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### **Rules notified for rehabilitation of sick companies**

KARACHI: The Securities and Exchange Commission of Pakistan (SECP) with the approval of the federal government has notified the Corporate Restructuring Companies Rules, 2019.

The enactment of Rules provided institutional arrangements and legal processes for the revival and rehabilitation of potentially viable companies.

The Rules were notified in terms of section 15 of the Corporate Restructuring Companies Act, 2016. Earlier, the Act was passed by the Parliament to provide for the establishment, licensing and regulation of corporate restructuring companies and the manner in which they carry on business.

The new law as introduced is perceived as a revolutionary step in acquisition, management, restructuring and resolution of non-performing assets of financial institutions besides restructuring reorganization, revival and liquidation of financially distressed companies and their businesses. Generally, corporate restructuring happens when a corporate entity is experiencing significant problems and is in financial jeopardy.

The provisions of section 4 of the Act provides that no corporate restructuring company shall be incorporated or carry on business unless it holds a licence from the Commission and register as a public limited company.

The corporate restructuring companies shall be responsible to acquire and to manage and restructure or dispose of distressed companies, their businesses and properties. The restructuring companies shall also support and raise finances for rehabilitation, restructuring, reorganization or liquidation of distressed companies businesses and their properties.

The new law will enable the financial institutions to transfer its non-performing assets to a corporate restructuring company along with all titles, rights, privileges and remedies available and attached to such assets for its proper management.

Globally, the process of corporate restructuring is considered instrumental to eliminate the financial crisis and enhance the corporation performance. Usually, the corporations facing the financial crunches hires a financial and legal expert for advisory and assistance. In the modern era, the management of the distressed corporations in order to improve its performance and to focus on its core strategy, dispose of non-performing assets and businesses which do not align with its core strategy.

The Corporate Restructuring Companies Law is seen by many as instrumental in turnaround of the sick industry in Pakistan.