

The Companies Ordinance, 1984

The bill proposed the term “Authority” to be replaced with the term “Commission” wherever occurring in the Ordinance.

Section 2

Section 2 “Definitions” is proposed to be amended as follows:

Clause (5) and (14)

The Bill proposed Clause (5) and (14) to be amended to include all mediums of storage such as paper, computer network, floppy diskette, magnetic tape, or any other digital or non-digital media.

Clause 26 sub-clause (b)

The bill proposed Clause (26) sub-clause (b) to be amended to recognize the powers of the Securities and Exchange Commission of Pakistan, to prescribe rules and regulations in addition to the Federal Government.

clause (30B)

The bill proposed to add a new clause (30B) to define the term “Register” to mean register of members, debentureholders or holders of any other securities irrespective of its medium of storage or retrieval.

Sub-section (2) of Section 24

Sub-section (1) of Section 30

Section 466

The bill proposed these sections to be amended to omit the specific requirements relating to the filing of copies of Memorandum of Association with the Registrar (s) in the city and province where the company’s registered office is situated.

Section 95

The bill proposed section 95 “Prohibition of purchase or grant of financial assistance for purchase of its own or its holding company’s shares” to be amended to provide that the subsidiary may undertake the business of trusteeship except where its holding company is beneficially interested under the trust and dealing in the shares of its holding company in the ordinary course of its business where the subsidiary is engaged in the business of brokerage, provided that such subsidiary shall not exercise the voting rights attached to such shares.

Section 158

The bill proposed to reduce the period of holding the AGM from existing “four” months to “three” months and to reduce the period of extension from “sixty” days to “thirty” days. Consequential amendment is also proposed in Section 233 relating to “Annual Accounts and balance sheet”.

Section 178A

The bill proposed a new Section 178A “Fresh election of directors on request of substantial acquirer” to be added to facilitate a person acquiring 12.5 percent or more of voting shares of a listed company to get proportionate representation on the board of the acquired company. The person requesting such election shall be required to hold such shares for a minimum period of one year from the date of election.

Section 183

The bill proposed to include directors representing the Commission also within the scope of exemption.

Section 204A

The bill proposed a sub-section to be added which requires listed companies to have “independent share registrars” having qualifications and performing functions as specified by the Commission.

Section 208

The bill proposed to amend section 208 by insertion of a new sub section 2A to grant powers to the Commission to exempt any class of companies from restrictions provided in the section and to frame regulations for the purpose. Consequent to the addition of this new sub-section, subsection 4 is also proposed to be deleted which currently provide exemptions to the following from application of this section:

- a banking company;
- any other financial institution approved by the commission;
- a private company which is not a subsidiary of public company; and
- a company whose principal business is the acquisition of shares, stock, debentures or other securities.

The bill also propose to enhance the maximum limit of fine for the violations under the Section from “one” million rupees to “ten” million rupees.

Section 234A

The bill propose to add a new Section 234A “Special Audit” to facilitate special audits of the companies to scrutinize the affairs of the companies in detail and to issue appropriate directions consequent to the report of such special audits. The Commission on its own motion or on application by members holding not less than twenty percent voting rights can initiate such special audits. The amendment further proposes that the requirement of Section 255 “Powers and Duties of auditors” shall apply mutatis mutandis to the special audits under this new section.

Section 242

The bill proposed to amend section to require private companies having paid up capital in excess of Rs. 7.5 million to also file copies of accounts with the registrar.

Sections 246

The bill proposed this section to be amended providing overriding power to the Commission to require any company or class of companies to prepare and send, as required, duly audited periodical statement of accounts, information and reports in specified form. The limit of fine for non-compliance is also proposed to be increased.

Section 248

The bill proposed the section 248 “Certain restrictions on declaration of dividends” is proposed to be amended to prohibit dividend out of unrealized gain on investment properties taken to the profit and loss account in compliance with the approved accounting standards.

Section 254

The bill proposed section 254 “Qualification and disqualification of auditors” is proposed to be amended to clarify that the auditors would not be deemed to be indebted to the issuer of credit card if the outstanding balance does not exceed Rs. 500,000 or where the utility bills unpaid are not overdue by ninety days.

Section 255

The bill proposed to amend the section to transfer the power of the Federal Government to the Commission to require auditors to specify additional matters in their report.

Section 267

The bill proposed section 267 "Power of inspectors to carry investigations into the affairs of the associated companies" to be amended by removing the requirement of giving opportunity to show cause to the body corporate or chief executive concerned prior to giving approval under this section.