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*S. A. SALAM's*  
**Company Law  
Handbook**

**10th Update – January 15, 2025**

Please find enclosed **59** updated pages so as to complete and update your copy of the Book. Kindly insert as follows:–

<b>Existing Pages to be removed</b>	<b>Updated Pages to be inserted</b>	<b>Existing Pages to be removed</b>	<b>Updated Pages to be inserted</b>
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**Index**

(39) to (41)	(39) to (41)
--------------	--------------

**Company Law Handbook**

322(31), (32)	322(31) to (32.2)
322(131) to (136)	322(131) to (136.4)
595, 596	595, 596
599, 600	599 to 600(1)
609 to 614	609 to 614
663	663
817 to 824	817 to 824(3)
825 to 838	825 to 838(2)
911, 912	911 to 913

Yours sincerely,  
Abdul Rab Khan  
Manager

### **Note from the Author**

It gives me great pleasure to complete the 10th update of Company Law Handbook. This update covers:

**-Banking Companies (Amendment) Act, 2024;**

**-SRO's: 464(I)/2024, 1221(I)/2024, 1516(I)/2024, 22(I)/2025; and**

**-SBP Circular's: 1 of 2024.**

These are briefly explained as follows:–

1. On page 322(32), Regulation 50(2) has been amended by **SRO 1516(I)/2024** dated September 25, 2024. This is regarding: **Particulars of directors and officers.**
2. On page 322(131) onwards, Regulations, 2024-App-3 App-3A, App-3B have been amended by **SRO 1221(I)/2024** dated August 06, 2024. These are re. **Specific forms and applications.**
3. On page 595 onwards, **Pakistan Stock Exchange (PSX)** Rule Book Chapter 5 has been amended by upto dated October 17, 2024.
4. On page 663, Regulation 2 has been amended by **SRO 22(I)/2025** dated January 15, 2025. This is re: **NBFC's and Notified Entities Regulations, 2008.**
5. On page 817 onwards, para 13(II)A of Chapter 20 of the SBP Foreign Exchange Manual has been amended by **SBP FE Circular No. 01 of 2024** dated July 11, 2024. This is re: **Category Specific Framework for Equity Investment Abroad.**
6. On page 825 onwards, various provisions of the **Banking Companies Ordinance, 1962** has been amended by **Banking Companies (Amendment) Act, 2024** dated October 31, 2024.
7. On page 912, **SRO 464(I)/2024** dated March 17, 2027 has been reproduced. This is re: **Effect of Memorandum and Articles.**

Suggestions, comments etc. for improving the book and updating service will be most valuable.

Sheikh Asif Salam  
Chartered Accountant

Reg.	Description	Page No.
5.	Risk Mitigation and Applying Risk Based Approach . . . . .	753
6.	Simplified measures . . . . .	754
7.	New Products, Practices and Technologies . . . . .	754
<b>CUSTOMER DUE DILIGENCE (CDD) AND BENEFICIAL OWNERSHIP</b>		
8.	Customer Due Diligence . . . . .	754
9.	Regulated person . . . . .	754
10 to 18	Authorized agent or representative . . . . .	754-756
19.	Ongoing Monitoring . . . . .	756
20.	Existing Customers . . . . .	757
21.	Enhanced Due Diligence (EDD) . . . . .	757
22.	Counter Measures against high risk countries . . . . .	759
23.	Simplified Due Diligence . . . . .	759
24.	Reliance on Third Parties . . . . .	759
25.	TFS Obligations . . . . .	760

## SECP Anti-Money Laundering Regulations, 2015

*(Regulation 4, 5, 7 & Appendix I, II)*

### Contents

Reg.	Description	Page No.
4.	Reporting of suspicious transactions . . . . .	760(3)
5.	Reports on currency transactions . . . . .	760(3)
7.	Freezing of property . . . . .	760(4)
	Appendixes . . . . .	760(5)

## Insurance Ordinance, 2000

*(Part I, II, III, IV, V and VI)*

### Contents

Section	Description	Page No.
Part I		
<b>Preliminary</b>		
1.	Short title, extent and commencement . . . . .	761
2.	Definitions . . . . .	761
3.	Division of insurance business into life and non-life .. . . .	767
4.	Classes of life and non-life business . . . . .	768
Part II		
<b>Provisions Applicable to Insurers</b>		
5.	Persons eligible to transact insurance business . . . . .	770
6.	Registration of insurers . . . . .	771

**Contents – S. A. Salam’s Company Law Handbook**

7.	Commission may register insurer upon satisfaction ..	.....	773
8.	Inspection and supply of copies filed with Commission	.....	774
9.	Duration and revocation of registration	.....	774
10.	Notification of grant or revocation of registration .....	.....	774
11.	Conditions imposed on registered insurers	.....	775
12.	Criteria for sound and prudent management	.....	775
13.	Restriction on issue of certain life policies	.....	777
Part III			
<b>Statutory Funds of and other special requirements for Life Insurance Companies</b>			
14.	Statutory and other funds of life insurance companies	.....	777
Part IV			
<b>Requirements as to Capital and Statutory Deposits</b>			
28.	Requirements as to capital	.....	778
Part V			
<b>Solvency Requirements</b>			
35.	Net admissible assets of life insurers	.....	778
36.	Insurers of non-life insurance business to have assets in excess of minimum solvency requirement	.....	779
Part VII			
<b>Accounts and Audit</b>			
45.	Books and records	.....	780
46.	Accounting and reporting	.....	781
47.	Compliance with companies laws relating to accounts, reports, etc..	.....	783
48.	Audit	.....	783

**Foreign Exchange Manual of State Bank of Pakistan****Chapter 19**

Loans, Overdrafts & Guarantees	.....	785
--------------------------------	-------	-----

**Chapter 20**

Securities	.....	805
------------	-------	-----

**The Banking Companies Ordinance, 1962****(Part I and II)****Part I**

Preliminary	.....	825
-------------	-------	-----

**Part II**

Business of Banking Companies	.....	829
-------------------------------	-------	-----

## Payment Systems and Electronic Fund Transfers Act, 2007

Section	Description	Page No.
1.	Short title, extent and commencement .....	839
2.	Definitions .....	839
4.	Designation of Payment System .....	842
5.	Revocation of Designation of Payment System .....	842
8.	Disqualification of Staff .....	843
9.	Prohibition of Issuance of Payment Instruments .....	843
18.	Clearing Houses, Audit and Inspection .....	844

## ICAP Code of Ethics for Chartered Accountants (Revised 2019)

Part 1 – Complying with the Code, Fundamental Principles and conceptual framework .....	845
Part 2 – Chartered Accountants in Business .....	857

## Related Circular, Notification etc.

Circular No. 15 of 2017 dated June 08, 2017 .....	887
SRO 840(I)/2017 dated August 17, 2017 .....	887
SRO 546(I)/2017 dated June 21, 2017 .....	887
Circular No. 19 of 2017 dated August 11, 2017 .....	890
Circular No. 32 of 2017 dated December 04, 2017 .....	890
SRO 1239(I)/2017 dated December 06, 2017 .....	891
Circular No. 02 of 2018 dated February 09, 2018 .....	892
SRO 421(I)/2018 dated April 02, 2018 .....	892
Circular No. 08 of 2018 dated June 13, 2018 .....	892
Circular No. 16 of 2018 dated August 29, 2018 .....	893
SRO 423(I)/2018 dated April 03, 2018 .....	894
Circular No. 10 of 2019 dated July 03, 2019 .....	904
SRO 1196(I)/2019 dated October 03, 2019 .....	905
SRO 1011(I)/2021 dated August 06, 2021 .....	908
SRO 1566(I)/2019 dated December 18, 2019 .....	909
SRO 1331(I)/2023 dated September 18, 2023 .....	909
Circular No. 06 of 2024 dated Feb 06, 2024 .....	910
SRO 464(I)/2024 dated March 17, 2024 .....	912
Circular No. 13 of 2024 dated May 15, 2024 .....	912



Name	Legal form (Company/LLP/Partnership Firm/Trust/ Any other body corporate (to be specified))	Date of incorporation/ registration	Name of registering authority	Business Address	Country	Email address	Percentage of shareholding, control or interest of UBO in the legal person or legal person or legal arrangement in the Company	Percentage of shareholding, control or interest of legal person or legal arrangement in the Company	Identity of Natural Person who ultimately owns or controls the legal person or arrangement
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)

(xi) Any other information incidental to or relevant to enable the company to evaluate this matter.

(5) Every company required to maintain a register of ultimate beneficial owners shall, within fifteen days from the receipt of declaration received under sub-regulation (2) or (3), and thereafter along with its annual return, submit to the registrar concerned a declaration of compliance in pursuance of sub-section (2) of section 123A of the Act, as per Form-19.

Provided that in case of listed companies, a copy of the said form shall also be filed with the Commission.

(6) The board of directors of every company required to maintain a register of ultimate beneficial owners shall authorize its chief executive officer or one of its directors or officers to provide the information required under this regulation to the registrar for verification purposes, or to any other authority or agency pursuant to the powers to call for information entrusted by law to such authority or agency, and to provide further assistance as may be required, and the name and particulars of such an officer shall be furnished to the registrar along with the declaration specified hereinabove.

(7) Without prejudice to the provisions of regulation 147, a company shall, to whom necessary information has not been provided by a member in reply to the notice issued under sub-regulation (1), make an application to the Commission, in the form and manner specified in regulation 5 of the Companies (Distribution of Dividends) Regulations, 2017.

**Explanation.**- For the purposes of this regulation, the term “ultimate beneficial owner” means a natural person who ultimately owns or controls a company, whether directly or indirectly, through at least twenty five percent shares or voting rights or by exercising effective control in that company through other means. ‘Control through other means’ may be exercised through a chain of ownership or through close relatives or associates having significant influence or control over the finances or decisions of the company.

**49. Approval of capital expenditure and disposal of assets by the board.**- For the purpose of clause (i) of sub-section (2) of section 183 of the Act:

- (a) in case of a public interest company and a large sized company, the amount of capital expenditure to be incurred on any single item shall be more than twenty-five million rupees; and the amount of book value for the disposal of a fixed asset shall be more than five million rupees or one percent of the total assets of the company, whichever is lower; and
- (b) in case of a medium sized and a small sized company, the amount of capital expenditure to be incurred on any single item shall be more than five million rupees and the amount of book value for the disposal of a fixed asset shall be more than one million rupees or one percent of the total assets of the company, whichever is lower.

Provided that any amount of an expenditure or disposal not exceeding the aforesaid limits as provided in clause (a) and (b), may be approved by a committee constituted by the board comprising at least one director; and the Committee shall submit to the Board on bi-annually basis a post facto report for information; and

- (c) the board shall have the power to approve the capital expenditure or disposal of fixed assets as provided in clause (a) and (b) above irrespective of limits as specified above.
- (d) any capital expenditure to be incurred on land and building irrespective of the amount, or disposal thereof, may be made only with the approval of the board subject to provisions of sub-section (3) of section 183 of the Act

**50. Particulars of directors and officers.**— (1) Subject to the provisions of section 197 of the Act, every company shall keep a register of its directors and officers, including the chief executive, company secretary, chief financial officer, auditors and legal adviser, containing their particulars as specified through Form-9 which have been furnished to the company by each of the aforementioned director and officer in pursuance of the provisions of sub-section 2 of section 197 of the Act.

<sup>1</sup>[(2) The company shall file a return with the registrar as per Form-9 required under sub-section (3) of section 197 of the Act:

Provided that:

- (a) in case of appointment or election of a director, or appointment of a chief executive, or resignation or retirement of a director or chief executive, as the case may be, the specified return shall be filed by the company through *eZfile* only which shall contain digital verification from the incoming or outgoing director or chief executive:

Provided that in case digital verification from outgoing director or chief executive is not received within five days, the company shall report impediment through *eZfile* to the registrar and the registrar on receipt of such impediment may allow the company, to file the specified return, after due diligence, as deemed appropriate:

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<sup>1</sup>Regulation 50(2) substituted by 1516(I)/2024 dated September 25, 2024.

**322(32.1)**  
The Companies Regulations, 2024

Provided further that the aforesaid digital verification shall not be applicable upon cessation of nominee directors or Chief Executive and the company shall attach a notification or Board resolution, whichever is relevant, from the nominating body along-with specified return:

Provided also that the existing directors or chief executive officers of the companies who are currently not registered with the Commission through *eZfile*, shall get themselves registered within three months from the date of notification or earlier before their resignation or retirement;

- (b) in case of removal of,-
  - (i) a director under section 163 of the Act, the specified return shall be filed by the company through *eZfile* only accompanied by a copy of minutes of general meeting in which resolution for removal of the director was passed containing, *inter alia*, the following information, namely:-
    - (a) total number of members of the company;
    - (b) members present in person or through proxy;
    - (c) minimum number of votes required under section 163 of the Act; and
    - (d) number of votes cast for and against the resolution;
  - (ii) a chief executive under section 190 of the Act, the specified return shall be filed by the company through *eZfile* only accompanied by copy of minutes of the meeting in which resolution for removal of the chief executive was passed in terms of sub-section (1) of the said section and in case of removal under sub-section (2) of the said section, a notification from the Government or an authority or an authorized person.
  - (c) in case of vacation of office of director under section 171 of the Act, the specified return shall be filed by the company through *eZfile* only accompanied by a copy of minutes of the meeting in which the resolution was passed;
  - (d) in case of death of a director or a Chief Executive Officer, the specified return shall be filed by the company through *eZfile* only accompanied by a copy of death certificate issued by the relevant authority;

Provided further that where filing of specified return containing particulars of induction or cessation of directors or Chief Executive is not possible through *eZfile*, the registrar of companies may for special reasons to be recorded in writing allow filing of specified return in physical form accompanied by relevant documentary evidences, as deemed necessary.

(2A) The registrar, upon acceptance of return, shall intimate the incoming and outgoing director or the Chief Executive, about the fact of his induction or resignation or retirement or removal or vacation of office through *eZfile* or in any other manner, as deemed appropriate by the Registrar.

*Explanation.-* The expression “*eZfile*” refers to the online service provided by the Commission for lodging or filing of electronic documents.]

(3) In case the director or chief executive of the company is an individual of foreign nationality or nominee of a foreign company or a foreign body corporate, the company shall submit additional information and documents as specified in Regulation 19.

(4) Subject to the provisions of section 128 and 197(9) of the Act, when the Court makes an order for rectification of the register of members or register of directors in respect of a company, the company shall file notice of the rectification with the registrar within fifteen days from the receipt of the order, giving therein, in addition to other facts, if any, the name of the Court, the date of order, case number and case title, details of rectification ordered by the Court and the rectification as made in compliance with the order.

**THE COMPANIES ACT, 2017**  
**THE COMPANIES REGULATIONS, 2024**  
[Section 42 and Regulation 97 & 30]  
**APPLICATION FOR GRANT OF LICENSE UNDER SECTION 42 OF**  
**THE ACT**

**PART-I**

*(To be completed by the applicant in block letters.)*

- |                        |     |              |  |
|------------------------|-----|--------------|--|
| 1. Fee payment Details | 1.1 | Challan No   | <input style="width: 95%;" type="text"/> |
|                        | 1.2 | Amount (Rs.) | <input style="width: 95%;" type="text"/> |

**PART-II**

2.1 Proposed name of the association

Name

2.2 Whether the association is already registered- Yes  No

If yes, state the following:

i. Name of existing registered entity

ii. Entity registered as   
*(State whether society, trust, etc.)*

iii. Registration authority

iv. Status of existing entity after incorporation of proposed company

a. Takeover by proposed company	<input type="text"/>
---------------------------------	----------------------

b. Closure of existing entity	<input type="text"/>
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2.3 Particulars of promoters/proposed directors/proposed CEO:

Name and surname (present and former) in full	CNIC/NICOP (in case of Pakistani national) or Passport No (in case of foreigner)	*Incorporation/ Registration Number	Nationality (with former nationality and nationality of	Occupation	Residential address/ registered office address (in case of a subscriber other than a natural person)	NTN (in case of director, where applicable)	Designation (Director/ Subscriber/ CEO) Please	Nature of directorship (appointed, nominee/ independent/ other)	Name of entity nominating the director**	No of shares subscribed, only in case of company having share capital (for promoter)

CLHB 10-31-12-2024

\*Applicable to subscribers other than natural persons

\*\*applicable in case of nominee director

2.4 Details of donation by promoters and other persons:

S#	Funds/donations	Name of donor	CNIC No./passport No. (in case of foreign national) of donor	Amount
1.	Donations and grant – Local (if any)			
i.	In cash			
ii.	In kind			
2.	Donations and Grants – Foreign (if any)*			
i.	In cash			
ii	In kind			
3.	Members' donations — Start-up (mandatory)			
i.				
ii.				
iii.				
4.	Others			
i.				
ii.				
iii.				

Note: minimum required start-up donation shall be in the form of cash only to be deposited through proper banking channel.

\*Attach letters of consent/letters of intent/letters of commitment in support of above statement

2.5 Declaration by the applicant

I do hereby solemnly and sincerely declare that:

a) I have been authorized as declarant by the promoters;

b) all the requirements of the Companies Act, 2017, and <sup>1</sup>[the Companies Regulations, 2024] have been complied with;

c) I make this solemn declaration conscientiously believing the same to be true.

**PART-III**

3.1 Signature

3.2 Name of Authorized Promoter/ <sup>2</sup>[authorized representative]

<sup>1</sup>Substituted for “Associations with Charitable and Not For Profit Objects Regulations, 2018” by SRO 1221(I)/2024 dated August 06, 2024.

<sup>2</sup>Substituted for “Authorized Intermediary” by SRO 1221(I)/2024 dated August 06, 2024.

**322(133)**  
*S. A. Salam's Company Law Handbook*

3.3 Registration No of <sup>1</sup>[authorized 

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 representative], if applicable

3.4 Contact details of the applicant, i.e. address, email and cell No. etc.

Address:
Email:
Cell No.

3.5 Date

Day	Month	Year								
<table border="1" style="display: inline-table;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>			<table border="1" style="display: inline-table;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>			<table border="1" style="display: inline-table;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>				

**Enclosures:**

1. Copy of national identity card (NIC)/ NICOP/valid passport (in case of foreigner) of each promoter, proposed directors and proposed chief executive officer;
2. Curriculum vitae of each promoter, proposed directors and proposed chief executive officer as per Appendix-A to this Application;
3. An affidavit by each promoter, proposed directors and proposed chief executive officer as per Appendix-B to this Application;
4. A copy of the draft memorandum and articles of association as per Table F of the First Schedule to the Act;
5. A letter of authority on stamp paper of requisite value as per Appendix-C to this application by all the promoters in favor of either one of them or an authorized intermediary to present the application before the Commission on their behalf, and to make other amendments, additions, corrections etc., in the documents and also to collect license;
6. Copy of availability of name letter issued by the registrar indicating that the proposed name is available;
7. If the association is already registered under any other law for the time being in force, the following shall also be annexed with the application:
  - i. a copy of the audited balance sheet, income and expenditure account and the annual report on the working of the association for the financial year immediately preceding the date of the application;
  - ii. copy of certificate of registration or any document evidencing registration under any other law, duly certified by relevant authority;
  - iii. resolution of all existing members for the proposed change of status along with names of proposed members of the section 42 company being formed;
  - iv. list of members of the association, duly certified by relevant authority;
  - v. latest copy of its constitution or charter or statute, duly certified by relevant authority;
  - vi. list of all pending disputes among the members and pending court cases filed by or against the association with brief description thereof, if any.
8. Original challan or other evidence of payment of fee specified in Seventh Schedule of the Act (not applicable in case of online filing)

CLHB 1031122024

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<sup>1</sup>Substituted for "Authorized Intermediary" by SRO 1221(I)/2024 dated August 06, 2024.

**THE COMPANIES ACT, 2017**  
**THE COMPANIES REGULATIONS, 2024**

[Regulations 97]

**Information to be provided by promoters, proposed directors/directors,  
proposed chief executive officer/chief executive officer of the Company**

**1 Profile**

1.1 Name in Full including former name:	
1.2 Nationality	
1.3 NIC No or Passport No (in case of foreign national)	
1.4 Contact details:	
1.5.1 Residential Address	
1.5.2 Business Address	
1.5.3 Telephone Number	
1.5.4 Mobile Number	
1.5.5 Fax Number	
1.5.6 Email address	
1.6 Academic and Professional Qualifications	
1.7 Status	Promoter <input type="checkbox"/> Director <input type="checkbox"/> Chief Executive Officer <input type="checkbox"/>

**2 Experience Detail:**

S#	Name of organization	Designation	Work responsibilities related to objects of proposed company (mention reference of clause number of draft MoA)	From (period latest to old)	To

Note: If needed, separate extra sheets can be used for each item

**THE COMPANIES ACT, 2017  
THE COMPANIES REGULATIONS, 2024**

[Regulations 97]

**AFFIDAVIT / UNDERTAKING**

I, Mr./Miss./Mrs. (name of promoter/member/proposed director/director/proposed chief executive officer/chief executive officer), resident of \_\_\_\_\_ and holding NIC/Passport No \_\_\_\_\_, do hereby state on solemn affirmation as under that I:-

- (a) am eligible to act as (promoter/member/director/chief executive officer) of M/s. \_\_\_\_\_ (proposed) according to fit and proper criteria specified in the Regulations;
- (b) have sufficient skills, expertise and resources for the attainment of object of the association/company;
- (c) shall contribute a reasonable amount but not less than Rs.200,000/- as startup donation to the association/company. The same shall be deposited in the company's account within a period of six months of its incorporation which shall be used for the attainment of its object(s) and shall not be refundable to the promoters, directly or indirectly;
- (d) shall ensure that the funds raised shall be spent for objects of the association/company and for other ancillary purposes;
- (e) am fully aware of the affairs of the association/company; and
- (f) am fully aware of the contents of application for grant of license under these Regulations and whatsoever stated in the application and accompanied documents is true and correct and nothing has been concealed in the application.

Deponent

Signature: \_\_\_\_\_

Dated: \_\_\_\_\_

Witness to the above:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Attested by an Oath  
Commissioner under  
his seal

NIC: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

[To be filed on stamp paper of requisite value duly verified by an Oath Commissioner]

**THE COMPANIES ACT, 2017  
THE COMPANIES REGULATIONS, 2024**

[Regulations 97]

**LETTER OF AUTHORITY**

We, the undersigned promoters of the association M/S < ..... >, do hereby authorize <.....> one of the promoters of the association; or <.....> a <sup>1</sup>[authorized representative]; whose specimen signature is appended herein below to present us before the Securities and Exchange Commission of Pakistan to submit application/ documents for grant of license under section 42 of the Companies Act, 2017, and to make necessary amendments required by the SECP, to collect license, and to sign and give necessary explanation on our behalf in relation to the above and the allied matters.

	Name	Signature
Promoter-1		
Promoter-2		
Promoter-3		

Note: If the promoter is a subscriber other than a natural person, Board resolution authorizing the person <sup>2</sup>[ ] to be annexed

Witness		
---------	--	--

Name and signature of authorized promoter/registered/authorized intermediary

[To be filed on stamp paper of requisite value]

Seal and signature of Notary Public

<sup>1</sup>Substituted for "registered/authorized intermediary" by SRO 1221(I)/2024 dated August 06, 2024.

<sup>2</sup>Expression "/intermediary" omitted by SRO 1221(I)/2024 dated August 06, 2024.



**322(136.2)**  
*S. A. Salam's Company Law Handbook*

1.7 Proposed Position i.e. CEO/ Director (mention type of directorship in case of director i.e. Executive/ Nonexecutive/ Nominee etc.)	Director <input type="checkbox"/> Chief Executive Officer <input type="checkbox"/>
1.8 Name and designation of Outgoing Person along with reason for change (where applicable)	
1.9 Date of resignation of the outgoing person	

**(c) Experience Detail:**

S#	Name of organization	Designation	Work responsibilities related to the object(s) of the company (mention reference of clause number of draft MoA)	From (period latest to old)	To

**Note:** If needed, separate extra sheets can be used for each item

**Enclosures:**

1. Copy of national identity card (NIC)/ NICOP/valid passport (in case of foreigner) of each proposed director or proposed chief executive officer;
2. An affidavit by each newly proposed director or proposed chief executive officer as per Appendix-B to this Application;
3. A letter of authority on stamp paper of requisite value as per Appendix-C to this application by each newly proposed director or chief executive officer in favor of either one of them or an authorized representative to present the application before the Commission on their behalf, and to make other amendments, additions, corrections etc., in the documents;
4. Original challan or other evidence of payment of fee specified in Seventh Schedule of the Act.

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<sup>1</sup>App-3A & App-3B inserted by SRO 1221(I)/2024 dated August 06, 2024.

**THE COMPANIES ACT, 2017**  
**THE COMPANIES REGULATIONS, 2024**  
[Section 42 and Regulation 100 & 30]  
**APPLICATION FOR CHANGE IN OBJECT CLAUSE OF MEMORANDUM OF  
ASSOCIATION OF A COMPANY LICENSED UNDER SECTION 42 OF THE  
ACT**

**PART-I**

(Please complete by the applicant in block letters)

1.1	CUIN (Registration Number)		<table border="1" style="display: inline-table;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>								
1.2	Date of license granted	<table border="1" style="width: 100%; height: 20px;"></table>									
1.3	Name of the Company	<table border="1" style="width: 100%; height: 20px;"></table>									
1.4	Fee payment Details	1.4.1	Challan No	<table border="1" style="width: 100%; height: 20px;"></table>							
		1.4.2	Challan Amount (Rs.)	<table border="1" style="width: 100%; height: 20px;"></table>							
1.5	Date of special resolution in a general meeting of the company	<table border="1" style="width: 100%; height: 20px;"></table>									
1.6	Special resolution contents	<table border="1" style="width: 100%; height: 20px;"></table>									

**PART-II**

- (a) Application on letter head duly signed by authorized representative, mentioning the reason for change in object clause in memorandum of association of the company along with requisite fee.
- (b) Object(s) of the company as stated at clause III of the Memorandum of Association:

<b>EXISTING OBJECT CLAUSE(S)</b>
III. The object for which the company is established, are as follows: (1) To ..... (2) To ..... (3) To .....

- (c) New or revised object(s) of the company submitted/filed for approval of the Commission:

<b>PROPOSED OBJECT CLAUSE(S)</b>
III. The object for which the company is established, are as follows: (1) To ..... (2) To ..... (3) To .....

- (d) Where the application is for revision of single object, one director/chief executive officer of the company shall have adequate experience in the field of proposed object.

<sup>1</sup>App-3A & App-3B inserted by SRO 1221(I)/2024 dated August 06, 2024.

- (e) Where the application is for the revision/addition/deletion of multiple objects, it shall have at least one director/chief executive officer in each field of the revised objects who possesses adequate experience in that field so that all directors collectively have sufficient experience related to each object.

S#	Name of Director/Chief Executive Officer of the Company	Experience				
		Name of organization	Designation	Work responsibilities related to the revised object(s) of the company (mention reference of clause number of draft MoA)	From (period latest to old)	To

**Enclosures:**

1. Certified copy of special resolution passed in the general meeting of the Company;
2. A copy of the revised draft memorandum and articles of association as per Table F of the First Schedule to the Act;
3. Original challan or other evidence of payment of fee specified in Seventh Schedule of the Act.]

5.6.8. Every Listed Company and Issuer of Listed Security shall send to the Exchange its quarterly and annual financial results, in the manner prescribed by the Exchange from time to time.

**5.6.9. PROVISION OF STATUTORY REPORTS, AUDITED ACCOUNTS, NOTICE, RESOLUTION AND QUARTERLY REPORTS TO THE EXCHANGE:**

- (a) The Company shall send/transmit to the Exchange its statutory report, annual report containing therein the audited financial statements, auditors' report, directors' report and the chairman's review report, in the manner prescribed by the Exchange not later than twenty one (21) days before a meeting of the shareholders is held to consider the same.
- (b) The Company shall transmit to the Exchange all notices as well as resolutions prior to their publication and dispatch to the shareholders and also file with the Exchange certified copies of all such resolutions as soon as these have been adopted and become effective.
- (c) The Company shall send/transmit to the Exchange its quarterly accounts in the manner prescribed by the Exchange from time to time and within the time stipulated under the Companies Act, 2017.

**5.6.10. PAYMENT OF DIVIDEND:**

Every Listed Company shall:

- (i) credit interim and final dividend into the designated bank accounts of the shareholders concerned within the time lines specified by the Commission pursuant to section 242 of the Companies Act;
- (ii) intimate the Exchange immediately as soon as all the dividends have been credited in the respective bank accounts of the shareholders.

**5.6.11. SUSPENSION OF TRADING IN THE SHARES/WARRANTS OF A LISTED COMPANY PURSUANT TO SCHEME OF MERGER/ AMALGAMATION/ RECONSTRUCTION:**

Where a Listed Company enters into a scheme of reconstruction of the company/ companies or amalgamation of any two or more Listed Companies or division/ splitting of a Listed Company into one or more companies, pursuant to the order of the Court, Commission or State Bank of Pakistan as per the Scheme of Merger/ Amalgamation/ Reconstruction already notified by the Exchange, the Exchange on announcement of final dates of closure of share transfer registers by the Listed Company for determining the entitlement, shall suspend trading in the shares of the Listed Company being merged as per the Exchange's trading schedule already notified. The Exchange, as the case may be, shall also issue a separate notice for delisting of the merged Listed Company upon fulfilment of the applicable requirements.

**5.7. ANNUAL GENERAL MEETINGS/ANNUAL REVIEW MEETINGS, ETC.:**

**5.7.1. HOLDING OF MEETING:**

- (a) Listed Companies shall intimate to the Exchange the date and time of holding of their annual general meetings. Listed Companies are encouraged to avoid overlap with other Listed Companies in holding their annual general meetings and provide video-link facility to shareholders to enable them to participate in the annual general meetings.

- (b) Every Listed Company including Modaraba shall hold its annual general meetings or annual review meetings, as the case may be, and lay before the said meetings its financial statements within one hundred and twenty (120) days following the close of financial year.

Provided that it shall be mandatory for a Company to notify the Exchange of any extension in time of holding the Annual General Meeting by furnishing to the Exchange a copy of the letter of approval from the Commission allowing such extension, within 48 hours of receipt of the same.

**5.7.2. FURNISHING OF MINUTES OF MEETING AND FREE FLOAT RELATED INFORMATION:**

- (a) The Listed Company shall furnish certified true copies of minutes of its Annual General Meeting and of every extraordinary general meeting to the Exchange within sixty (60) days of such meeting.
- (b) Every Listed Company or issuer of a Listed Security shall:
- (i) ensure that requisite input into the CDC free-float functionality is entered in a timely manner to enable the Exchange to access the number and break-up of Free-Float shares of the company on quarterly basis i.e. as on March 31, June 30, September 30 and December 31 each year, within fifteen (15) days of close of each quarter.
  - <sup>1</sup>[(ii) submit to the Exchange an annual Free-Float certificate duly verified by the auditor, in the format specified by the Exchange, within a period of one hundred and twenty (120) days following the close of financial year.]

The CDC shall notify to the Exchange late/non-submission of quarterly Free-Float information by any listed company within the timeframe specified in clause (i) above, for initiating necessary action as provided in the PSX Regulations.

- (c) A Listed Company or an issuer of a Listed Security which fails to communicate the correct details of Free-Float of shares shall be liable to pay a penalty of Rs. 5,000/- per day from the date of first communication of such details till the correct details are communicated.

**<sup>2</sup>[5.7.3. HOLDING OF CORPORATE BRIEFING SESSION:**

Every listed company shall hold atleast one Corporate Briefing Session during the financial year, in the manner as specified by the Exchange from time to time and intimate to the Exchange in advance the date, time and venue of holding of the Corporate Briefing Session.]

**5.8. INCREASE OF CAPITAL AND ALLIED ISSUES:**

Every listed Company shall immediately advise the Exchange of all decisions taken by its board of directors regarding any change in authorized, issued or paid-up capital, by issue of bonus shares, right shares or reduction of capital, etc.

<sup>1</sup>Oct 03, 2024

<sup>2</sup>Oct 10, 2022

- (vi) deceives any person, either by making a statement, which he knows to be false, or by suppressing matters relevant to a proper appreciation of its significance;
- (vii) expresses his opinion on financial statements of any business or enterprise in which he, his firm or a partner in his firm has substantial interest;
- (viii) is penalized under any of the provisions of the Companies Act, 2017 in relation to his function as an auditor of a listed company; and
- (ix) is guilty of any other act which is determined as professional misconduct by the Commission in relation to his function as an auditor of a listed company.]

5.10.3. The auditor of a listed company shall not provide the following services to such Listed Companies:

- (i) preparing financial statements, accounting records and accounting services;
- (ii) financial information technology system design and implementation, significant to overall financial statements;
- (iii) appraisal or valuation services for material items of financial statements;
- (iv) acting as an Appointed Actuary within the meaning of the term defined by the Insurance Ordinance, 2000;
- (v) actuarial advice and reviews in respect of provisioning and loss assessments for an insurance entity;
- (vi) internal audit services related to internal accounting controls, financial systems or financial statements;
- (vii) human resource services relating to:
  - (i) executive recruitment;
  - (ii) work performed (including secondments) where management decision will be made on behalf of a listed audit client;
- (viii) legal services;
- (ix) management functions or decisions;
- (x) corporate finance services, advice or assistance which may involve independence threats such as promoting, dealing in or underwriting of shares of audit clients;
- (xi) any exercise or assignment for estimation of financial effect of a transaction or event where an auditor provides litigation support services as identified in paragraph 9.187 of Code of Ethics for Chartered Accountants;
- (xii) share registration services (transfer agents); and
- (xiii) any other service(s) which the Council of Institute of Chartered Accountants of Pakistan ("ICAP") with the prior approval of the Commission, may determine to be a "prohibited service".

The Commission may on the recommendation of ICAP or in its sole discretion and to the extent deemed fit and proper exempt one or more services from the restriction under this Regulation.

5.10.4. A listed company shall not appoint or continue to retain any person as an auditor, who is engaged by such company to provide services listed in Regulation 5.10.3 or if a person associated with the auditor is, or has been, at any time during the preceding one year engaged as a consultant or advisor or to provide any services listed in Regulation 5.10.3.

***Explanation:***

For the purposes of this regulation, the expression “associated with” shall mean any person associated with the auditor, if the person:

- (a) is a partner in a firm, or is a director in a company, or holds or controls shares carrying more than twenty percent of the voting power in a company, and the auditor is also partner of that firm, or is a director in that company or so holds or controls shares in such company; or
- (b) is a company or body corporate in which the auditor is a director or holds or controls shares carrying more than twenty percent of the voting power in that company or has other interest to that extent.

<sup>1</sup>5.10.5. No listed company shall appoint a person as an external auditor or a person involved in the audit of a listed company who is a close relative, i.e. spouse, parents, dependents and non-dependents children, of the CEO, the CFO, an internal audit or a director of the listed company.

5.10.6. Every listed company shall require external auditors to furnish a Management Letter to its Board of Directors within 45 days of the date of audit report.

Provided that any matter deemed significant by the external auditor shall be communicated in writing to the Board of Directors prior to the approval of the audited accounts by the Board.]

**<sup>2</sup>5.11. NON-COMPLIANT SEGMENT, WINDING-UP SEGMENT, RISK WARNING ALERT, SUSPENSION AND DE-LISTING:]**

5.11.1. A Listed Company may be placed in the Defaulters’ Segment if:

- <sup>2</sup>(a) It has suspended commercial production/business operations in its principle line of business for a continuous period of one year;

Upon placement of such company on the Non-Compliant Segment, the Exchange shall only initiate actions under regulation 5.11.3(a) and 5.11.3(b).

Provided that this regulation shall not apply on SPAC.

- (b) It has failed to hold its one Annual General Meeting (AGM) / Annual Review Meeting (ARM) as per law;

Upon placement of such company on the Non-Compliant Segment, the Exchange shall only initiate actions under regulation 5.11.3 (a) and 5.11.3 (b).

However, if such a company fails to hold its AGM/ ARM even after 6 months of placement on the Non-Compliant Segment, a Risk Warning Alert will be issued.

<sup>1</sup>Amended upto Oct 17, 2024.

<sup>2</sup>Amended upto May 16, 2024.

**600(1)**

*S. A. Salam's Company Law Handbook*

Further, if such a company fails to hold its AGM/ ARM for two consecutive years, the Exchange shall suspend trading in shares of the company and provide it further period not exceeding 90 days to rectify the non-compliance(s). In case a Company still fails to rectify, the Exchange shall initiate further actions against the company commencing from regulation 5.11.3 (e).

- (c) It has failed to submit its annual audited financial statements for the immediately preceding financial year as per law;

Upon placement of such company on the Non-Compliant Segment, the Exchange shall only initiate actions under regulation 5.11.3 (a) and 5.11.3 (b).



Pre-Initial Buyback Period			During Initial Buyback Period			Post-Initial Buyback Period		
Particulars	No. of Shares	% of Shares	Particulars	No. of Shares	% of Shares	Particulars	No. of Shares	% of Shares
Sponsors			Shares purchased by the Sponsor			Sponsors		
Minority Shareholders						Minority Shareholders		

**5.14.12. Successful Buyback:**

If the Sponsor successfully acquires the quantum determined under PSX Regulation 5.14.5. and approved by the shareholders in a general meeting, the Sponsors' offer for buyback shall be deemed successful. The company shall be subsequently delisted from the Exchange.

**5.14.13. Public Notice Post-Successful Buyback:**

The company shall publish a notice in two widely circulated newspapers informing the remaining minority shareholders that the Initial Buyback Period has lapsed and any minority shareholder who still wishes to sell his shares may do so within a further period of one year from the conclusion of the 60-day Initial Buyback Period by contacting the Purchase Agent. The same information shall also be intimated to minority shareholders via email and/or registered post, as may be appropriate.

**5.14.14. Sponsors' Ongoing Obligation:**

The Sponsors shall remain obliged to purchase shares from minority shareholders through their Purchase Agent at the price approved in the company's general meeting for a further period of one year from the 60-day Initial Buyback Period.

5.14.15. Regulation 5.14. shall not be applicable on SPACs.]

[ ]

**5.18. RELAXATION:**

Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to voluntary delisting under these Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such conditions as it may deem fit.

**5.19. LISTING AND ANNUAL FEES:**

**5.19.1. LISTING FEE SCHEDULE:**

- <sup>1</sup>(a) A company applying for listing on the Exchange, shall pay an initial listing fee equivalent to 0.1% of the paid-up-capital subject to a maximum of PKR 2.2 million.

Provided that in case of Open-Ended Mutual Funds, the initial listing fee shall be charged at the rate of 0.05% of the amount of total fund size of Mutual Fund subject to a maximum fee of PKR 500,000.]

- (b) Whenever, a listed company increases the paid-up capital of any class or classes of its shares, or securities listed on the Exchange, it shall pay to the Exchange a fee equivalent to 0.2% of increase in Paid-Up Capital.

<sup>1</sup>Amended upto Oct 17, 2024.

- <sup>1</sup>(c) Every listed company shall pay, in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, an annual listing fee calculated on the basis of the company's \*market capitalization, in accordance with following schedule, subject to a maximum of PKR Five million:

**\*Explanation:**For the purpose of this sub-clause, the market capitalization shall be calculated by multiplying the last one year's volume weighted average price with the company's outstanding ordinary shares as on June 30, of the preceding year.

Rate of Fee applicable with effect from July 01, 2020:

COMPANIES HAVING MARKET CAPITALIZATION AS ON JUNE 30	RATE OF FEE PER ANNUM
Up to Rs.100 million	Rs. 100,000
Above Rs.100 million & up to Rs. 250 million	Rs. 100,000+0.075% on excess over Rs.100 million
Above Rs. 250 million & up to Rs.500 million	Rs. 212,500+0.06% on excess over Rs. 250 million
Above Rs. 500 million & up to Rs.1,000 million	Rs. 362,500+0.025% on excess over Rs. 500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 487,500+0.015% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs.10,000 million	Rs. 637,500+0.013% on excess over Rs.2,000 million
Above Rs.10,000 million & up to Rs.20,000 million	Rs. 1,677,500+0.005% on excess over Rs.10,000 million
Above Rs. 20,000 million & up to Rs.50,000 million	Rs. 2,177,500+0.0015% on excess over Rs.20,000 million
Above Rs.50,000 million	Rs. 2,627,500+0.001% on excess over Rs.50,000 million

Provided that in case of Open-Ended Mutual Funds, the annual listing fee equivalent to 0.025% of the amount of total fund size of Mutual Fund subject to maximum fee of PKR 50,000 shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year.

Provided further that the Board may revise the above fees or any of the slabs or add new slabs with the approval of the Commission.

Provided further that every company applying for listing shall not be charged an annual listing fee for twelve (12) months from the date of its listing.]

- (d) The above Listing fee or any other sum fixed by the Board shall be payable by 30th September in advance for every financial year.

<sup>1</sup>Amended upto Oct 17, 2024.

- (e) Failure to pay the annual fee by 30th September shall make the company liable to pay a surcharge at the rate of 1.5 per cent (one and a half per cent) per month or part thereof, until payment. However, if reasonable grounds are adduced for nonpayment or delayed payment of annual fee, the Exchange may, reduce or waive the surcharge liability.
- <sup>1</sup>(f) Where a company withdraws or where the Exchange refuses the listing application, for any or whatsoever reasons, the Exchange may charge additional service fee, equivalent to initial listing fee or PKR 500,000, whichever is lower, which may be adjusted from the initial listing fee paid by such company under Clause 5.19.1 (a) of these Regulations.
- (g) A company applying for revalidation of approval earlier granted by the Exchange for issue, circulation and publication of prospectus upon lapse of its validity shall pay to the Exchange a revalidation fee at the rate of 0.05% of the paid up capital subject to a maximum fee of PKR 1 million.

Provided that such fee shall be charged only in cases where validity of approval of the Commission for issue, circulation and publication has also lapsed.]

#### 5.19.2. LISTING FEE PAYMENT PROCESS:

- <sup>2</sup>(a) All Exchange dues shall be paid by cheques, pay orders, bank drafts or via electronic transfer to the Exchange at any Bank Branch located in Karachi.
- (b) Without prejudice to the action which the Exchange may take under these Regulations in the event of non-payment of its dues, nothing shall prevent the Exchange from recovering such dues through posting names of non-compliant companies on the website of the Exchange or by invoking the process of law and obtaining order of a competent court.]

#### <sup>2</sup>[5.19.3. DISCIPLINARY ACTIONS AGAINST NON-PAYMENT OF PENALTIES:

<sup>1</sup>[(a) & (b)]

<sup>1</sup>Amended upto Oct 17, 2024.

<sup>2</sup>Amended upto May 16, 2024.

**5.20. COMPLIANCE WITH ACCESS TO INSIDE INFORMATION REGULATIONS, 2016:**

- (a) All Listed Companies shall maintain and regularly update a register to enlist persons employed under contract or otherwise, who have access to inside information, in the manner as provided in Access to Inside Information Regulations, 2016 as may be amended from time to time.
- (b) For the purpose of sub-clause (a), a Listed Company shall designate a senior management officer who shall be responsible for entering or removing names of persons in the said register in a timely manner. The said designated officer shall be obliged to keep proper record including basis for inclusion or exclusion of names of persons in the said list and make the same available as and when required by the Commission.

**5.21. DISCIPLINARY ACTIONS:**

<sup>1</sup>[5.21.1. Any Listed Company which fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to disciplinary action(s) by the Exchange as specified below:

- (a) Issue an Advice;
- (b) Issue a warning in writing to act more carefully and vigilantly.
- (c) Reprimand in writing that the conduct warrants censure;
- (d) Impose any one or more conditions or restrictions;
- (e) Direct to take remedial actions to rectify its non-compliance(s);
- <sup>2</sup>(f) Impose a fine as specified below:

REGULATION NO.	AMOUNT OF PENALTY	AMOUNT OF PENALTY FOR EVERY DAY DURING WHICH THE NON-COMPLIANCE(S) CONTINUE
5.7.2 (b), 5.5.10, 5.6.9 (c)	-	PKR 5,000/-
5.6.9 (a), 5.7.1 (b), 5.8.1 (a), 5.8.2 (a)(i)	-	PKR 10,000/-
5.6.10 (i)	-	KIBOR+1% of defaulted amount
5.7.1 (a)	PKR 10,000/-	-
5.14	PKR 200,000/-	PKR 10,000/-

Provided where reasonable grounds are adduced by a company and after taking into account the factors including but not limited to the severity and frequency of non-compliance of such company, the Exchange may waive or reduce the applicable fine under this Chapter and/or initiate any one or more disciplinary actions laid down under sub-clause (a) to (e) of this clause.]

<sup>1</sup>Amended September 19, 2023.

<sup>2</sup>Amended upto May 16, 2024.

<sup>1</sup>[5.21.2. . In cases where specific Penalty provisions have not been provided in these Regulations then whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or fails to comply with directions, decisions, notices, guidelines, clarifications and circulars of the Exchange or fails to provide any required information or provides incomplete, false, forged or misleading information to the Exchange as may be required from time to time, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to fine not exceeding five hundred thousand rupees for each non-compliance(s), and in case of continuing failure, refusal or contravention, to a further fine not exceeding Rs.10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues. No such penalty shall be imposed unless an opportunity of being heard has been granted.

5.21.3. The amount of penalty shall be paid to the Exchange.

5.21.4. The Managing Director of the Exchange may suspend or if it so decides, delist any company which makes a default in complying with the requirements of Regulation 5.6.10, 5.7.1, 5.8.2 and 5.9.1.

<sup>1</sup>[5.21.5. Any action under this Regulation shall be without prejudice to the action or steps taken by the Commission, any other authority or person.

No company which has been suspended shall be restored until it has paid the full amount of penalty for the days of the non-compliance(s).]

<sup>2</sup>[5.21.6. The CRO or any officer of RAD not below the level of Senior Manager and authorized in this regard by the CRO, may conduct a hearing in respect of any violation/ non-compliance by a Listed Company of provisions of these Regulations. The Chief Executive Officer or any other Senior Management Officer of the Listed Company concerned or any of its representatives, who is well conversant with the case and is authorized in this regard, shall appear for the hearing with proof of such authorization. Upon completion of the hearing, the officer of RAD who conducted the hearing shall send the recommendations to the CRO for approval and final decision.]

Provided that all cases of violation/ non-compliance by Listed Companies shall be disposed-off within thirty (30) days of the date of first hearing by the RAD.

Provided that in case hearing could not be disposed-off within the prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension up to a maximum of 15 days shall be communicated in writing to the CRO, in case of delay by the authorized officer of RAD.]

5.21.7. Any action under this Regulation shall be without prejudice to the action or steps taken by the Commission, any other authority or person.

No company which has been suspended or de-listed, as the case may be, shall be restored and its shares shall be requoted on Exchange until it has paid the full amount of penalty for the days of the default and receives the assent of the Managing Director of the Exchange for the restoration.

<sup>1</sup>Amended upto Oct 03, 2024.

<sup>2</sup>Amended upto November 28, 2023.

**<sup>1</sup>5.21A. APPEAL PROCEDURES:**

5.21A.1. A Listed Company, if dissatisfied with the enforcement order passed by the CRO against it, may file an appeal in the manner prescribed under Clause 5.21A.3.

5.21A.2. The appeal shall be heard and decided by the Appellant Committee, constituted by the Board on a case to case basis, which shall include industry expert(s), senior management staff and independent director(s) of the Exchange. The decision of the Appellant Committee shall be final and binding on the concerned Listed Company. Provided that no member of the Appellant Committee shall have any association with either party of the appeal.

5.21A.3. The Listed Company filing an appeal under Clause 5.21A.1 shall comply with the following:

- (a) The appeal shall be filed by the concerned Listed Company with the Secretary of the Appellant Committee within 30 days of receipt of the enforcement order passed by the CRO.
- (b) The appeal processing fee of PKR 5,000 shall be paid together with the appeal application.

Provided that the appeal processing fee shall be refunded to the Listed Company if the Appellant Committee overturns the original decision or varies it in the manner sought by the Appellant. The Appellant Committee may also order to refund, in full or part, the appeal processing fee for any other reason.

- (c) The Listed Company shall submit pay order/ bank draft in favor of the Exchange equivalent to the appeal processing fee together with the appeal application.
- (d) The appeal application must contain the grounds along with supporting documentary evidences where applicable, clearly indicating the relief to be sought. The supporting documentary evidence may include any new evidence that was not produced at the time of initial hearing or there is any fact or evidence which was ignored or overlooked in the initial enforcement order.
- (e) The presence of Chief Executive Officer of Listed Company is encouraged in the hearing proceeding. In case of his/her unavailability due to unavoidable circumstances, he may authorize any Senior Management Officer, well conversant with the case to appear for the hearing with proof of such authorization. The official(s) of the Listed Company may appear at the hearing together with the consultant.

5.21A.4. An appeal filed pursuant to above decisions, shall be heard and decided within forty-five (45) days of its filing. However, if such appeal is not decided within this prescribed time due to unavoidable circumstances or reasons beyond control, the specific reasons for the delay along with the required time extension shall be communicated in writing to the Board.

5.21A.5. No appeal shall be entertained against the decisions of the Appellant Committee.]

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<sup>1</sup>Amended upto November 28, 2023.

- (xxxix) "Schedule" means the Schedule to these Regulations;
- (xl) "Secured" means Exposure backed by Tangible Security and any Other Form of Security with appropriate margins (in cases where margin has been specified by the Commission appropriate margin shall at least be equal to the specified margin);
- (xli) "small enterprise" and "medium enterprise", (together referred to as the SME)", includes,-
- (a) small enterprise:- a business entity not a public limited company that has annual turnover up to Rs. 150 million and employees (including contractual) up to 50; and
- (b) medium enterprise:- a business entity that has annual turnover of more than Rs. 150 million and up to Rs. 800 million and number of employee (including contractual) between 51 to 100 for trading entity and between 51 to 250 for manufacturing or service entity.
- <sup>1</sup>(xliia) "Shariah Compliant Scheme" means Collective Investment Scheme that has been declared Shariah-compliant under the Companies Act, 2017 read with the Shariah Governance Regulations, 2023;]
- (xliii) "Tangible Security" means Readily Realizable Assets, mortgage of land, plant, building, machinery and any other fixed assets;
- (xliv) "TFC" means debt instrument issued for the purpose of raising funds in the form of redeemable capital;
- (xлива) "Total Expense Ratio" means the ratio of the sum of all fees, expenses, taxes or government levies charged to the Collective Investment scheme to average daily net assets value of that Collective Investment Scheme;
- (xlv) "Underwriting Commitments" mean commitments given by NBFCs to the limited companies at the time of new issue of equity or debt instrument, that in case the proposed issue of equity or debt instrument is not fully subscribed, the un-subscribed portion will be taken up by them (NBFCs);
- (xlvi) "Unlisted Debt Security" means a debt security not listed or quoted on a stock exchange; and
- (xlvii) "Unlisted Equity Security" means an equity security not listed or quoted on a stock exchange.
- (xlviii) "Unsecured" means the Exposure without any security or collateral.
- <sup>2</sup>(xlix) "User(s)" shall mean any person or entity using the P2P Lending Platform for the transaction and shall include the borrowers and lenders;]

(2) Words and expressions used but not defined in these Regulations shall have the same meaning unless contrary to the context as assigned to them in the Ordinance, Rules, <sup>3</sup>[the Companies Act, 2017] and the Securities and Exchange Ordinance, 1969 (XVII of 1969) and the Rules and Regulations made thereunder including the Voluntary Pension System Rules, 2005.

<sup>1</sup>Clause inserted by SRO 22(I)/2025 dated January 15, 2025.

<sup>2</sup>Clause inserted by SRO 807(I)/2022 dated June 14, 2022.

<sup>3</sup>Substituted for Securities Act, 2015," by SRO 22(I)/2025 dated January 15, 2025.



**<sup>1</sup>13. Investment Abroad by Residents.**

The residents of Pakistan including companies are allowed to make equity-based investment in entities abroad, on repatriable basis, subject to the following terms and conditions and in the manner stipulated below:

**I. Basic Terms and Conditions:**

Following basic terms and conditions will apply to all categories of equity investment abroad transactions (Category A-1 and A2 to D), as mentioned in the succeeding paragraph i.e. Para 13(II) *ibid*:

1. Equity investment abroad is allowed only for those countries that allow repatriation of profits, dividends and capital. However, equity investment in India, shall be subject to prior approval of SBP.
2. The funds proposed for investment should be legitimate and tax paid, the investor should be financially sound, have a clean record of loan repayments, and be on the active tax payer list.

**II. Category Specific Framework for Equity Investment Abroad:**

Following regulatory framework for equity investment abroad transactions for Category "A-1 and A-2" to "D", as mentioned in the succeeding paragraphs, shall be followed by Authorized Dealers or Designated Authorized Dealers, as the case may be, while processing the transactions:

**A1. Establishment of Subsidiary/Branch Office Abroad by Companies Operating in the IT Sector:**

1. In order to facilitate the companies operating in IT sector in increasing exports by expanding their businesses offshore, Authorized Dealers are granted general permission to allow the following equity investment abroad transactions:
  - i Establishment/acquisition of subsidiary(ies) and additional capital injection in subsidiary(ies)/ acquisition of an interest in an entity.
  - ii. Establishment/acquisition of marketing/ liaison/ representative office abroad and remittance of their annual budgeted operational expenses.
2. The above transactions could be undertaken as per the following options:
  - a. **Equity Investment Abroad from Exporter's Special Foreign Currency Accounts:** Authorized Dealers may allow remittance to the extent of funds available in Exporter's Special Foreign Currency Accounts (ESFCAs) maintained in terms of applicable Foreign Exchange Regulations, without following the procedure of designation mentioned in Para 13(IV) below.
  - b. **Equity Investment Abroad from Funds Raised on Account of Investment from Abroad:** Authorized Dealers may allow remittance, on account of equity investment abroad, to the extent of funds available in Special Foreign Currency Accounts (SFCAs), pertaining to equity raised from abroad, maintained in terms of Para 9(ii), Chapter 6 of Foreign Exchange Manual, without following the procedure of designation mentioned in Para 13(IV) below.

<sup>1</sup>Amended with FE Circular 01 of 2024.

- c. **Equity Investment Abroad by IT Companies Not yet in the Exports Business or IT Companies not having sufficient balances in their ESFCAs or SFCAs:** Authorized Dealers may allow remittance to the extent of average net profit earned by an IT company during last three financial years or USD 100,000, whichever is higher for equity investment abroad transactions, after obtaining prior designation as mentioned in Para 13(IV) below. The average net profit in this respect will be calculated from audited financials of the company.
3. **Terms and Conditions for Allowing Investments under 2(a), (b) and (c):**
- i. At any point in time, investment abroad of the applicant should not exceed 80% of its equity (after adjusting for investments in subsidiaries/ associates, goodwill, Deferred Tax Assets, receivables from related entities etc.) in case of a non-listed company and enterprise value for a listed company.
  - ii. In case the company intends to establish/ acquire more than one entity/ marketing/ liaison/ representative office abroad in a specific jurisdiction, it will provide sufficient justification to the satisfaction of Authorized Dealer.
  - iii. The threshold of up to USD 30,000 shall be observed for allowing annual budgeted operational expenses of a marketing/ liaison/ representative office (cost centers) from second year onward (from the date of investment). Further, an annual increase of up to 10% may be allowed in budgeted operational expenses in the subsequent years subject to valid justification of increase in expenses by the applicant. However, if export oriented companies operating in IT sector require remitting annual budgeted operating expenses beyond the thresholds defined above, Authorized Dealer or designated Authorized Dealer may allow such remittance after analyzing the documents/information mentioned in Para 23(i), Chapter 14 of Foreign Exchange Manual.
  - iv. The business activity of the firm or company in which investment is desired to be made should be of similar nature as that in which the applicant is already engaged in Pakistan. Proposal for investment abroad in the extended line of business or vertical business integration will be considered as similar line of business.
  - v. In case of acquisition of subsidiary abroad or acquisition of an interest in an entity abroad, the Authorized Dealer or designated Authorized dealer, as the case may be, shall allow the transaction after satisfying itself with respect to valuation of the company being acquired. In case the target company is unlisted, and the amount of investment is above USD 1 million, the Authorized Dealer or designated Authorized Dealer, as the case may be, may allow the transaction after satisfying itself through a valuation report from an accredited business valuation firm of the country in which investment is to be made.

- vi. While assessing any new request for establishment/acquisition of subsidiary/acquisition of an interest in an entity or marketing/ liaison/ representative office abroad or additional capital injection in an existing subsidiary, due weightage shall be given to the performance of previous investments abroad, in terms of profit repatriation, and increase in exports, as well as the future outlook.
- vii. Authorized Dealer or designated Authorized Dealer may also open standby letter(s) of credit to facilitate the offshore entity of the applicant for raising funds from offshore jurisdiction, within the parameters/limits defined in 13(II)(A1)(2) (a), (b) & (c) above. The stand by letter(s) of credit facility for cases under 2(a) and 2(b) should be secured against lien on ESFCAs or SFCAs.
- viii. Authorized Dealer or designated Authorized Dealer allowing remittances under the above provisions or establishing SBLCs shall be required to submit requisite information to SBP on appendix V-150, within three working days of the transaction.

**A2. Establishment of subsidiary/branch office abroad by export oriented companies (other than companies in the IT sector) for promoting exports:**

- a. In order to facilitate above mentioned companies incorporated in Pakistan, in increasing exports by expanding their businesses offshore, Authorized Dealers are granted general permission to allow the following equity investment abroad transactions:
  - i. Establishment/acquisition of subsidiary(ies) and additional capital injection in subsidiary(ies).
  - ii. Establishment/acquisition of marketing/ liaison/ representative office(s) abroad and remittance of their annual budgeted operational expenses.
- b. However, this general permission is subject to the following terms and conditions:
  - i. Authorized Dealers may allow remittance to the extent of funds available in Exporter's Special Foreign Currency Accounts (ESFCAs) maintained in terms of applicable Foreign Exchange Regulations, without following the procedure of designation mentioned in Para 13(IV) below.
  - ii. Where sufficient funds are not available in ESFCAs and remittance is to be allowed either partially or wholly from the interbank, the applicants/Authorized Dealers shall follow the procedure of prior designation, as mentioned in Par 13(IV) below, before processing any transaction. Further, the total amount of remittance during a calendar year, from interbank market, should not exceed the 10% of average annual export earnings of last three calendar years of the applicant, or USD 100,000, whichever is higher.

- iii. At any point in time, investment abroad of the applicant should not exceed 80% of its equity (after adjusting for investments in subsidiaries/ associates, goodwill, Deferred Tax Assets, receivables from related entities etc.).
- iv. The threshold of up to USD 30,000 shall be observed for allowing annual budgeted operational expenses of a marketing/ liaison/ representative office (cost centers) from second year onward (from the date of investment). Further, an annual increase of up to 10% may be allowed in budgeted operational expenses in the subsequent years subject to valid justification of increase in expenses by the applicant. However, if export oriented companies require remitting annual budgeted operating expenses beyond the thresholds defined above, Authorized Dealer or designated Authorized Dealer may allow such remittance after analyzing the documents/information mentioned in Para 23(i), Chapter 14 of Foreign Exchange Manual.
- v. Investment shall be carried out by the exporter by first utilizing foreign currency funds available to the credit of exporter's special foreign currency accounts maintained in terms of applicable Foreign Exchange Regulations. However, if the balance available in its exporter's special foreign currency accounts is not sufficient, remittance of balance amount can be allowed from interbank market.
- vi. The export overdue of intending investor shall not be more than 1% of its exports, during the last twelve months.
- vii. One entity per jurisdiction shall be allowed for establishment/ acquisition of subsidiary/ marketing/ liaison/ representative office abroad.
- viii. The Authorized Dealer or designated Authorized Dealer shall ensure the following through assessment of relevant information/documents submitted by the applicant, before allowing the transaction under this general permission:
  - a. In case applicants exports are not sufficient and it utilizes the limit of USD 100,000/- as per Para 13(II)(A2)(b)(ii) above, it shall be required to submit to the designated Authorized Dealer the details of products to be exported and an undertaking to the effect that the proposed investment has the potential to increase the exports of Pakistan.
  - b. The business activity of the company in which investment is desired to be made, should be of similar nature as that in which the applicant is already engaged in Pakistan. Proposal for investment abroad in the extended line of business or vertical business integration will be considered as similar line of business.
  - c. In case of acquisition of subsidiary abroad, the Authorized Dealer or designated Authorized Dealer, as the case may be, shall allow the transaction after satisfying itself with respect to valuation of the company being acquired. In case the target company is unlisted, and the amount of investment is above USD 1 million, the Authorized

Dealer or designated Authorized Dealer, as the case may be, may allow the transaction after satisfying itself through a valuation report from an accredited business valuation firm of the country in which investment is to be made.

- d. While assessing any new request for establishment/acquisition of subsidiary or marketing/ liaison/ representative office abroad or additional capital injection in an existing subsidiary, due weightage shall be given to the performance of previous investments abroad, if any, in terms of profit repatriation and increase in exports as well as the future outlook.
- ix. Authorized Dealer or designated Authorized Dealer may also open standby letter(s) of credit to facilitate the offshore entity of the applicant for raising funds from offshore jurisdiction, within the parameters/limits defined in i & ii above.
- x. Authorized Dealer or designated Authorized Dealer allowing remittance for equity investment abroad or establishing SBLC against lien on ESFCAs shall be required to submit requisite information to SBP on Appendix V-150 within three working days of allowing the remittance.]

**B. Establishment of Holding Company (HoldCo) abroad by residents for raising capital from abroad:**

- a. In order to facilitate the resident companies (hereinafter referred as Operating Company or "OpCo"), having innovative and/or scalable businesses with a potential for high growth, to raise capital from abroad, following general permissions are granted:
  - i. OpCo is allowed to incorporate a holding company (hereinafter referred as "HoldCo") abroad. For this purpose, designated Authorized Dealers are allowed to remit the initial incorporation expenses, on actual basis but not exceeding USD 10,000 or equivalent in other currencies, subject to condition that the applicant company is eligible as per terms and conditions.
  - ii. After incorporation of the HoldCo abroad, the existing shareholders (individuals/ companies/ firms) of OpCo ("Founders") are once allowed to swap their shares, of equal value, to mirror the shareholding of OpCo in HoldCo, within 30 days, by acquiring shares of HoldCo against transfer of their shareholding in OpCo to the nonresident HoldCo on repatriation basis. However, no remittance in this regard shall be allowed from Pakistan.
  - iii. Subsequently, resident companies and Founders are allowed to acquire the shares issued by HoldCo against payment of funds to OpCo locally in PKR. Consequently, the OpCo can issue shares of equal value in favor of non-resident HoldCo, on repatriation basis.
- b. These general permissions are subject to following terms and conditions:
  - 1. The company shall be eligible for incorporation of holding company abroad under this general permission, provided that:

- i. The company is incorporated as a private limited/public unlisted company under the Companies Act, 2017 (erstwhile Companies Ordinance 1984) for not more than 7 years, provided that such entity is not formed by splitting up, or reconstruction of a business already in existence.
    - ii. The Company has annual revenue below PKR 2 billion since its incorporation.
    - iii. The company has equity (including retained earnings) below PKR 300 million as per latest audited financials.
  2. HoldCo shall repatriate the funds, raised from abroad, through equity or borrowing, to Pakistan, as equity based investment in OpCo, in following manner:
    - i. At least 80% of the funds raised from abroad on annual basis until USD 1 million (net of dividend remitted by OpCo) is remitted to Pakistan.
    - ii. Subsequently, at least 50% of funds raised from abroad on annual basis until USD10 million (net of dividend remitted by OpCo) is remitted to Pakistan on cumulative basis.
  3. The OpCo can issue shares in favor of HoldCo, against the amount received from abroad, on repatriation basis in terms of provisions of para 6 and 7 of Chapter 20 of Foreign Exchange Manual. The OpCo shall report to SBP within 30 days of issuance of shares through its designated Authorized Dealer, along with details of funds raised by HoldCo.
  4. HoldCo shall remit the dividends to Pakistan against shares acquired by resident companies and Founders.
  5. Designated Authorized Dealer shall arrange to ensure the compliance of all terms and conditions.
- C. Investment abroad by resident companies for expansion of business:** The resident Pakistani companies are allowed to make equity based investment (other than portfolio investment) in entities abroad on repatriable basis, with prior permission of State Bank of Pakistan and subject to the following terms and conditions:
- i. Only companies incorporated in Pakistan including foreign controlled companies are allowed investment under this category.
  - ii. The business activity of the company, firm, joint venture in which investment is desired to be made should ordinarily be of the same nature as that in which the investor is already engaged in Pakistan, or in which the investor has the potential to acquire sufficient expertise from the market for running the business. Proposal for investment abroad in the extended line of business or vertical business integration shall also be considered as similar line of business.
  - iii. The proposal should be economically viable as evidenced from a feasibility report. It should have the potential for future earnings of foreign exchange coupled with other advantages to the country such as employment opportunities for Pakistani nationals and improvement in national human resources.

- iv. Funding for the proposed investment abroad shall be allowed from the foreign currency funds available to the credit of special foreign currency accounts maintained by the applicant in terms of applicable Foreign Exchange Regulations. However, in case the applicant does not have any such account or the balance available in its special foreign currency accounts is not sufficient, remittance can be allowed from interbank market.
- v. The State Bank under the aforesaid guideline would also deal with the proposals emanating from the Public Sector Organizations providing financial services whereas the concerned ministry would deal with the investment proposals from all other public sector organizations.

#### **D. Investment abroad by Resident Individuals:**

##### **1. Small Investment by Individuals in Listed companies abroad:**

General permission is granted to Designated Authorized Dealers to effect remittance on behalf of resident individuals for investments in shares of listed companies abroad, subject to following terms and conditions:

- i. Designated Authorized Dealer is allowed to remit a maximum amount of USD 25,000 or equivalent during a calendar year, under this general permission, on behalf of a resident individual.
- ii. The maximum shareholding by an individual, in a single investee company, under this general permission, shall not exceed 1% of shares of the investee company at any time.

##### **2. Employee Stock Option Plans**

General Permission is granted to Designated Authorized Dealers to effect remittance on behalf of resident employees of subsidiaries of foreign companies in Pakistan to participate in their share option plans, subject to following terms and conditions:

- i. Subsidiaries of foreign companies in Pakistan, shall approach to their designated Authorized Dealer with complete share option plans.
- ii. Designated Authorized Dealer is allowed to remit a maximum amount of USD 50,000 or equivalent during a calendar year, under this general permission, on behalf of a resident individual.
- iii. The maximum stake by an individual, in a single investee company, under this general permission, shall not exceed 3% of shares of the investee company at any time.

##### **3. Sweat Equity**

General permission is granted to resident individuals to acquire the shares of companies abroad issued to them as sweat equity against their efforts and services, without any monetary consideration. This general permission is subject to the following terms and conditions:

- i. The maximum shareholding, under this general permission, shall not exceed 20% of shares of the investee company at any time.

- ii. The investor could acquire shares under this general permission against its efforts and services related to the field where the investor has expertise.
- iii. The investor shall submit the agreement, confirming this arrangement, to SBP through its designated Authorized Dealer while reporting this investment, along with its detailed profile showing his/her field of expertise with documentary evidences.

### **III. Post investment requirements:**

After making investment, in terms of these regulations, the investor is required to:

- i. Submit the documentary evidences related to establishment/ acquisition of subsidiary/ branch office/shares abroad, within one month of making the investment, through Authorized Dealer or designated Authorized Dealer.
- ii. Make a return to State Bank on the prescribed form V-100 through their Authorized Dealer or Designated Authorized Dealer within one month of making the investment;
- iii. Each entity who invested abroad under this policy shall submit audited financials of the investee company to the Authorized Dealer or designated Authorized Dealer on annual basis.
- iv. Repatriate the dividend/disinvestments proceeds (including capital gains) to Pakistan through normal banking channels. The amounts so received would be converted to local currency by the bank concerned and a Proceeds Realization Certificate in original evidencing the same shall be filed by the owner with the State Bank through its Authorized Dealer or designated Authorized Dealer. Such amounts shall not be allowed for credit to a Foreign Currency Account or for purchase of Pakistani securities on repatriable basis.

### **IV. Designation and application processing:**

#### **1. Designation of Authorized Dealer:**

- i. All the Investments under the general permission granted for categories of investment abroad mentioned at Para 13(II) A1(2)(c), A2(b)(ii), B & D above, shall be routed through only one branch of an Authorized Dealer to be designated by the applicant. For this purpose, request for designation shall be submitted by the applicant through the Authorized Dealer, intended to be designated, to the Exchange Policy Department of State Bank of Pakistan, for acknowledgement. The request for designation of the branch shall be routed through the Head Office of the Authorized Dealer, where record of all such designations shall be maintained.
- ii. The Authorized Dealer at its relevant branch so designated by the applicant shall be liable to ensure compliance of terms and condition stipulated for each category of investment abroad and maintain complete party wise record of transactions processed by it. The Authorized Dealer shall also maintain at the designated branch the complete record of repatriation of dividend/disinvestment proceeds from investments abroad by its each customer.

- iii. In case applicant desires to change the designated bank/branch, it shall submit an application through the Head Office of bank/branch desired to be designated for the acknowledgment of Exchange Policy Department along with the following:
- a) NOC from previous designated bank/branch regarding change of designation. The previous designated Authorized Dealer shall be required to issue the NOC and share the record related to investment abroad transactions of the applicant with the new Authorized Dealer, within three working days from the date of request received from the new Authorized Dealer.
  - b) Confirmation from bank/branch to be designated regarding acquisition of complete record, pertaining to previous investment abroad transactions, from bank/branch designated previously.

**2. Processing of application by Authorized Dealer:** The detailed applications along with audited accounts, particulars of directors of the investor company (not required in case of individuals), name and address of the foreign company/firm in which investment is desired to be made, its line of business and particulars of its directors/partners, shall be forwarded to the Authorized Dealer. The applications with respect to proposals of investment abroad pertaining to Para 13(II) A1, A2, B & D above, shall be processed by the Authorized Dealers or designated Authorized Dealer, as the case may be. In case of any exemption/waiver is required, the application will be forwarded by the Authorized Dealer or designated Authorized Dealer, as the case may be, to Exchange Policy Department, State Bank of Pakistan as per procedure detailed below. With respect to proposals of investment abroad pertaining to Para 13(II) C above, applications shall be forwarded by the Authorized Dealer to State Bank of Pakistan as per procedure detailed below.

**3. Processing of application by State Bank of Pakistan:** The detailed applications with respect to Para 13(II) C or any exemption/waiver from Para 13(II) A1, A2, B & D shall be forwarded by Authorized Dealers or designated Authorized Dealer, as the case may be, to Director, Exchange Policy Department, State Bank of Pakistan, Karachi, along with its review of the application (against applicable terms and conditions) and specific recommendations. Any application submitted to State Bank without proper review and specific recommendation of the Authorized Dealer or designated Authorized Dealer, would not be entertained.

#### Annexure-A

APP.V	150
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#### Investment Abroad by Export Oriented Companies

- i. Name of Bank .....
- ii. Name of Branch .....
- iii. Full name and address of Investor .....
- iv. NTN of Investor .....
- v. Names of Sponsors of the Investor .....
- vi. CNIC Numbers of Sponsors .....

**824(2)**  
Foreign Exchange Manual of SBP

- vii. Type of Investment i.e. Subsidiary/Liaison/Marketing/Branch office, etc. ....
- viii. Sector of the Investment .....
- ix. Country of the Investment .....
- x. Currency .....
- xi. Amount of Investment Allowed .....
- xii. Equivalent USD .....
- xiii. Currency .....
- Amount of Operating expenses allowed to be remitted .....
- Equivalent USD .....
- Date of Remittance .....
- xiv. Name of Investee Entity (if applicable) .....
- xv. Address of Investee Entity (if applicable) .....
- xvi. Valuation of Investee Entity (if applicable) .....
- Type of Guarantee/SBLC (if applicable) .....
- Currency .....
- Amount of Guarantee/SBLC .....
- Beneficiary of Guarantee .....
- Expiry Date of Guarantee .....
- Date of Reporting .....
- Remarks/Comments .....

We undertake that we have thoroughly reviewed the investment proposal in line with the requirement of Para 13(I) and Para 13(II)(A1) or (A2) [as the case may be] of Chapter 20 of Foreign Exchange Manual and found it to be in order. Further, we hold ourselves liable for pecuniary or administrative action by SBP if any discrepancy is observed subsequently in the above transaction.

Unit Head-Equity Investment Abroad Group Head-Compliance]

**14. Investment Abroad by Locally Established Mutual Funds.** (i) Locally established mutual funds are allowed to invest abroad for the purposes of diversification of their asset classes/portfolio, to the extent of 30% of the aggregate funds mobilized (including foreign currency funds), in permissible categories subject to a cap of US\$ 15 million at any given time. The investment made abroad must strictly follow the scope approved by Securities and Exchange Commission of Pakistan (SECP) and subject to all other terms and conditions as specified for the operations and investments abroad by SECP.

(ii) Such funds would need prior approval of State Bank. In this regard, each interested locally established mutual fund is required to apply, through an Authorized Dealer, to the Director, Exchange Policy Department, State Bank of Pakistan by providing details of the proposed operations alongwith the related documents. Each request will be evaluated on a case to case basis and will be responded accordingly.

**15. Registration of Foreign Securities.**- Under Section 19(I) of the Act, the Federal Government have issued Notification No. I(1)-2-FE/56 dated the 1st August, 1956, (Appendix II-7) requiring all persons resident in Pakistan who are or become the owners of any security in respect of which the principal, interest or dividends is or are payable in the currency of any foreign country or in respect of which the owner has the option to acquire the payment of principal, interest or dividends in such currencies, to make a return to the State Bank within one month of their acquiring the securities, giving particulars in respect of the said securities. The specimen of the form in which these particulars are required to be furnished in duplicate is given at Appendix V-100. Foreign nationals residing in Pakistan are not required to submit the above returns.

**16. Under-writing of shares, term certificates and Modaraba certificates by foreign banks.** Underwriting of shares, participation term certificates etc., by foreign banks' branches in Pakistan eventually involves holding of those shares/securities which are not taken up by the general public, and as such attracts the provisions of Section 13(1) of the Foreign Exchange Regulation Act, 1947. Foreign banks' branches in Pakistan have general permission to under-write the issue of shares to the extent of 30% of the public offering or 30% of its own paid-up capital and reserves, whichever is less. They are also permitted to under-write public issues of participation term certificates, term finance certificates and modaraba certificates, provided that where the terms and conditions of issue of such securities grant an option to the holders to convert the securities into ordinary shares, the restrictions of 30% as mentioned above would apply.

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## The Banking Companies Ordinance, 1962

(Part I and II)

(LVII of 1962)

Part – I

Preliminary

### An Ordinance to consolidate and amend the law relating to banking companies

Whereas it is expedient to consolidate and amend the law relating to banking companies;

Now, Therefore, in pursuance of the Proclamation of the seventh day of October, 1958, and in exercise of all powers enabling him in that behalf, the President is pleased to make and promulgate the following Ordinance:-

Part I

Preliminary

**1. Short title, extent and commencement.-** (1) This Ordinance may be called the Banking Companies Ordinance, 1962.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

**2. Application of other laws not barred.-** The provisions of this Ordinance shall be in addition to, and not, save as hereinafter expressly provided, in derogation of, the Companies Ordinance, 1984 (XLVII of 1984), and any other law for the time being in force.”

**5. Definitions.-** In this Ordinance, unless there is anything repugnant in the subject or context,-

<sup>1</sup>(a) “approved securities” means the securities in which a trustee may invest money under the applicable trust laws, and for the purpose of-

(i) sub-section (2) of section 13, includes such other securities as the Federal Government may, by notification in the official Gazette, declare to be approved securities for the purpose of that subsection: and

(ii) sub-section (1) of section 29, includes-

(a) such types of Pakistan rupee obligations of the State Bank as it may specify from time to time: and

(b) such types of Pakistan rupee obligations of the Federal Government or a Provincial Government or of a corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government as the Federal Government may, by notification in the official Gazette, declare to the extent determined from time to time to be approved securities for the purpose of that sub-section;

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<sup>1</sup>Clause (a) substituted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

- (b) “banking” means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise;
- (c) “banking company” means any company which transacts the business of banking in Pakistan and includes their branches and subsidiaries functioning outside Pakistan of banking companies incorporated in Pakistan;
- <sup>1</sup>[(ca) “banking company under Resolution” means a banking company in respect of which the State Bank has made an order under section 42D and until such time that the State Bank by an order declares that the banking company concerned is no longer under Resolution or until a winding-up order is made under this Ordinance;]

**Explanation.-** Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the public merely for the purpose of financing its business as such manufacturer or trader shall not be deemed to transact the business of banking within the meaning of this clause;

- (d) “branch” or “branch office”, in relation to a banking company, means any branch or branch office, whether called a pay office or sub-pay office or by any other name, at which deposits are received, cheques cashed or moneys lent, and for the purposes of section 40 includes any place of business where any other form of business referred to in sub-section (1) of section 7 is transacted;
- <sup>1</sup>[(da) “bridge bank” means an entity established under section 42H to temporarily take over and maintain some or all of the assets and liabilities of a banking company as part of the Resolution process;]
- (dd) “creditor” includes persons from whom deposits have been received on the basis of participation in profit and loss and a banking company or financial institution from which financial accommodation or facility has been received on the basis of participation in profit and loss, mark-up in price, hire-purchase, lease, or otherwise;
- (e) “company” means any company which may be wound up under the Companies Ordinance, 1984 (XLVII of 1984) and includes a branch of a foreign banking company doing banking business in Pakistan under a licence issued by the State Bank in this behalf;
- (ee) “debtor” includes a person to whom, or a banking company or financial institution to which, finance as defined in the Banking Tribunals Ordinance 1984, has been provided;
- (f) “demand liabilities” means liabilities which must be met on demand, and “time liabilities” means liabilities which are not demand liabilities;
- (ff) “family members” in relation to a person means his spouse, dependent lineal ascendants and descendants and dependent brothers and sisters;
- <sup>1</sup>[(fa) “Executive Committee” means an Executive Committee established under section 9F of the State Bank of Pakistan Act, 1956 (XXXIII of 1956);]

<sup>1</sup>Clauses (ca), (da) & (fa) inserted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

- (ffa) "foreign banking company" means a banking company, not incorporated in Pakistan, which has a branch or branches doing banking business in Pakistan under a licence issued by State Bank in this behalf;
- (g) "gold" includes gold in the form of coin, whether legal tender or not, or in the form of bullion or ingot, whether refined or not;
- (gg) "loans, advances, and credit" includes "finance" as defined in the Banking Tribunals Ordinance, 1984;
- (h) "managing director", in relation to a banking company, means a director who, by virtue of an agreement with the banking company or of a resolution passed by the banking company in general meeting or by its Board of Directors or, by virtue of its memorandum or articles of association, is entrusted with the management of the whole, or substantially the whole of the affairs of the company, and includes a director occupying the position of a managing director, by whatever name called;
- <sup>1</sup>[(ha) "Minister-in-charge" means the Federal Minister, to whom business of this Act stands allocated;]
  - (i) "prescribed" means prescribed by rules made under this Ordinance;
  - (j) "private company" has the same meaning as in the Companies Ordinance, 1984 (XLVII of 1984);
  - (k) "registrar" has the same meaning as in, the Companies Ordinance, 1984 (XLVII of 1984);
- <sup>1</sup>[(ka) "Resolution" refers to the process of exercising one or more of the Resolution powers as provided in section 42E with a view to achieve the Resolution objectives including by ensuring the continuity of a banking company's critical functions, as specified by the State Bank;]
  - (l) "scheduled bank" has the same meaning as in the State Bank of Pakistan Act, 1956 (XXXIII of 1956);
  - (m) "secured loan or advance" means a loan or advance made on the security of assets the market value of which is not at any time less than the amount of such loan or advance, and "unsecured loan or advance" means a loan or advance not so secured, or that part of it which is not so secured;
- (mm) "securities" includes securities as defined in the Capital Issues (Continuance of Control) Act, 1947 (XXIX of 1947),
- <sup>1</sup>[(mma) "sponsor shares" means five percent or more paid-up shares of a banking company, held or beneficially owned by a person individually or in concert with his family members, group companies, subsidiaries and associates;]
  - (n) "State Bank" means the State Bank of Pakistan;
  - (o) "substantial interest" in an undertaking shall be deemed to be possessed by a person if he or any of his family members is the owner, director or officer of or has control over the undertaking or if he or any of his family members holds shares carrying not less than twenty per cent of the voting power in such undertaking;

<sup>1</sup>Clauses (ha), (ka) & (mma) inserted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

**Explanation.**- For the purpose of this clause,-

- (i) “control” in relation to an undertaking, means the power to exercise a controlling influence over the management or the policies of the undertaking, and, in relation to shares, means the power to exercise a controlling influence over the voting power attached to such shares;
- (ii) “person” includes a Hindu undivided family, a firm, an association or body of individuals, whether incorporated or not, a company and every other juridical person; and
- (iii) “undertaking” means any concern, institution, establishment or enterprise engaged in the production, supply or distribution of goods, or in the provision or control of any services relating to the provision of board, lodging, transport, entertainment or amusement, or of facilities in connection with the supply of electrical or other energy, or to the purveying of news, insurance or investment.

**6. Ordinance to override memorandum, articles, etc.- Save as other-wise expressly provided in this Ordinance.-**

- (a) the provisions of this Ordinance shall have effect notwithstanding anything to the contrary contained in the memorandum or articles of a banking company, or in any agreement executed by it, or in any resolution passed by the banking company in general meeting or by its Board of Directors, whether the same be registered, executed or passed, as the case may be, before or after the commencement of this Ordinance; and
- (b) any provision contained in the memorandum, articles, agreement or resolution aforesaid shall, to the extent to which it is repugnant to the provisions of this Ordinance, become or be void, as the case may be.”

## Part II

### Business of Banking Companies

**“9. Prohibition of trading.**- Except as authorised under section 7, no banking company shall directly or indirectly deal in the buying or selling or bartering of goods or engage in any trade or buy, sell or barter goods for others, otherwise than in connection with bills of exchange received for collection or negotiation.

**Explanation.**- For the purpose of this section, “goods” means every kind of movable property, other than actionable claims, stocks, shares, money, bullion and species, and all instruments referred to in clause (a) of sub-section (1) of Section 7.”

**“11. Prohibition of employment of managing agents and restrictions on certain forms of employment.**- (1) No banking company-

- (a) shall employ or be managed by a managing agent; or
- (b) shall employ or continue the employment of any person-
  - (i) who is, or at any time has been, adjudicated insolvent or has suspended payment, or has compounded with his creditors, or who is, or has been, convicted by a criminal court of an offence involving moral turpitude; and
  - (ii) whose remuneration or part of whose remuneration takes the form of commission or a share in the profits of the company:

Provided that nothing contained in sub-clause (ii) shall apply to the payment by a banking company of-

- (a) any bonus in pursuance of a settlement or award arrived at or made under any law relating to industrial disputes or in accordance with any scheme framed by such banking company or in accordance with the usual-practice prevailing in banking business; or
- (b) any commission to any broker (including guarantee broker), cashier-contractor, clearing and forwarding agent, auctioneer or any other person, employed by the banking company under a contract otherwise than as a regular member of the staff of the company; or
- (c) shall be managed by any person-
  - (i) who is a director of any other company not being a subsidiary company of the banking company or a company registered under section 26 of the Companies Ordinance, 1984 (XLVII of 1984), except with the previous approval of the State Bank; or
  - (ii) who is engaged in any other business or vocation; or
  - (iii) who has a contract with the company for its management for a period exceeding five years at any one time:

Provide that any contract with the company for its management may be renewed or extended for a further period not exceeding five years at a time if and so often as the directors so decide:

Provided further that nothing in this clause shall apply to a director, other than the managing director, of a banking company by reason only of his being such director.

(2) Where a person holding the office of a chairman or director or manager or chief executive officer (by whatever name called) of a banking company is, or has been found by any tribunal or other authority (other than a criminal court) to have contravened the provision of any law and the State Bank is satisfied that the contravention is of such a nature that the association of such person with the banking company is or will be detrimental to the interest of the banking company or its depositors or otherwise undesirable, the State Bank may make an order that that person shall cease to hold the office with effect from such date as may be specified therein and thereupon, that office shall, with effect from the said date, become vacant.

(3) Any order made under sub-section (2) in respect of any person may also provide that he shall not, without the previous permission of the State Bank in writing, in any way, directly or indirectly, be concerned with, or take part in the management of, the banking company or any other banking company for such period not exceeding five years as may be specified in the order.

(4) No order under sub-section (2) shall be made in respect of any person unless he has been given an opportunity of making a representation to the State Bank against the proposed order:

Provided that it shall not be necessary to give any such opportunity if, in the opinion of the State Bank, any delay would be detrimental to the interests of the banking company or its depositors.

(5) Any decision or order of the State Bank made under this section shall be final for all purposes.”

**“13. Requirement as to minimum paid-up capital and reserves.-** (1) Subject to sub-section (2) no banking company shall-

- (a) commence business unless it has a minimum paid-up capital as may be determined by the State Bank; or
- (b) carry on business unless the aggregate of its capital and unencumbered general reserves is of such minimum value within such period as may be determined and notified by the State Bank from time to time for banking companies in general or for a banking company in particular.

(2) No banking company incorporated outside Pakistan shall be deemed to have complied with the provisions of sub-section (1) unless it deposits, and keeps deposits, with the State Bank an amount by transfer of funds from outside Pakistan or in the form of assets acquired out of remittable profits made by it from deposits in Pakistan which is not less than what is required to be maintained under sub-section (1), in any one or more of the following forms, namely:-

- (i) interest-free deposit in cash in Pakistan rupees;
- (ii) interest-free deposit in a freely convertible approved foreign exchange within the meaning of the State Bank of Pakistan Act, 1956 (XXXIII of 1956), specified by the State Bank in respect of such banking company; and
- (iii) deposit of un-encumbered approved securities.

(3) Without prejudice to the provisions of section 83, the State Bank may, by order in writing, require any banking company which has failed to comply with the provisions of clause (b) of sub-section (1) within the period determined and notified under that clause to deposit with the State Bank such amount not exceeding the amount by which aggregate value of the capital and unencumbered general reserves of such banking company falls short of the minimum amount of the aggregate of the capital and unencumbered general reserves required to be maintained by such banking company pursuant to clause (b) of sub-section (1) on such terms and conditions as the State Bank may determine; and every banking company which is so required shall be bound to comply with the order.

(4) Any amount deposited and kept deposited with the State Bank under sub-section (2) by any banking company incorporated outside Pakistan shall, in the event of the company ceasing for any reason to carry on banking business in Pakistan, be an asset of the banking company on which the claims of all the creditors of the banking company in Pakistan shall be a first charge.

(5) If any dispute arises in computing the aggregate value of the capital and unencumbered general reserves of any banking company, a determination thereof by the State Bank shall be final.

**Explanation.**- For the purposes of this section, (a) the expression "value" means the real or exchangeable value or, if the real or exchangeable value exceeds the nominal value, the nominal value; and (b) the expression "capital and unencumbered general reserves" means paid-up capital and such other items as may be notified in this regard by the State Bank from time to time.

**14. Regulation of paid-up capital, subscribed capital and authorized capital and voting rights of share-holders.**- (1) No banking company incorporated in Pakistan shall carry on business in Pakistan unless it satisfies the following conditions, namely:-

- (i) that the subscribed capital of the company is not less than one half of the authorized capital and the paid-up capital is not less than one half of the subscribed capital and that if the capital is increased it complies with the conditions prescribed in this clause within such period not exceeding two years as the State Bank may allow;
- (ii) that the capital of the company consists of ordinary shares and perpetual non-cumulative preference shares only <sup>1</sup>[which may be of different kinds and classes as provided by its memorandum and articles];  
<sup>2</sup>[ ]
- (iv) that the voting rights of any one shareholder, except those of the Federal Government or a Provincial Government <sup>1</sup>[or such shareholder who has been permitted by the State Bank] do not exceed five per cent of the total voting rights of all the shareholders.

<sup>1</sup>Words inserted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

<sup>2</sup>Clause (iii) deleted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

(2) Notwithstanding anything contained in any law for the time being in force or in any contract or instrument no suit or other proceeding shall be maintained against any person registered as the holder of a share in a banking company on the ground that the title to the said share vests in a person other than the registered holder:

Provided that nothing contained in this sub-section shall bar a suit or other Proceeding-

- (a) by a transferee of the share on the ground that he has obtained from the registered holder a transfer of the share in accordance with any law relating to such transfer; or
- (b) on behalf of a minor or a lunatic on the ground that the registered holder holds the share on behalf of the minor or lunatic.

(3) Every chairman, managing director or chief executive officer by whatever name called of a banking company shall furnish to the State Bank through that banking company returns containing full particulars of the extent and value of his holding of shares, whether directly or indirectly, in the banking company and of any change in the extent of such holding or any variation in the rights attaching thereto and such other information relating to those shares as the State Bank may, by order, require and in such form and at such time as may be specified in the order.

<sup>1</sup>[(4) The State Bank, if satisfied, may require any banking company by an order in writing stating reasons to increase its paid up capital or enhance the level of regulatory capital, as deemed appropriate, by such extent and within such period as may be specified in the order and the State Bank shall exercise the power reasonably, fairly and justly.]

<sup>2</sup>[(4A) Any person holding sponsor shares in a banking company shall deposit all such shares in an account opened in a central depository in the manner specified by the State Bank and shall not sell, transfer or encumber the shares in any manner whatsoever without prior written approval of the State Bank.]

(5) Notwithstanding any provisions contained in any other law for the time being in force:

- (a) if the State Bank has determined that a person is holding or is a beneficial owner of five percent or more shares of a banking company without prior approval of the State Bank or a person that acquired shareholding with prior approval of the State Bank subsequently fails to meet the fit and proper test as the State Bank may, by an order in writing stating reasons, require such person to reduce, divest or transfer to a fit and proper person, his shareholding in the banking company within such reasonable period and in such manner as may be specified in the order;

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<sup>1</sup>Sub-section (4) substituted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

<sup>2</sup>Sub-section (4A) inserted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

- (b) where a person holding five percent or more shares of a banking company is or is likely to be detrimental to the interest of the banking company or its depositors, the State Bank may, by an order in writing stating reasons, require such person to divest his shareholding to a fit and proper person. The State Bank shall exercise the power reasonably, fairly and justly; and
- (c) no order under clause (a) or clause (b) shall be made unless the person concerned has been given reasonable opportunity of making a representation to the State Bank against the proposed order;

If the State Bank is of opinion that any delay would be detrimental to the public interest or the interest of the banking company or its depositors, the State Bank may, at the time of giving the opportunity aforesaid or at any time thereafter and pending the consideration of the representation aforesaid, if any, may make an appropriate interim order, and conduct the proceedings in a reasonably expeditious manner.

The interim order may include prohibition of-

- (i) transfer of, or the carrying out of the agreement or arrangement to transfer such shares;
  - (ii) the exercise of voting rights in respect of such shares;
  - (iii) the payment of cash or stock dividends in respect of such shares; and
  - (iv) the issue of further shares to the concerned shareholder;
- (d) Where direction given under clause (a) or clause (b) is not complied with, the State Bank may dispose of such shares either through stock exchange or public auction. The sale proceeds of such shares, after deduction of any expenses incurred by the State Bank, shall be paid to the respective shareholders within a period of three months. If necessary, the State Bank may require-
    - (i) issuance of duplicate shares in place of the original shares; and
    - (ii) the <sup>1</sup>[relevant central depository] to make appropriate changes in their records; and
  - (e) any person aggrieved by the decision of the State Bank under clauses (a), (b) and (d), may prefer appeal to the <sup>2</sup>[ ] Board of Directors of the State Bank but pending decision of the proceedings, the shareholder shall not derive any benefit including dividends, right shares, voting rights, etc. from his shareholding without express permission of the <sup>2</sup>[ ] Board <sup>3</sup>[of Directors of the State Bank].

<sup>4</sup>**[Explanation.-** The expression “beneficial ownership” shall include the include the definition of “beneficial ownership of shareholders or officer of a company” given in clause (7) of sub-section (1) of section 2 of the Companies Act, 2017 (XIX of 2017).]

<sup>1</sup>Substituted for “Central Depository Company” by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

<sup>2</sup>Word “Central” deleted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

<sup>3</sup>Words inserted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

<sup>4</sup>Explanation substituted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

**15. Election of new directors.**- (1) The State Bank may, by order, require any banking company to call a general meeting of the shareholders of the company within such time, not less than two months from the date of the order, as may be specified therein or within such further time as the State Bank may allow in this behalf, to elect in accordance with the voting rights permissible under this Ordinance fresh directors, and the banking company shall be bound to comply with the order.

(2) Every director elected under sub-section (1) shall hold office until the date up to which his predecessor would have held office, if the election had not been held.

(3) Any election duly held under this section shall not be called in question in any court.

**15A. Appointment of director by the State Bank.**- Notwithstanding anything contained in the Companies Ordinance, 1984 (XLVII of 1984), or in the memorandum or articles of association of any banking company, the State Bank may appoint not more than one person to be a director of a banking company, whether or not he holds any qualification shares.

<sup>1</sup>[       ]

<sup>2</sup>**15C. Fitness and propriety.**- (1) Every person holding sponsor shares in a banking company, director, managing director or chief executive officer, by whatever name called, and such other officer of a banking company, as may be specified by the State Bank, shall be required to meet the fit and proper test specified by the State Bank from time to time.

(2) Every person to whom the fit and proper test applies and the banking company concerned shall furnish to the State Bank all information and any change in the information furnished earlier, in such form and manner as may be required by the State Bank.

(3) If the State Bank determines that a person holding the office of director, managing director or chief executive officer, by whatever name called, or any other officer of a banking company to whom the fit and proper test applies, subsequently fails to meet any terms or conditions of the test, the State Bank may, without prejudice to any other power conferred on it under this Ordinance, issue warning, or withdraw the fit and proper clearance of such person by an order in writing stating the reasons thereof and such person shall vacate the office held from the effective date of such an order:

Provided that the State Bank has given an opportunity of hearing if sought by the person, to make representations or file objections in respect of the State Bank's decision regarding their fit and proper test application:

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<sup>1</sup>S. 15B deleted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

<sup>2</sup>S. 15C substituted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

Provided further that no order for withdrawal of fit and proper clearance shall be made under this sub-section unless the concerned person has been given a reasonable opportunity of making a representation to the State Bank against the said order, and if the State Bank is of the opinion that any delay would be detrimental to the public interest or the interest of the banking company or its depositors, the State Bank may, at the time of giving the opportunity aforesaid or at any time thereafter and pending the consideration of the representation aforesaid, if any, make an appropriate interim order. The aggrieved person shall have the right to appeal to the Board of Directors of the State Bank whose decision shall be final.]

**16. Restriction on commission, brokerage, discount, etc. on sale of shares.-** Notwithstanding anything to the contrary in sections 105 and 105A of the Companies Ordinance, 1984 (XLVII of 1984), no banking company shall pay out directly or indirectly by way of commission, brokerage, discount or remuneration in any form in respect of any shares issued by it, any amount exceeding in the aggregate two and one-half per cent of the paid-up value of the said shares.

**17. Prohibition of charge on unpaid capital.-** No banking company shall create any charge upon any unpaid capital of the company and any such charge, if created, shall be invalid.

**18. Prohibition of floating charge on assets.-** (1) Notwithstanding anything contained in section 7 no banking company shall create a floating charge on the undertaking or any property of the company or any part thereof, unless the creation of such floating charge is certified in writing by the State Bank as not being detrimental to the interest of the depositors of such company.

(2) Any such charge created without obtaining the certificate of the State Bank shall be invalid.

(3) Any banking company aggrieved by the refusal of a certificate under subsection (1) may, within ninety days from the date on which such refusal is communicated to it, appeal to the Federal Government.

(4) The decision of the Federal Government where an appeal has been preferred to it under subsection (3) or of the State Bank where no such appeal has been preferred shall be final.

**19. Restrictions as to payment of dividend.-** (1) No banking company shall pay any dividend on its shares until all its capitalised expenses (including preliminary expenses, organisation expenses, shareselling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off.

(2) Notwithstanding anything to the contrary contained in subsection (1) or in the Companies Ordinance, 1984 (XLVII of 1984), a banking company may pay dividends on its shares without writing off-

- (i) the depreciation, if any, in the value of its investment in approved securities in any case where such depreciation has not actually been capitalised or otherwise accounted for as a loss;

- (ii) the depreciation, if any, in the value of its investments in shares, debentures or bonds (other than approved securities) in any case where adequate provision for such depreciation has been made to the satisfaction of the auditor of the banking company;
- (iii) the bad debts, if any, in any case where adequate provision for such debts has been made to the satisfaction of the auditor of the banking company.

(3) Notwithstanding anything in sub-section (1) or in the Companies Ordinance, 1984 ( XLVII of 1984), if a banking company meets the minimum capital requirement and capital adequacy ratio as specified by State Bank from time to time, and has also accounted for the portion of capitalized expenses, goodwill etc., for the year to the satisfaction of the auditor of the banking company, it shall also be eligible for payment of dividend out of profits of the banking company for the said year.

(4) If the State Bank is satisfied that conditions are not favourable for such payment, or the financial position of a banking company so warrants, it may, by order in writing stating reasons, restrict or prohibit any banking company from paying dividends to its shareholders for such period as may be specified in the order and the State Bank shall exercise the power reasonably, fairly and justly.

(5) No order shall be made unless the banking company concerned has been given an opportunity of making a representation to the State Bank and where the State Bank is of the opinion that any delay would be detrimental to the public interest or the interest of the banking company or its depositors, the State Bank may, at the time of giving the opportunity aforesaid or at any time thereafter and pending the consideration of the representation aforesaid, if any, make an appropriate interim order.”

**“21. Reserve Fund.-** (1) Every banking company incorporated in Pakistan shall create a reserve fund to which shall be credited-

- (a) if the amount in such fund together with the amount in the share premium account is less than the paid-up capital of the banking company, a sum equivalent to not less than twenty per cent of the balance of profit of each year as disclosed in the profit and loss account prepared under section 34 and before any dividend is declared; and
- (b) if the amount in such fund together with the amount in the share premium account is equal to or exceeds the paid-up capital of the banking company, a sum equivalent to not less than ten per cent of the balance of profit disclosed as aforesaid and before any dividend is declared.

(2) Where a banking company appropriates any sum or sums from the reserve fund or the share premium account, it shall, within twenty-one days from the date of such appropriation, report the fact to the State Bank explaining the circumstances relating to such appropriation:

Provided that the State Bank may, in any particular case, extend the said period of twenty-one days by such period as it thinks fit or condone any delay in the making of such report.

**22. Cash Reserve.**- Every banking company, not being a schedule bank, shall maintain by way of cash reserve in cash with itself, or in current account opened with the State Bank or its agent or partly in cash with itself and partly in such account or accounts a sum equivalent to at least two per cent of its time liabilities in Pakistan and five per cent of its demand liabilities in Pakistan and shall submit to the State Bank before the fifteenth day of every month a return showing the amount so held on Thursday of each week of the preceding month with particulars of its time and demand liabilities in Pakistan on each such Thursday or if any such Thursday is a public holiday under the Negotiable Instruments Act, 1881 (XXVI of 1881), at the close of business on the preceding working day.”

**“24. Restrictions on loans and advances.**- (1) No banking company shall-

- (a) make any loans or advances against the security of its own shares; or
- (b) grant unsecured loans or advances to, or make loans and advances on the guarantee of,-
  - (i) any of its directors;
  - (ii) any of the family members of any of its directors;
  - (iii) any firm or private company in which the banking company or any of the persons referred to in sub-clause (i) or sub-clause (ii) is interested as director, proprietor or partner; or
  - (iv) any public limited company in which the banking company or any of the persons as aforesaid is substantially interested.

(2) No banking company shall make loans or advances to any of its directors or to individuals, firms or companies in which it or any of its directors is interested as partner, director or guarantor, as the case may be, without the approval of the majority of the directors of that banking company, excluding the director concerned.”

**“29. Maintenance of liquid assets.**- (1) Every banking company “and every financial institution specified in section 3A” shall maintain in Pakistan in cash, gold or unencumbered approved securities valued at a price not exceeding “the lower of the cost or” 1 the current market price an amount which shall not at the close of business on any day be less than “such percentage” 1 of the total of its time and demand liabilities in Pakistan, as may be notified by the State Bank from time to time.

Provided that the State Bank may separately specify for banking companies or financial institutions the applicable percentage either in general or in relation to any class of banking companies or any class of financial institutions or to any bank or financial institution in particular <sup>1</sup>[:]

<sup>1</sup>[Provided further that the State Bank may, from time to time, specify the types of assets mentioned in this sub-section which shall not be eligible for the maintenance of liquid assets.]

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<sup>1</sup>Full stop substituted and proviso inserted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

**Explanation.-** For the purpose of this section, “unencumbered approved securities” of a banking company “or financial institution” shall include its approved securities lodged with another institution for an advance or any other credit arrangement to the extent to which such securities have not been drawn against or availed of ‘and the liabilities shall not include the paid up capital or the reserves or any credit balance in the profit and loss account of the Banking company or, as the case may be, the financial institution or any such liabilities as may be notified by the State Bank for the purposes of this section.

(2) In computing the amount provided for in sub-section (1), any deposit required under the proviso to sub-section (2) of section 13 to be made with the State Bank by a banking company incorporated outside Pakistan and any balances maintained in Pakistan by a banking company in current account with the State Bank or its agent or both, {or in profit and loss sharing term deposit account with the State Bank,} including in the case of a scheduled bank the balance required to be so maintained under subsection (1) of section 36 of the State Bank of Pakistan Act, 1956 (XXXIII of 1956), shall be deemed to be cash maintained.

(3) Every banking company shall, before the close of the month succeeding the month to which the return relates, furnish to the State Bank a monthly return in the prescribed form and manner showing particulars of the company’s assets maintained in accordance with this section and its time and demand liabilities in Pakistan at the close of business on each Thursday during the month, or if any Thursday is a public holiday under the Negotiable Instruments Act, 1881 (XXVI of 1881), at the close of business on the preceding working day.

(4) The cash deposited by a banking company or financial institution under sub-section (1) and by a scheduled bank under the State Bank of Pakistan Act, 1956 (XXXIII of 1956) shall be deemed to be part of the assets of the banking company but shall not be subject to any encumbrance, nor shall it be available for the discharge of any liability of the banking company or financial institution other than the order of liquidation made by the High Court under this Ordinance, nor shall the said cash deposit be available to attachments in execution of any decree or recoverable under Order of any authority under any law for the time being in force, except any claim of the State Bank.”

**“34. Accounts and balance-sheet.-** (1) At the expiration of each calendar year every banking company incorporated in Pakistan, in respect of all business transacted by it, and every banking company incorporated outside Pakistan, in respect of all business transacted through its branches in Pakistan, shall prepare with reference to that year a balance-sheet and profit and loss account as on the last working day of the year in the forms set out in the Second Schedule or as near thereto as circumstances admit.

(2) The balance sheet and profit and loss account shall be signed.-

- (a) in the case of a banking company incorporated in Pakistan, by the manager or the principal officer of the company and where there are more than three directors of the company, by at least three of those directors, or where there are not more than three directors, by all the directors, and
- (b) in the case of a banking company incorporated outside Pakistan by the manager or agent of the principal office of the company in Pakistan and by another officer next in seniority to the manager or agent.

(3) Notwithstanding that the balance sheet of a banking company is under sub-section (1) required to be prepared in a form other than <sup>1</sup>[the Companies Act, 2017 (XIX of 2017)], the requirements of that Act relating to the balance sheet and profit and loss account of a company shall, in so far as they are not inconsistent with this Ordinance, apply to the balance-sheet or profit and loss account, as the case may be, of a banking company.

(4) The State Bank may, after giving not less than fifteen days notice <sup>2</sup>[by posting on its website] of its intention so to do, from time to time by a <sup>3</sup>[circular], amend the forms set out in the Second Schedule.

**35. Audit.**- (1) The balance sheet and profit and loss account prepared in accordance with section 34 shall be audited by a person who is duly qualified, under the Chartered Accountants Ordinance, 1961 (X of 1961), or any other law for the time being in force, to be an auditor of companies and is borne on the panel of auditors maintained by the State Bank for the purposes of audit of banking companies. The State Bank shall classify the panel of auditors, so maintained, in different categories for different banking companies keeping in view the scope and size of such banking companies.

(2) An auditor shall hold office for a period of three years and shall not be removed from office before the expiry of that period except with the prior approval of the State Bank.

(3) If the State Bank is not satisfied with the performance of the auditor of a banking company or the auditor has not fulfilled any of the requirements laid down in this section the State Bank after giving the auditor an opportunity of being heard may,-

- (a) revoke the appointment of external auditors of the banking company;
- (b) downgrade the category of the auditor in the panel of the auditors; and
- (c) remove the auditor from the panel of the auditors for a maximum period of five years.

(4) The auditors shall report all the matters of material significance to State Bank and reporting of such information and material shall not constitute breach of confidentiality under any law for the time being in force.

(5) The State Bank may, from time to time, lay down guidelines for the audit of banking companies and the auditors shall be bound to follow those guidelines.

(6) Subject to the provisions of sub-section (3), the auditor shall have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed on, auditors of companies by section 145 of the Companies Ordinance, 1984 (XLVII of 1984).

(7) In addition to the matters which, under the aforesaid Act and the guidelines laid down by the State Bank under sub-section (3), the auditor is required to state in his report, he shall also state-

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<sup>1</sup>Substituted for "the form marked 'F' in the Third Schedule to the Companies Act 1913" by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

<sup>2</sup>Words inserted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

<sup>3</sup>Substituted for "notification in the official Gazette" by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

- (a) whether or not the information and explanations required by him have been found to be satisfactory;
- (b) whether or not the transactions of the banking company which have come to his notice have been within the powers of the banking company;
- (c) whether or not the returns received from branch offices of the banking company have been found adequate for the purposes of his audit;
- (d) whether the profit and loss account shows a true balance of profit and loss for the period covered by such account; and
- (e) any other matter which he considers should be brought to the notice of the shareholders of the banking company.

<sup>1</sup>**36. Submission of returns.**- The accounts and balance-sheet referred to in section 34 together with the auditor's report as passed in the Annual General Meeting shall be published in the manner specified by the State Bank, and three copies thereof shall be furnished as returns to the State Bank within three months of the close of the period to which they relate:

Provided that the State Bank may in special circumstances either of its own motion or on the application of a banking company, extend the said period of three months for the furnishing of such returns by such further period as it deems appropriate, so however that the total period of each extension shall not exceed one year.]

**37. Copies of Balance Sheet and Accounts to be sent to Registrar.**- Where a banking company in any year furnishes its balance sheet and accounts in accordance with the provisions of section 36 it may, or when it is a private company, shall, at the same time send to the registrar three copies of such balance sheet and accounts and of the auditor's report, and where such copies are so sent, it shall not be necessary for the company, to file copies of the balance sheet and accounts with the registrar as required by sub-section (1) of section 134 of the Companies Ordinance, 1984 (XLVII of 1984), and such copies so sent shall be chargeable with the same fees and shall be dealt with in all respects as if they were filed in accordance with that section.

**38. Display of audited balance sheet by banking companies incorporated outside Pakistan.**- Every banking company incorporated outside Pakistan shall, not later than the first Monday in August of any year in which it carries on business, display in a conspicuous place in its principal office and in every branch office in Pakistan, a copy of its last audited balance sheet and profit and loss account prepared under section 34 and shall keep it so displayed until replaced by a copy of the subsequent balance sheet and profit and loss account so prepared and every such banking company shall in addition display in like manner copies of its complete audited balance sheet and profit and loss account relating to its banking business as soon as they are available and shall keep the copies so displayed until copies of such subsequent accounts are available.”

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<sup>1</sup>S. 36 substituted by Banking Companies (Amendment) Act, 2024 dated October 31, 2024.

- a. The promoters and major shareholders;
  - b. the directors of the CRC; and
  - c. the chief executive of the CRC.
2. A proposed director or chief executive of the CRC shall not assume the charge of office until their appointment has been approved by the Commission.
  3. The application for seeking approval of the Commission under clause (2) shall be submitted by the CRC along with the requisite information required under Annexure "A" and an Affidavit as specified in Annexure "B" of the Circular.
  4. The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:
    - a. Integrity and track record of such person;
    - b. Financial soundness of such a person;
    - c. Competence and capability of the person; and
    - d. Conflict of interest of such person with the business of the CRC.

Provided that clause 4(c) and 4(d) may not be considered while assessing the fitness & propriety of promoters and major shareholders of the CRC.

Provided further that in case the sponsor and major shareholder is a body corporate, in addition to the relevant/applicable clauses, corporate behavior of the said body corporate and integrity & track record of the sponsor and ultimate beneficial owners of such corporate body shall be duly considered.

*Explanation:-* For the purpose of this clause, the term "ultimate beneficial owner" shall have the similar meaning as defined under 123A of the Companies Act, 2017.

5. The Fit and Proper Criteria is perpetual in nature and a CRC shall ensure compliance with the provisions of Fit and Proper Criteria at all times.
  - vi. has been convicted in criminal breach of trust, fraud, offences of terrorism financing or money laundering including predicate offences as provided in the Anti-Money Laundering (AML) Act, 2010, laws made thereunder, or any other AMLI CFT (Countering Financing of Terrorism) requirements notified by the Commission, and is a "proscribed person", either convicted or not, as mentioned in the notifications issued by the Ministry of Foreign Affairs on United Nations Security Councils Resolutions or intimation from National Counter Terrorism Authority/ Law Enforcement Agencies/ Home Departments of Provinces/ Ministry of Interior.
- b. Financial Soundness-** In determining a person's financial soundness, the following shall be considered:
  - i. whether such person's financial statements or record including wealth statements or income tax returns or assessment orders are available;
  - ii. whether the person has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;
  - iii. whether any instance of overdue or past due payment to a financial institution, irrespective of amount, is appearing in the overdue column of latest CIB report of the person and of the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc.

Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment;

Provided further that the following exceptions may be granted by the Commission for the purpose of this sub-clause in case where:-

- (a). Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIB report; and
  - (b). No overdue payment appearing in the overdue column in the subsequent latest CIB report;
  - iv. whether the person has applied to be adjudicated as an insolvent and his application is pending;
  - v. whether the person is an un-discharged insolvent; and
  - vi. whether the person has been declared a defaulter by a stock exchange.
- c. Competence and Capability-** In determining a person's competence and capability the following shall be considered:

Annexure-A

- a. Information to be provided by promoters, major shareholders (other than a body corporate), proposed directors and proposed chief executive officer of the CRC:-

Annexure-B

Affidavit

Before the Securities and Exchange Commission of Pakistan”  
***(Annexure A & B not reproduced here for the sake of brevity)***

**Effect of memorandum and articles.-** Following is the text of SRO 464(I)/2024 dated March 17, 2024:-

“In exercise of the powers conferred under sub-section (2) of section 17 read with section 510 of the Companies Act, 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan is pleased to notify that,-

- (i) all moneys payable by a subscriber in pursuance to undertaking in Memorandum & Articles of Association shall be payable in cash, through banking channel, immediately after incorporation of the company but not later than a period of thirty (30) days from the date of incorporation.
- (ii) the company shall upon receipt of shares subscription money by each subscriber in full, proceed for issuance of physical share certificates and/or in book entry form through the central depository as the case may be, in compliance to applicable laws.
- (iii) in case of any impediment in receipt of shares subscription money, the company shall report such circumstances to the registrar within thirty (30) days of the incorporation of the company and shall proceed further in accordance with the direction issued by the Registrar under the Companies Act, 2017.”

**Circular for 10% increase of fees in Seventh Schedule of the Companies Act. 2017.-** Following is the text of SECP's Circular No. 13 of 2024 dated May 15, 2024:-

“Attention is invited towards S.R.O. 500(I)/2023 dated 20th April, 2023 for alteration in the Seventh Schedule to the Companies Act, 2017 (XIX of 2017) (the “Act”).

2. The Securities and Exchange Commission of Pakistan in exercise of its powers conferred by sub-section (2) of section 507 of the Act made certain amendments to the Seventh Schedule of the Act through aforementioned notification.
3. In pursuance of the above, the fees mentioned in;
  - (a) sub items (1), (2) and (8) of item I;
  - (b) sub-item (7) of item II;
  - (e) sub-item (7) of item III; and
  - (d) sub item (5) of item IVof the Seventh Schedule of the Act are subject to a 10% increase after lapse of one year from the date of said notification i.e. 20th April 2023.
4. Therefore, it is informed that the fees mentioned in the aforesaid items of the Seventh Schedule to the Act have been increased by 10% from 21st April, 2024.
5. This circular is being issued for information and compliance.”