

SECP eases Companies Regulations, 2018

ISLAMABAD: The Securities and Exchange Commission of Pakistan's (SECP) policy board has approved changes in the Companies (Further Issue of Shares) Regulations, 2018, to facilitate capital formation, while certain restrictive requirements, were substantially removed, it said on Tuesday.

The policy board, led by its chairman Professor Khalid Mirza, gave these approvals in a

meeting. An SECP notification said major amendments in the abovementioned law included: omission of the provision restricting more than one rights issue within a period of 12 months, underwriting requirements for rights issue, requirement for preparation and submission of financial projections to the commission in case of rights issues.

Moreover, the changes were also made in the mechanism for pricing the further issues either at premium or at discount, and information and documents currently required to be submitted along with applications for seeking approval of the commission to issue further share capital without rights offer, preference shares, and Employees Stock Option Schemes.

The statement said the board was concerned over attachment of the SECP officials to Law Enforcement Agencies (LEAs). "LEAs should respect SECP's position as covered by Section 41B of SECP Act, 1997 (the Act)," the board reiterated. It urged the commission to seek recovery of files impounded by one of the agencies. Federal Investigation Agency (FIA) on the night of 26 December 2018 had raided the SECP office and confiscated some documents.

During the meeting the board urged the commission to take steps to broaden capital market and address ills of monopolisation gnawing at the vitals of the market and stunting its growth — the exchange, the depository, the clearing house etc were all monopolies.

The board also observed the market needed to grow in terms of number, size, and variety of trading platforms, supporting institutions, intermediaries, supply of issues, and investors.

"The market's size, reach, diversity and innovation have to substantially expand to allow for genuine competition in all aspects; and it is only then that the market will be able to play its role of promoting economic wellbeing through mobilisation and allocation of resources on a risk adjusted basis," the statement quoted the board meeting as saying.

Further, amendments to Section 186/187, empowering corporate boards to appoint CEOs in all cases were approved to be incorporated in the Companies Act, 2017 to be proposed to the government.

Also, amendments to sections 42 and 43, substantially removing the onerous requirements with respect to licensing and liquidation of section 42 companies were approved.

The board also approved the commission's plan for merging the Securities Act with the Futures Act together with the required rationalization / simplification. It also asked for a review

of the LLP Act with the objective of eventual substantial rationalization / simplification of this statute.