BUSINESS RECORDER
Founded by M.A. Zuberi

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RECORDER REPORT

Repatriation of disinvestment proceeds, New mechanism to boost investor confidence: SBP

KARACHI: The State Bank of Pakistan (SBP) Tuesday said the new mechanism for repatriation of disinvestment proceeds will increase the investor confidence and would facilitate the local companies in particular the start-ups to attract more foreign investment for their businesses.

The SBP has recently introduced a transparent mechanism with complete delegation to banks for remitting disinvestment proceeds to facilitate foreign direct investment. The new mechanism will enable companies in Pakistan to conveniently remit out disinvestment proceeds to their foreign shareholders.

The goal of this initiative is to make Pakistan a more attractive place for investment by increasing investors' confidence and support ease of doing business. The new mechanism also incorporates feedback received from investors and other stakeholders.

As per the previous mechanism, a designated bank required prior approval of the State Bank for remittance of disinvestment proceeds above market value, for listed securities and, above breakup value, for unlisted securities. This requirement presented numerous constraints for investors.

Under the new mechanism, the bank designated by the company has been delegated the authority to remit the entire disinvestment proceeds to non-resident shareholders, upon submission of required documents, by following a convenient mechanism without referring the case to SBP. The number of required documents would be in accordance with the size of the transaction.

According to SBP, for disinvestment proceeds not exceeding the market value/break-up value, the required documents would include copy of Share Purchase Agreement, broker's memo in case of quoted shares/break-up value certificate of a QCR rated practicing Chartered Accountant in case of unlisted shares, latest audited financials of the company, signed M-Form, and an undertaking from the buyer that in case the transaction is between related parties, the same has been concluded at an arms-length basis.

For disinvestment proceeds exceeding the market value/break-up value, the additional required documents would include a detailed valuation/transaction due diligence by the buyer showing basis, methodology and key valuation metrics used for valuation. In case the total remittance of disinvestment proceeds exceeds US Dollar 50 million (or equivalent in other currencies) during a span of six months, the applicant shall also submit an independent review of the buyer's valuation, from QCR rated practicing chartered accountant, which shall be assessed by the designated bank without needing to send to the SBP.