

**Revival, rehabilitation of distressed companies, SECP issues strict code of conduct for insolvency experts**

The Securities and Exchange Commission of Pakistan (SECP) has issued strict code of conduct for insolvency experts for revival and rehabilitation of distressed companies. In this regard, the SECP has issued the code of conduct for insolvency experts through Corporate Rehabilitation Regulations, 2019 issued under Corporate Rehabilitation Act, 2018.

According to the code of conduct (Integrity, Independence & Professionalism of Insolvency Experts), an insolvency expert must act with honesty, should be straightforward and maintain integrity in all professional relationships. An insolvency expert must not misrepresent any facts or situations and should abstain from any action, directly or indirectly, that would bring disrepute to the profession. An insolvency expert should not acquire, directly or indirectly, any of the assets of the debtor, nor knowingly permit any relative to do so.

An insolvency expert must ensure complete independence in his professional relationships while performing his/her duties and responsibilities under the Act, the SECP said.

An insolvency expert must avoid conflict of interest and act with objectivity in his professional dealings. He/she must act without any prejudice, coercion, or influence of any party, whether directly associated to the insolvency proceedings or not.

An insolvency expert shall not take up an assignment under the Act if he, any of his relatives, any of the partners or directors of his firm/company of which he is a partner or director, or the firm/company of which he is a partner or director is not independent and there is any direct or indirect conflict of interest.

Under the code, an insolvency expert shall make a declaration of existence of any pecuniary or personal relationship with any of the stakeholders or parties having interest in the rehabilitation process, to the person filing the petition for rehabilitation, administration committee(s), and the court.

An insolvency expert shall not, directly or indirectly, influence the administration committee(s) of creditors or debtor or other stakeholders so as to make any undue or unlawful gains for himself or his related parties, or cause any undue preference for any other persons for undue or unlawful gains and shall not adopt any illegal or improper means to achieve any mala fide objectives.

According to the SECP's code of conduct (Competence and Due Care), an insolvency expert must engage in continuous professional development activities to further improve professional knowledge and skills based on the latest developments in practice as well as legislation.

An insolvency expert, while providing professional services, should act diligently and in accordance with the relevant laws and regulations, and applicable technical and professional standards. He/she should conduct himself/herself with courtesy and consideration towards all with whom they come into contact when performing their work.

An insolvency expert must not accept too many assignments, if he is unlikely to be able to devote adequate time to each of his assignments. An insolvency expert must not act with mala fide or be negligent while performing his functions and duties under the Act.

According to the SECP's code of conduct (confidentiality clause), an insolvency expert must preserve the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without specific consent of the relevant person(s) unless there is a legal or professional right or duty to disclose.

The confidential information acquired as a result of professional and business relationships should not be used by the insolvency expert for his/her personal advantage or for advantage of any third party.

According to the SECP's code of conduct (faithful representation of insolvency expert), an insolvency expert must inform all relevant stakeholders of a misapprehension or wrongful consideration of a fact of which he becomes aware, as soon as practicable. An insolvency expert must not conceal any material information or knowingly make a misleading statement to any stakeholder or the court.

The SECP's code of conduct (meeting timelines and maintenance of records by the insolvency experts) revealed that an insolvency expert must follow the timelines prescribed under the law or as directed by the court, carefully plan his/her actions and communicate with all stakeholders well in advance for timely discharge of his/her duties. An insolvency expert must ensure that all communication to the stakeholders, as required under the law, is made well in advance.

The SECP said that an insolvency expert must maintain chronological records for any actions/decision taken, reasons thereof and supporting information and evidence. The record maintained should be sufficient for an independent and informed third party to reach a view on the fitness of the decisions/actions of the insolvency expert. An insolvency expert must not make any private communication with any of the stakeholders unless required by the law or order of the court.

The SECP's code of conduct (remuneration, gifts and hospitality provision) said that an insolvency expert shall not accept any fees or charges other than those which he/she is entitled to receive in the manner provided in the Act and the regulations. An insolvency expert shall disclose all costs incurred, as allowed under the Act, to performs his/her functions under the Act to all relevant stakeholders and must endeavour to ensure that such costs are not unreasonable. An insolvency expert, or his relative, must not accept gifts or hospitality which undermines or affects his/her independence as an insolvency expert. An insolvency expert shall not offer gifts or hospitality or a financial or any other advantage to a public servant or any other person, intending to obtain or retain work for himself, or to obtain or retain an advantage in the conduct of profession for himself, the SECP added.

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