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Our Correspondent

SECP unveils rules to revive sick units

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) on Saturday unveiled new rules to pave the way for revival and liquidation of financially-distressed companies and businesses.

The SECP said it has notified the Corporate Restructuring Companies Rules, 2019 with the approval of the federal government.

"The enactment of rules provides institutional arrangements and legal processes for the revival and rehabilitation of potentially viable companies," the commission said in a statement. "The rules were notified in terms of section 15 of the Corporate Restructuring Companies Act 2016."

The parliament and then president ratified the corporate restructuring law to provide for the establishment, licencing and regulation of corporate restructuring companies and the manner in which they carry on business.

"No Corporate restructuring company shall carry on business unless it is established as a public limited company under the ordinance and holds a licence issued in this behalf by the commission and any such licence may be issued subject to such general or special conditions and upon payment of such fees as the commission may deem fit to impose," read the law.

The SECP said the new law is a revolutionary step in acquisition, management, restructuring and resolution of non-performing assets of financial institutions in addition to restructure, reorganise, revive and liquidate financially-distressed companies and their businesses. "Generally, corporate restructuring happens when a corporate entity is experiencing significant problems and is in financial jeopardy."

The commission said 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," it said. "The restructuring companies shall also support and raise finances for rehabilitation, restructuring, reorganisation or liquidation of distressed companies businesses and their properties."

The SECP said the new law would 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.

On transfer of non-performing assets, the act said a financial institution may, with the prior approval of its board of directors, transfer and assign its non-performing assets to a corporate restructuring company, other than a corporate restructuring company established, owned or controlled by such financial institution or its affiliates, by entering into a transfer and assignment agreement with it on such terms and conditions as may be mutually agreed upon between them.

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 hire 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,” the commission said.