



PAKISTAN STOCK BROKERS ASSOCIATION

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

Regd Office: Mezzanine Floor, Trading Hall, Stock Exchange Building, Stock Exchange Road,
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PSBA/Notice-030

May 08, 2021

NOTICE FOR MEMBERS

IMPLEMENTATION OF SECTION 72 OF THE COMPANIES ACT, 2017- CONVERSION OF PHYSICAL SHARES INTO BOOK-ENTRY FORM

This refers to the notification of the Commission whereby it has invited the comments on implementation of Section 72 of the Companies Act, 2017 – Conversion of Physical Shares into Book-Entry Form.

In this regard, the members are requested to kindly submit the comments, if any, with the Association Office through email at psamail024@gmail.com latest by **May 18, 2021**, so that a consolidated response is submitted with the authorities for their consideration.

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BILAL FAROO ZARDI
Secretary General

Copy to:

1. All Members
2. PSBA Website

IMPLEMENTATION OF SECTION 72 OF THE COMPANIES ACT, 2017- CONVERSION OF PHYSICAL SHARES INTO BOOK-ENTRY FORM

Background

Section 72 of the Companies Act, 2017 (the “Act”) requires every company having share capital to have its shares in book-entry form only, from the date notified by the Commission. Further, every existing company is required to replace its physical shares with book-entry form. A period of four years is specified in the Act for implementation of this provision and the deadline will end on May 30, 2021. Section 72 is reproduced below for ready reference:

“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.”

2. Furthermore, Regulation 17 of the Companies (General Provisions and Forms) Regulations, 2018 states as under:-

“17. Issuance of shares in book-entry form.—Subsequent to the notification under section 72 of the Act, all companies required to replace its physical shares with book-entry form shall apply to a Central Depository in terms of the relevant Regulations for declaration of company’s shares as eligible securities and comply with the requirements of the Central Depository for issuance of shares in book entry form.”

3. In view of the above-mentioned requirements of the Act and as a step further towards digitization, the Securities and Exchange Commission of Pakistan (SECP) is considering to make it obligatory for all public listed, public unlisted, public interest and private limited companies to have their shares in book-entry form in compliance with Section 72 of the Companies Act, 2017. Shares held in book-entry form shall have

the same rights and privileges as shares held in physical certificate form. However, rights and privileges of shares held in physical form may be restricted at a future date due to non-compliance with the provision of section 72 of the Companies Act, 2017. Once notified, all companies required to replace their physical shares with book-entry form shall apply to a central depository licensed by the SECP for conversion of existing physical shares and further issuance of shares in the book entry form. The central depository shall prescribe procedures for such conversion and issuance of shares including documentation required, process to be followed and applicable fee and charges .

4. SECP is of the view that conversion of shares into book-entry form will make the process of share handling more efficient, risk free and would help to minimize shareholding disputes. Handling of shares in case of corporate actions i.e. issue of bonus/right shares and transfer or selling of shares would be much easier, if shares are converted into book-entry form. Book entry securities can be pledged to a bank to obtain financing against them. Furthermore, it would help to reduce the risks and costs associated with storing of physical share certificates, which are susceptible to be lost, stolen and /or damaged and conversion of shares would help to avoid such problems.

5. All stakeholders are invited to provide their feedback on the issues relating to conversion of physical shares into Book Entry Form on the discussion forum <https://forum2.secp.gov.pk/> before May 20, 2021.