

Proposed Amendment

Source: BoI's regulatory reform Package 01
Objective: Ease of doing business

Substitution of expressions.—

Replacement of expression 'memorandum of association' or 'memorandum' with 'Articles of association' or 'articles' wherever appearing in the Act.

Rationale

Since concept of memorandum of association is being eliminated, only articles of association will serve as the charter or constitutive document of the company setting out both its objects and internal regulation in a single consolidated document. Hence, this replacement of expression is desired.

Format for sharing feedback/comments

Feedback on these proposed amendments along with any other suggestion on Companies Act, 2017 may be sent via email at feedback.ca2017@secp.gov.pk upto **15th February, 2026** as per the below format:

Name			
Name of the related Entity/designation			
Sr. No.	Section No.	Views/ Proposed changes	Rationale
Confidentiality			
If you wish to keep all or any part of your submissions and your identity confidential, please indicate the same. In all other cases, your provided comments can be made public, except your contact information.			