



Publisher: S.A. Salam Publications UK, 19 Cheetham Hill Road, Manchester, United Kingdom
Sales Offices in Pakistan: 1st Floor, Salam Chambers, 22-Link Mcleod Road., Lahore.
LAHORE. Ph: 37226953, 37223044, 0307-4695380, 0300-8408932. Email: lhr@sasalam.com.pk
KARACHI: 2nd Floor, Panorama Centre-I, Fatima Jinnah Rd. Tel: 35641410, 35437701, 0333-2209862.
ISLAMABAD: and other regions: through Lahore Tel: 042-37226953, 0300-8408932, 0307-0084620

S. A. SALAM's Company Law Handbook

06th Update – June 30, 2023

Please find enclosed **100** updated pages so as to complete and update your copy of the Book. Kindly insert as follows:-

Existing Pages to be removed	Updated Pages to be inserted	Existing Pages to be removed	Updated Pages to be inserted
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Company Law Handbook

1, 2	1, 2
271 to 274	271 to 274
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605 to 624	605 to 624
657 to 705	657 to 706
805 to 812	805 to 812

Yours sincerely,

Abdul Rab Khan
Manager

Note from the Author

It gives me great pleasure to complete the 6th update of Company Law Handbook. This update covers:

-SRO's: 378(I)/2023, 530(I)/2023, 592(I)/2023, 627(I)/2023, SBP FPD Cir 7 of 2023 & PSX Chapter 5.

These are briefly explained as follows:-

1. On pages 271 onwards, in the **First Schedule** to the Companies Act, 2017, the Model Memorandum and Articles of Association Tables B (Co. Ltd by Shares), C (Co. Ltd by Guarantee Not Having Shares), D (Co. Ltd by Guarantee Having Shares) & E (Unlimited Co. Having Shares) have been amended by **SRO 378(I)/2023** dated March 17, 2023.
2. On page 318, Regulation 20A has been added in the **Companies (General Provisions and Forms) Regulations, 2018** by **SRO 627(I)/2023** dated May 22, 2023. This is re: **Approval of capital expenditure and disposal of assets by the board.**
3. On page 345 onwards, Regulation 15(1) of the **Companies (Incorporation) Regulations, 2017** has been amended by **SRO 530(I)/2023** dated May 03, 2023. This is re: **Additional requirements for foreign subscribers and security clearance.**
4. On page 585 onwards, Chapter 5 of the **Pakistan Stock Exchange Rule Book (PSX)** has been updated upto **February 15, 2023.**
5. On page 657 onwards, The **Non-Banking Finance Companies and Notified Entities Regulations, 2008** have been amended by **SRO 592(I)/2023** dated May 17, 2023.
6. On page 806 onwards, Chapter 20 of Foreign Exchange Manual of State Bank of Pakistan has been amended by **EPD Circular No.7 of 2023** dated March 24, 2023.

Suggestions, comments etc. for improving the book and updating service will be most valuable.

Sheikh Asif Salam
Chartered Accountant

The Companies Act, 2017

(Incl. Companies Ordinance 1984 Section 282A to 282M)

Act No. XIX of 2017

An

Act

to reform and re-enact the law relating to companies and for matters connected therewith

No. F. 22(40)/2016-Legis., Islamabad, the 30th May, 2017.— The following Act of Majlis-e-Shoora (Parliament) received the assent of the President on the 30th May, 2017 is hereby published for general information:-

WHEREAS it is expedient to reform company law with the objective of facilitating corporatization and promoting development of corporate sector, encouraging use of technology and electronic means in conduct of business and regulation thereof, regulating corporate entities for protecting interests of shareholders, creditors, other stakeholders and general public, inculcating principles of good governance and safeguarding minority interests in corporate entities and providing an alternate mechanism for expeditious resolution of corporate disputes and matters arising out of or connected therewith;

It is hereby enacted as follows:-

Part I

Preliminary

1. Short title, extent and commencement.— (1) This Act may be called the Companies Act, 2017.

(2) It extends to the whole of Pakistan.

(3) This Act shall come into force at once, except section 456 which shall come into force on such date as the Federal Government or an authority or person authorized by it may, by notification in the official Gazette, appoint.

2. Definitions.—(1) In this Act, unless there is anything repugnant in the subject or context,-

(1) “**advocate**” shall have the same meaning as assigned to it in section 2 of the Legal Practitioners and Bar Councils Act, 1973 (XXXV of 1973);

(2) “**alter**” or “**alteration**” includes making of additions or omissions without substituting or destroying main scheme of the document;

(3) “**articles**” means the articles of association of a company framed in accordance with the company law or this Act;

(4) “**associated companies**” and “**associated undertakings**” mean any two or more companies or undertakings, or a company and an undertaking, interconnected with each other in the following manner, namely:-

- (a) if a person who is owner or a partner or director of a company or undertaking, or who, directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in such company or undertaking, is also the owner or partner or director of another company or undertaking, or directly or indirectly, holds or controls shares carrying not less than twenty percent of the voting power in that company or undertaking; or
- (b) if the companies or undertakings are under common management or control or one is the subsidiary of another; or
- (c) if the undertaking is a *modaraba* managed by the company;

and a person who is the owner of or a partner or director in a company or undertaking or, who so holds or controls shares carrying not less than ten percent of the voting power in a company or undertaking, shall be deemed to be an “associated person” of every such other person and of the person who is the owner of or a partner or director in such other company or undertaking, or who so holds or controls such shares in such company or undertaking:

Provided that-

- (i) shares shall be deemed to be owned, held or controlled by a person if they are owned, held or controlled by that person or by the spouse or minor children of the person;
- (ii) directorship of a person or persons by virtue of nomination by concerned Minister-in-Charge of the Federal Government or as the case may be, a Provincial Government or a financial institution directly or indirectly owned or controlled by such Government or National Investment Trust; or
- (iii) directorship of a person appointed as an “independent director”; or
- (iv) shares owned by the National Investment Trust or a financial institution directly, or indirectly owned or controlled by the Federal Government or a Provincial Government; or shares registered in the name of a central depository, where such shares are not beneficially owned by the central depository;

shall not be taken into account for determining the status of a company, undertaking or person as an associated company, associated undertaking or associated person;

- (5) “**authorised capital**” or “**nominal capital**” means such capital as is authorised by the memorandum of a company to be the maximum amount of share capital of the company;

TABLE B*(See section 41)***MEMORANDUM OF ASSOCIATION OF
COMPANY LIMITED BY SHARES**

1. The name of the company is "ABC Textile Limited/(Private) Limited/(SMC-Private) Limited".
2. The registered office of the company will be situated in the Province of Sindh.
3. (i) The principal line of business of the company shall be to carry-out the manufacturing, sale, import and export of textiles.
 - (ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.
 - ¹[(iii) Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT management Services, Housing Finance Services, Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba management company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.]
 - (iv) It is hereby undertaken that the company shall not:
 - (a) engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;
 - (b) launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;
 - (c) engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.
4. The liability of the members is limited.
5. The authorized capital of the company is Rs.1,000,000/- (Rupees one Million only) divided into 100,000 (one hundred thousand) ordinary shares of Rs.10/- (Rupees ten only) each.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company as set opposite our respective names:

¹Clause 3(iii) substituted by SRO 378(I)/2023 dated March 17, 2023.

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures
		Total number of shares taken (in figures and words)					

Dated the ___ day of _____, 20 ____.

Witness to above signatures: *(For the documents submitted in physical form)*

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: *(For the documents submitted electronically)*

(Digital Signature Certificate Provider)

Name:

Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of this memorandum of association and agree to take the number of shares in the capital of the company as set opposite my name:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures

Dated the ___ day of _____, 20 ____.

Witness to above signatures: *(For the documents submitted in physical form)*

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: *(For the documents submitted electronically)*

(Digital Signature Certificate Provider)

Name:

Address:

TABLE C

(See section 41)

MEMORANDUM AND ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL

Memorandum of Association

1. The name of the company is "The ABC Hospital (Guarantee) Limited."
2. The registered office of the company will be situated in the Province of Baluchistan.
3. (i) The principal line of business of the company shall be to establish, run and manage hospitals.
 - (ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.
 - ¹[(iii) Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT management Services, Housing Finance Services, Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba management company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.]

¹Clause 3(iii) substituted by SRO 378(I)/2023 dated March 17, 2023.

- (iv) It is hereby undertaken that the company shall not:
- (a) engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;
 - (b) launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;
 - (c) engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.

4. The liability of the members is limited.

5. Every member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a member, or within one year afterwards, for payment of the debts and liabilities of the company contracted before he ceases to be a member, and the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding rupees.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of this memorandum of association:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Signatures

Dated the ___ day of ___, 20 ___.

Witness to above signatures: *(For the documents submitted in physical form)*

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: *(For the documents submitted electronically)*

(Digital Signature Certificate Provider)

Name:

Address:

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: (For the documents submitted electronically)

(Digital Signature Certificate Provider)

Name:

Address:

TABLE D

See section 41

MEMORANDUM AND ARTICLES OF ASSOCIATION OF A COMPANY LIMITED BY GUARANTEE AND HAVING A SHARE CAPITAL

Memorandum of Association

1. The name of the company is "The ABC Hospital (Guarantee) Limited."
2. The registered office of the company will be situated in the Province of Baluchistan.
3. (i) The principal business of the company shall be to establish, run and manage hospitals.
- (ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.
- ¹[(iii) Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT management Services, Housing Finance Services, Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba management company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.]
- (iv) It is hereby undertaken that the company shall not:
 - a. engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;

¹Clause 3(iii) substituted by SRO 378(I)/2023 dated March 17, 2023.

2. The number of members with which the company proposes to be registered is 100, but the directors may from time to time register an increase of members.

3. All the regulations in Table A of this Schedule shall be deemed to be incorporated with these articles and shall apply to the company.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of these articles of association, and we respectively agree to take the number of shares in the capital of the company as set opposite our respective names:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures
		Total number of shares taken (in figures and words)					

Dated the ___ day of ____, 20__.

Witness to above signatures: *(For the documents submitted in physical form)*

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: *(For the documents submitted electronically)*

(Digital Signature Certificate Provider)

Name:

Address:

(Applicable in case of single member company)

I, whose name and address is subscribed below, am desirous of forming a company in pursuance of these articles of association and agree to take the number of shares in the capital of the company as set opposite my name:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures

Dated the ___ day of ____, 20 ___.

Witness to above signatures: *(For the documents submitted in physical form)*

Signature	
Full Name (in Block Letters)	
Father's/ Husband's name	
Nationality	
Occupation	
NIC No.	
Usual residential address	

Witness to above signatures: *(For the documents submitted electronically)*

(Digital Signature Certificate Provider)

Name:

Address:

TABLE E

(See section 41)

MEMORANDUM AND ARTICLES OF ASSOCIATION OF AN UNLIMITED COMPANY HAVING A SHARE CAPITAL

Memorandum of Association

1. The name of the company is "Khyber Fruit Products Company Unlimited".
2. The registered office of the company will be situated in the Province of Sindh.
3. (i) The principal line of business of the company shall be preservation, canning and marketing of fruit and fruit products.
(ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.

¹[(iii) Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Asset Management Services, Leasing, Investment Finance Services, Investment Advisory Services, REIT management Services, Housing Finance Services, Private Equity and Venture Capital Fund Management Services, Discounting Services, Pension Fund Scheme Business, Micro Financing), Corporate Restructuring Company, Insurance Business, Modaraba management company, Stock Brokerage business, forex, Clearing House, Securities and Futures Advisor, Commodity Exchange, managing agency, business of providing the services of security guards or any other business subject to license and restricted under any law for the time being in force or as may be specified by the Commission.]

(iv) It is hereby undertaken that the company shall not:

- (a) engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;
- (b) launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;
- (c) engage in any of the permissible business unless the requisite approval, permission, consent or licence is obtained from competent authority as may be required under any law for the time being in force.

4. The liability of the members is unlimited.

5. The authorized capital of the company is Rs.1,000,000/- (Rupees one Million only) divided into 100,000 (one hundred thousand) ordinary shares of Rs.10/- (Rupees ten only) each.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a company, in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company as set opposite our respective names:

Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner, Passport No)	Father's/ Husband's Name in full	Nationality(ies) with any former Nationality	Occupation	Usual residential address in full or the registered / principal office address for a subscriber other than natural person	Number of shares taken by the subscriber (in figures and words)	Signatures
Total number of shares taken (in figures and words)							

Dated the ___ day of _____, 20 ___.

Witness to above signatures: *(For the documents submitted in physical form)*

(4) Where a declaration is made to a company under sub-regulation (2) or sub-regulation (3), the company shall make a note of such declaration in a register of ultimate beneficial owners to be maintained by it for such purpose containing the following particulars:-

- (i) Name
- (ii) Father's Name/Spouse's Name
- (iii) CNIC/NICOP/Passport no. alongwith date of issue
- (iv) Nationality
- (v) Country of origin (in case of foreign national or dual national)
- (vi) Usual residential address
- (vii) Email address
- (viii) Date on which shareholding, control or interest acquired in the company
- (ix) Date on which shareholding, control or interest acquired in the company from former ultimate beneficial owner
- (x) In case of indirect shareholding, control or interest being exercised through intermediary companies, entities or other legal persons or legal arrangements in the chain of ownership or control, the company shall take reasonable measures to obtain names and particulars of the ultimate beneficial owner of the legal persons or arrangements, as specified below. If there is no natural person, it should obtain the particulars of relevant natural person who holds the position of senior managing official:

Name	Legal form (Company/LLP/Partnership Firm/Trust/Any other body corporate (to be specified))	Date of incorporation/ registration	Name of registering authority	Business Address	Country	Email address	Percentage of shareholding, control or interest of UBO in the legal person or legal arrangement	Percentage of shareholding, control or interest of legal person or legal arrangement in the Company	Identity of Natural Person who ultimately owns or controls the legal person or arrangement
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)

- (xi) Any other information incidental to or relevant to enable the company to evaluate this matter.

(5) Every company required to maintain a register of ultimate beneficial owners shall, within fifteen days from the receipt of declaration received under sub-regulation (2) or (3), and thereafter along with its annual return, submit to the registrar concerned a declaration of compliance in pursuance of sub-section (2) of section 123A of the Act, as per Form 45.

Provided that in case of listed companies, a copy of the said form shall also be filed with the Commission.

(6) The board of directors of every company required to maintain a register of ultimate beneficial owners shall authorize its chief executive officer or one of its directors or officers to provide the information required under this regulation to the registrar for verification purposes, or to any other authority or agency pursuant to the powers to call for information entrusted by law to such authority or agency, and to provide further assistance as may be required, and the name and particulars of such an officer shall be furnished to the registrar alongwith the declaration specified hereinabove.

(7) Without prejudice to the provisions of regulation 44, a company shall, to whom necessary information has not been provided by a member in reply to the notice issued under sub-regulation (1), make an application to the Commission, in the form and manner specified in regulation 5 of the Companies (Distribution of Dividends) Regulations, 2017.

Explanation:- For the purposes of this regulation, the term “ultimate beneficial owner” means a natural person who ultimately owns or controls a company, whether directly or indirectly, through at least twenty five percent shares or voting rights or by exercising effective control in that company through other means. ‘Control through other means’ may be exercised through a chain of ownership or through close relatives or associates having significant influence or control over the finances or decisions of the company.

20. Particulars of directors and officers.- (1) Subject to the provisions of section 197 of the Act, every company shall keep a register of its directors and officers, including the chief executive, company secretary, chief financial officer, auditors and legal adviser, containing their particulars as specified through Form 29 which have been furnished to the company by each of the aforementioned director and officer in pursuance of the provisions of sub-section 2 of section 197 of the Act.

(2) The company shall file a return with the registrar as per Form 29 in pursuance of sub-section (3) of section 197:

Provided that in case of resignation of a director or chief executive officer, Form 29 shall be supported by the resignation letter duly signed by the resigning director, which shall be verified through an affidavit on stamp paper duly signed by the person who has signed Form 29 and attested by an oath commissioner and witnessed.

¹[20A. Approval of capital expenditure and disposal of assets by the board.- For the purpose of clause (i) of sub-section (2) of section 183 of the Act:

- (a) in case of a public interest company and a large sized company, the amount of capital expenditure to be incurred on any single item shall be more than twenty-five million rupees; and the amount of book value for the disposal of a fixed asset shall be more than five million rupees or one percent of the total assets of the company, whichever is lower; and
- (b) in case of a medium sized and a small sized company, the amount of capital expenditure to be incurred on any single item shall be more than five million rupees and the amount of book value for the disposal of a fixed asset shall be more than one million rupees or one percent of the total assets of the company, whichever is lower.

¹Reg. 20A inserted by SRO 627(I)/2023 dated May 22, 2023.

Provided that any amount of an expenditure or disposal not exceeding the aforesaid limits as provided in clause (a) and (b), may be approved by a committee constituted by the board comprising at least one director; and the Committee shall submit to the Board on bi-annually basis a post facto report for information; and

- (c) the board shall have the power to approve the capital expenditure or disposal of fixed assets as provided in clause (a) and (b) above irrespective of limits as specified above.
- (d) any capital expenditure to be incurred on land and building irrespective of the amount, or disposal thereof, may be made only with the approval of the board subject to provisions of sub-section (3) of section 183 of the Act.]

21. Particulars of contracts or arrangements in which directors are interested.- (1) Subject to the provisions of section 209 of the Act, the company shall keep one or more separate registers containing following particulars of all contracts or arrangements including particulars relating to the concern or interest of any director in any association having contract or arrangement with the company and other information relating to such director, namely-

- (i) the date of the contract or arrangement;
- (ii) the names of the parties thereto;
- (iii) the principal terms and conditions thereof;
- (iv) amount of contract or arrangement;
- (v) the name of the director interested in the contract or arrangement;
- (vi) name of the association and the extent or nature of interest of director therein and also his relationship with association; and
- (vii) date on which interest or concern arises or changes.

(2) Subject to the provision of sub-section (2) of section 209, the particulars as mentioned in clauses (v), (vi) and (vii) of sub-regulation (1) or any change therein, shall be disclosed to the company by each of the relevant director within thirty days.

22. Qualifications and Experience of company secretary.- Subject to the provisions of section 194 of the Act, the public company shall appoint as company secretary-

- (a) a person who is a member of-
 - (i) a recognized body of professional accountants; or
 - (ii) a recognized body of corporate or chartered secretaries; or
- (b) a person holding a master degree in business administration or commerce or being a law graduate from a university recognized by the Higher Education Commission of Pakistan or in case of foreign qualification in the above disciplines, holds an equivalence certificate from Higher Education Commission of Pakistan and having at least five years relevant experience in case of listed company or two years relevant experience in case of other public company; or
- (c) a retired government servant in BS-18 or equivalent or above with at least fifteen years' service:

Provided that a person already engaged by a public company as company secretary in terms of the Companies (General Provisions and Forms) Rules 1985 may continue in that capacity.

23. Female representation on the board of public interest company.- The board of a public interest company not being a listed company, shall have at least one female director having at least bachelor's degree from an institution recognized by Higher Education Commission:

Provided that a company having no female representation on its board, shall, in addition to its elected or nominated directors, appoint at least one female director within one year from the date of commencement of these Regulations:

Provided further that this regulation shall not apply in case, a company has already female representation on its board having requisite educational qualification.

24. Fresh election of directors of a listed company.- (1) Any member of a listed company having acquired requisite shareholding to get him elected as a director on the board, may file a requisition along with following documents to the company for holding fresh election in terms of provisions of section 162 of the Act-

- (i) evidence of acquisition of requisite shareholding to get him elected as a director;
- (ii) an affidavit to the effect that he has complied with the requirements of all other relevant laws while acquiring the requisite shareholding in the company; and
- (iii) an undertaking to the effect that he shall not dispose of the shares till next election of directors of the company.

(2) The listed company shall hold fresh election of directors in accordance with the procedure laid down in section 159.

Provided that the notice of the meeting as specified in sub-section (2) of section 159 shall also disclose the fact that fresh elections are being held on application of a member under section 162 of the Act:

25. Availability of financial statements on the website of listed Company.- Subject to the provisions of section 223 and 237 of the Act, a listed company shall make available its annual and quarterly financial statements for the last ten years, where applicable, on its website.

26. Intimation about change in nominee or his particulars.- A single member company shall report change in nominee or change in particulars thereof or appointment in case of conversion of status to a single member company, within fifteen days of the change or conversion of status to the registrar on Form 15.

27. Application for extension in the period for holding annual general meeting and laying of financial statements.- (1) Subject to the requirements of section 132 and section 223 of the Act, an application for the grant of an extension in the time for-

- (i) holding any annual general meeting, pursuant to the proviso to sub-section (1) of section 132; or
- (ii) laying before the annual general meeting financial statements, pursuant to the proviso to sub section (2) of section 223;

shall, in the case of a listed company, be submitted to the Commission and, in any other case, to the registrar concerned not less than thirty days before the last date on which such general meeting is required to be held under the said section:

Provided that the registrar concerned or the Commission, as the case may be, may for special reasons to be recorded in writing, entertain an application which is submitted less than thirty days before the last date on which the annual general meeting is required to be held under the said sections.

- (2) The application aforesaid shall state-
 - (i) the registration number, name and address of the company;
 - (ii) the date on which the last annual general meeting, if any, was held and the financial year of which the financial statements were laid at therein;
 - (iii) the date up to which the annual general meeting is required to be held for the purposes of the said sections and the date up to which the financial statements are required to be laid therein;
 - (iv) reasons for not being able to hold the annual general meeting or not laying the financial statements at the general meeting by the date mentioned in clause (iii) and justification for extension in the period to the extent applied for; and
 - (v) when the delay is attributed to non-completion of books of accounts or non-finalization of audit, the exact state of books of accounts with reasons for non-completion of such books or for non-finalization of the audit, as the case may be, such information being accompanied by a certificate of the company's auditor as to the state of its accounts, reasons for delay in completion of audit and the minimum time required for the purpose.

28. Conduct of shareholders in the meeting.- (1) The chairman of the meeting shall read out the manner in which general meeting shall be conducted that includes providing opportunity to the members seeking any explanation and meaningful discussion, choice of suitable language and time allocated to members to participate in the proceedings of the meetings.

(2) The shareholders shall observe following conduct in general meetings in terms of section 215 of the Act-

- (i) shall not bring such material that may cause threat to participants or premises where meeting is being held;
- (ii) shall confine themselves to the agenda items covered in the notice of meeting;
- (iii) shall keep comments and discussion restricted to the affairs of the company; and
- (iv) shall not conduct in a manner to disclose any political affiliation.

29. Video link facility for meetings.- Where the company provides facility to its members for attending meeting through video link subject to the provisions of clause 73 of sub-section (1) of section 2, section 134 of the Act and its articles of association, the meeting shall be conducted in the following manner-

- (i) the company shall ensure that the notice of general meeting specifically mentions therein that participation through video link shall be arranged on demand by members residing in a city and holding ten percent of the total paid up capital;
- (ii) the chairman of the meeting and company secretary shall ensure that no person other than the member or proxy holder is attending the meeting through video link and shall take any further steps to maintain integrity of such meetings;
- (iii) the chairman of the meeting and company secretary shall take the responsibility to ensure availability of adequate facilities at specified locations without interruption / distortion and appoint coordinator at the place of video conference facility to conduct voting and assist chairman of the meeting; and
- (iv) the company secretary shall secure the tele/video recording of the proceedings of the meetings and keep the same in his custody along with other relevant record.

30. Application under section 256.- (1) Every application for investigation into the affairs of a company under clause (a) or clause (b) of section 256 shall specify-

- (i) the name and address of the registered office of the company whose affairs are sought to be investigated;
- (ii) the names and addresses of the applicants, and, in the case of a company having a share capital, also the total number of shares of the company held by each of them together with the amount paid up thereon;
- (iii) if the company has a share capital, the issued and paid-up capital of the company and the nominal or face value of the shares or, if the company has no share capital, the total number of its members;
- (iv) the precise and specific reasons for requesting the investigation with particulars of alleged irregularities, including the period to which it extends; and
- (v) whether the applicants agree to give security for payment of the costs of investigation and the ceiling of the amount up to which they so agree.

(2) Every such application shall be accompanied by such documentary evidence in support of the reasons for requesting the investigation and the alleged irregularities as is reasonably open to the applicants.

(3) Every such application shall be signed by the applicants and shall be verified by their affidavit stating, inter-alia, the paragraphs of the application which contain statements true to their knowledge and the paragraphs of the application which contain statements true to the best of their information and belief.

(4) The Commission may, before passing any order on the application, require the applicants or any one or more of them to produce such further documentary or other evidence as the Commission may consider necessary for-

- (i) the purpose of satisfying itself as to the veracity of the allegations made in the application; or
- (ii) ascertaining any information which, in the opinion of the Commission, is necessary for enabling it to pass orders on the application; or
- (iii) ascertaining the eligibility of applicants or any one or more of them to make the application.”

Name	Legal form (Company/LLP/ Partnership Firm/Trust/Any other body corporate (to be specified))	Date of incorporation/ registration	Name of registering authority	Business Address	Country	Email address	Percentage of shareholding, control or interest of UBO in the legal person or legal arrangement	Percentage of shareholding, control or interest of legal person or legal arrangement in the Company	Identity of Natural Person who Ultimately owns or controls the legal person or
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)

Explanation:- For the purposes of this regulation the term “ultimate beneficial owner” means a natural person who ultimately owns or controls a company, whether directly or indirectly, through at least twenty five percent shares or voting rights or by exercising effective control in that company through other means. Control through other means may be exercised through a chain of ownership or through close relatives or associates having significant influence or control over the finances or decisions of the company.]

10. Witness in case of physical submission of a document.- (1) In case of electronic submission of documents for incorporation of a company a witness is not required in terms of Section 3 of Electronic Transactions Ordinance, 2002.

(2) In case of physical submission of documents for incorporation of a company, the same shall be witnessed by a Pakistani National having valid CNIC:

Provided that where a document is required to be attested by a notary public or an oath commissioner or class 1 magistrate, the same shall be witnessed in accordance with the relevant law.”

“15. Additional requirements for foreign subscribers and security clearance.- ¹[(1) In case the subscriber is a foreign company or a foreign body corporate, the registrar shall require additional information including but not limited to, the profile of the foreign company or foreign body corporate, detail of its directors, their nationality and country of origin, copy of its charter, statute or memorandum and articles etc.:

Provided that the copy of any charter, statute, memorandum, articles or other instrument, constituting or defining the constitution of a foreign company or a foreign body corporate required to be filed with the registrar shall be duly–

- (i) certified to be a true copy by the public officer in the country where the foreign company or foreign body corporate is incorporated to whose custody the original is committed; or
- (ii) certified to be a true copy by a Notary public of the country where the foreign company or foreign body corporate is incorporated; or

¹Reg. 15(1) substituted by SRO 530(I)/2023 dated May 18, 2023.

- (iii) certified to be a true copy by an affidavit of a responsible officer of the foreign company or foreign body corporate in the country where the company is incorporated; or
- (iv) apostilled by the designated competent authority of the state of origin of the foreign public document, who have acceded to the Hague Convention abolishing the requirement of Legalisation for foreign public documents (Apostille Convention) of 1961 and such state is also recognized by the Government of Pakistan for receiving of apostilled documents:

Provided further that the signature and seal of the official referred to in clause (i) or the certificate of the Notary Public referred to in clause (ii) above shall be authenticated by a Pakistan diplomatic consular or consulate officer and the certificate of the officer of the foreign company or foreign body corporate referred to in clause (iii) above shall be signed before a Pakistan diplomatic consular or consulate officer.]

(2) In case the subscriber to the memorandum is an individual of foreign nationality, he may be required to file additional documents as deemed necessary by the registrar.

(3) The Commission shall obtain security clearance from Ministry of Interior (MoI) in following cases and in the manner prescribed hereunder:

- (i) companies having foreign (other than ¹[] Indian national or origin) subscribers/officers will be incorporated on the basis of an undertaking of each foreign subscriber / officer and case shall be forwarded for security clearance:

Provided that in case name of subscriber/officer is not security cleared by MoI, the subscriber/officer and the company, shall take immediate steps for replacement and shall transfer shares if any, held by the subscriber;

- (ii) companies having foreign subscribers/ officers who are ¹[] Indian national or of ¹[] Indian Origin will be incorporated after receipt of security clearance;
- (iii) security services provider companies will be incorporated after receipt of security clearance from MoI.

(4) The manner of security clearance shall be subject to any change in the security policy of government from time to time.”

¹Words “Afghan and” & “Afghan or” respectively deleted by SRO 530(I)/2021* dated April 18, 2022. *It should be 2022.

Pakistan Stock Exchange Rule Book (PSX)

Chapter 5

LISTING OF COMPANIES AND SECURITIES REGULATIONS

5.1. DEFINITIONS:

5.1.1. In this chapter, unless there is anything repugnant in the subject or context:

- (a) "Companies Act", means the Companies Act, 2017 (XIX of 2017);
- (b) "Defaulters' Segment", shall mean a separate segment of companies, which have committed irregularities mentioned in clause 5.11.1;
- (c) "General Public", shall mean all individual and Institutional Investors including both Pakistani (residents & nonresidents) and foreign investors;
- (d) "Listed Shell Company", shall mean any Listed Company, classified by the Exchange with reasons to be recorded in writing, as a Listed Shell Company for the purposes of Reverse Merger on the basis of erosion of its equity, no or nominal business operations in its principal line of business as per Memorandum of Association or no or nominal assets;
- (e) "Operating Unlisted Company", shall mean an unlisted company currently in operation which is intending to merge with a Listed Shell Company;
- (f) "Public Offering Regulations", shall mean the Public Offering Regulations, 2017 notified by the Commission and amended from time to time;
- (g) "Prescribed", means prescribed by these Regulations or under authority hereof;
- (h) "Regulations", shall mean this chapter of the PSX Regulations for the time being in force;
- (i) "Reverse Merger", shall mean any transaction pursuant to which an Operating Unlisted Company becomes a Listed Company by merging with and into a Listed Shell Company;
- (j) "Securities Act", means the Securities Act, 2015 (Act No. III of 2015);
- (k) "Special Purpose Acquisition Company (SPAC)" shall have the same meanings as defined under clause (liiia) of the Public Offering Regulations, 2017;
- (l) "Surviving Company", shall mean the Listed Company survived pursuant to scheme of arrangement of an Operating Unlisted Company with a Listed Shell Company approved by the relevant competent authority.

5.1.2. Words and expressions used but not defined in these Regulations shall have the same meaning as are assigned to them in the Public Offering Regulations and in case of any inconsistency between the Public Offering Regulations and PSX Regulations, Public Offering Regulations shall prevail.

5.2. LISTING OF COMPANIES AND SECURITIES:**5.2.1. DEALING IN THE SECURITIES OF A COMPANY AT THE EXCHANGE:**

- (a) No dealings in securities of a company shall be allowed on the Exchange, either on the Ready Delivery Contract Market or Futures Market, unless the company or the securities have been listed and approval for such dealing has been granted by the Exchange.
- (b) The Issuer shall file an application for listing on Form-I along with the documents as mentioned in Annexure-I to this chapter to the Exchange for approval. A copy of the complete application shall be submitted to the Commission for its record.
- (c) The Exchange may require such additional evidence, declarations, affirmations, information or other forms to be filled up as it may consider necessary.
- (d) The Exchange shall accept a listing application of an Issuer when the Issuer has completed all necessary requirements of the Exchange.
- (e) The Exchange shall place the draft prospectus on its website for a period of seven working days and shall notify the same, for seeking public comments. The Exchange shall ensure that all comments received on the draft prospectus are incorporated and suitably addressed by the Consultant to the Issue and the Issuer to its satisfaction.
- (f) The Exchange shall complete the approval process for listing of an equity security within 15 working days from the date of complete submission of all required documentation including any other additional documentation as required by the Exchange. In case the approval is refused, after providing an opportunity of being heard to the applicant, the reasons thereof will be communicated to the applicant and the Commission within two weeks of the decision.
- (g) An applicant company or security applying for listing shall furnish full and authentic information in respect thereof and such other particulars as the Exchange may require from time to time.
- (h) The issuer whose ordinary shares are already listed at Exchange may apply for listing of other class of shares without making public offer of respective class of shares.

5.2.2. THE EXCHANGE SHALL NOT ENTERTAIN LISTING APPLICATION OF A COMPANY:

- (a) Where the Issuer, its sponsors, promoters, substantial shareholders and directors have over-dues or defaults, irrespective of the amount, appearing in the report obtained from the credit information bureau.
- (b) The Issuer, or its directors, sponsors, or substantial shareholders have been holding the office of directors, or have been sponsors or substantial shareholders in any company:
 - (i) Which has been declared defaulter by the securities exchange; or
 - (ii) Whose TRE Certificate has been cancelled or forfeited by the securities exchange; or

5.8.1. THROUGH ISSUING OF ENTITLEMENT LETTERS OR RIGHT OFFERS:

- (a) A listed Company shall issue entitlement letters or right offers in marketable lots to all the Security holders within a period of thirty (30) days from the date of re-opening of security transfer register of the company closed for this purpose.

Provided that this regulation shall not apply on the Security which is eligible to be deposited into CDS. In such cases, the procedure as prescribed by the CDC shall be complied with.

- (b) The Exchange may, at the request of the Listed Company, extend time for issuance of the entitlement letter for a period not exceeding thirty (30) days. The company shall pay the following fees to the Exchange for extension granted by the Exchange with regard to issuance of entitlement letters, etc.

- | | |
|-------------------------------------|-------------------|
| (i) for the first fifteen (15) days | Rs. 250/- per day |
| (ii) for the next fifteen (15) days | Rs. 500/- per day |

Failure to seek extension from the Exchange shall make the company liable to a penalty at double the rate of extension fee provided above.

Provided that extension shall not be granted beyond 30 days.

5.8.2. THROUGH ISSUING OF BONUS SHARES:

- (a) A listed Company shall issue bonus shares certificates within a period of thirty (30) days from the date of re-opening of the share transfer register closed for this purpose:

- (i) Bonus shares shall be credited into the respective CDS Accounts of shareholders maintained with the CDC or dispatched to the shareholders concerned by registered post or through courier services unless those entitled to receive the bonus share certificates require otherwise in writing;

- (ii) The Exchange shall be immediately intimated as soon as the bonus shares are credited / dispatched to the shareholders;

Provided that in case of Book-Entry Securities deposited into the CDS, in addition to the above, procedure as prescribed by the CDC shall also be complied with.

5.9. OTHER MATTERS:

5.9.1. A Listed Company shall submit to the Exchange certified true copy of its updated memorandum and articles of association immediately after obtaining approval of the Commission for any amendment made therein.

5.9.2. Every Listed Company and issuer of listed security shall notify to the Exchange at least one week in advance the date, time and place of its board meeting specially called for consideration of its quarterly and annual accounts or for declaration of any entitlement for the security holders in the manner prescribed by the Exchange from time to time.

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5.9.3. Where no trading has taken place on the Exchange in the securities of a Listed Company for a continuous period of 180 days, the Exchange, if it is satisfied that the prices quoted are not in accordance with the market realities, may except in cases where the earlier quotation is below par value and, with the prior approval of the Commission, quote such companies at par from the one hundred and eighty first day irrespective of the price earlier prevalent.

5.9.4. Where no trading has taken place on the Exchange in the securities of a Listed Company for a continuous period of 180 days, the Exchange, if it is satisfied that the prices quoted are not in accordance with the market realities, may except in cases where the earlier quotation is below par value and, with the prior approval of the Commission, quote such companies at par from the one hundred and eighty first day irrespective of the price earlier prevalent.

5.10. QUALITY OF AUDIT:

5.10.1. All Listed Companies shall facilitate the Quality Control Review (QCR) of the audit working papers of practicing chartered accountants, carried out by the Institute of Chartered Accountants of Pakistan (ICAP). For such purpose, all Listed Companies shall authorize their auditors to make available all the relevant information including the audit working papers to the QCR Committee of ICAP.

5.10.2.(a) No Listed Company shall appoint or continue to retain any person as an auditor, who has been found guilty of professional misconduct, by the Commission or by a court of Law, for a period of five years unless a lesser period is determined by the Commission. In case a firm has been appointed as an auditor, and if any of its partners have been held guilty of professional misconduct, the firm shall only be eligible for appointment as an auditor provided a written confirmation is given by the firm to Exchange and the Commission with a copy to ICAP to the effect that such partner shall not be engaged in the audit of any Listed Company for the period specified above.

- (b) A person appointed as an auditor shall be guilty of "professional misconduct" if he:
- (i) fails to report a material misstatement or fact known to him and non-disclosure of which may render the financial statements misleading or disclosure of which is necessary in his professional capacity;
 - (ii) fails to obtain sufficient information to warrant the expression of an opinion or his exceptions are sufficiently material to negate the expression of an opinion;
 - (iii) makes a statement which is misleading, or deceptive;
 - (iv) incites any one to commit a criminal offence, or helps or encourages anyone in planning or execution of a criminal offence which is committed;
 - (v) agrees with anyone to prevent or obstruct the course of justice by concealing, destroying or fabricating evidence by a misleading statement which he knows to be untrue;

- (b) the shares have been purchased prior to the date of suspension of trading and the shareholder provides proper instrument of transfer, evidencing purchase of such shares prior to the date of suspension, to the Share Registrar/ Transfer Agent/ the company.

5.12.2. It shall be mandatory upon the company to ensure that no transfers in physical shares, other than as specified in Regulation 5.12.1.(a) and 5.12.1.(b) above, take place during the period of suspension. Within ten (10) days of suspension, the company shall provide the Exchange with a copy of its Share Transfer Register, as of the day prior to the day of suspension, and details of any transfers registered under Regulation 5.12.1 (a) and 5.12.1 (b) subsequent to suspension in trading of its shares shall also be submitted to the Exchange within 48 hours of registration of such transfer.

5.13. RESTORATION OF TRADING IN THE SHARES OF SUSPENDED COMPANY:

The Exchange, upon submission of application for restoration of trading by a company, may restore trading in the shares of such company, where the cause of suspension of trading has been removed to the satisfaction of the Exchange. Where trading in the shares of such company is suspended continuously for 180 days or more, the Exchange may require such company to comply with any one or more of the following conditions and in such manner/ time as may be specified by the Exchange:

- (a) Submit a satisfactory resumption proposal with a view to resuming trading in its securities including short-term milestones to implement such proposal;
- (b) Publish an appropriate announcement to the public detailing the measures adopted for removal of cause of suspension;
- (c) Conduct a corporate briefing session for the shareholders and analysts;
- (d) Release latest annual or quarterly financial report or any other relevant report/ documents deemed acceptable by the Exchange for the purpose; and/ or
- (e) Comply with any specific requirements or conditions as may be prescribed by the Exchange.

5.14. VOLUNTARY DE-LISTING (VD):

5.14.1. Intimation of VD:

A company shall intimate the Exchange immediately subsequent to its Board's decision to buy back shares from the minority shareholders and voluntarily delist from the Exchange. The intimation may also include the proposed purchase price, in line with the Buyback Price Criteria given in clause 5.14.2 below and the reasons for delisting.

5.14.2. Buyback Price Criteria:

The proposed purchase price shall not be less than the highest of the following:

- (a) Weighted Average Closing Market Price of the last 5 days preceding the date of the board meeting in which the company resolves to delist from the Exchange;

- (b) 3-year Weighted Average Market Price one day preceding the date of the board meeting in which the company resolves to delist from the Exchange (using Closing Market Prices);
- (c) Intrinsic Value Per Share on the basis of the revaluation of assets of the company. (The revaluation shall be conducted by an Independent Valuator shortlisted by the Exchange, and shall not be older than 3 months from the date of complete submission of all documentation which shall accompany the formal application for voluntary delisting. Intrinsic Value per share shall be certified by an Audit Firm falling in Category 'A' or 'B' of SBP's Panel of Auditors. The intrinsic value may also include any other factor in addition to tangible and intangible assets of company which may be considered appropriate while fixing the price of shares.);
- (d) P/E Multiple approach (for profitable companies reporting a Profit after Tax at least in the year preceding the intimation of delisting);
- (e) The maximum price at which the Sponsors had purchased these shares from the open market in the preceding one year.

5.14.3. Formal Application for VD:

The company shall submit a formal application for voluntary delisting within 45 days of the date of intimation, stating the proposed purchase price and the reasons for delisting. The following shall be submitted along with the formal application of delisting:

- (a) Non-refundable Voluntary Delisting Application Fee of Rs. 500,000/-;
- (b) Any outstanding dues of the Exchange;
- (c) Valuation Report by the Independent Valuator, and Auditor's Certificate certifying the Intrinsic Value per share;
- (d) Sponsors' Undertaking that they would purchase the shares of minority shareholders at a price to be approved in their general meeting of shareholders for an initial buy-back period of 60 days and for a further period of one year;
- (e) Sponsors' Undertaking that they shall abide by PSX Regulations/ Procedures/ Guidelines/ Terms & Conditions pertaining to Voluntary Delisting;
- (f) Sponsors' Undertaking that all material disclosures relating to the affairs of the company have been made to the shareholders and the Exchange, and that they do not have any information which will constitute an offence under Part X of the Securities Act;
- (g) Consent of Purchase Agent, who acts as an agent for purchase of the securities to be de-listed on behalf of the majority security holders as contemplated by these Regulations and who shall be a Securities Broker of the Exchange;
- (h) Undertaking of Purchase Agent which will constitute an irrevocable open offer to purchase securities from minority shareholders at a price approved in the general meeting, valid for an initial buy-back period of 60 days and for a further period of 12 months;
- (i) Complete list of majority shareholders, along with shareholding details;

- (j) Complete list of minority shareholders, along with shareholding details;
- (k) Statement from the Sponsors (giving details such as price and number of shares) of the shares they purchased from the open market in the one year preceding the date of intimation.

The Exchange shall be empowered to ask for any additional information/ details, which shall be provided by the company within 7 days of the date of such request by the Exchange.

5.14.4. Minimum Purchase Price:

The Exchange shall determine the minimum purchase price which shall not be less than the Buyback Price Criteria given in PSX Regulation 5.14.2. The determination shall take into account any other factor which may be considered appropriate while fixing the price of shares.

5.14.5. Quantum to qualify for delisting

- (a) Where the Sponsors' shareholding is less than 90%, the Sponsors shall be required to increase their shareholding to at least 90% of the total shares of the company to qualify for delisting.
- (b) Where the Sponsors' shareholding is 90% or above, it shall not be mandatory for them to purchase any minimum quantum of the shares outstanding to qualify for delisting. However, the sponsors shall be obligated to purchase shares from the minority shareholders during the initial buyback period and for a further period of one year as per the requirements of these Regulations

5.14.6. Condition for Voluntary Delisting:

The company shall be bound to comply with the Procedures, Guidelines, and any Terms & Conditions laid down by the Exchange for voluntary delisting. The Exchange may, for any reason whatsoever, refuse to accept the voluntary delisting application of the company.

5.14.7. Sponsors' Acceptance / Appeal:

The Sponsors shall be required to convey their acceptance to the purchase price and quantum fixed by the Exchange within 10 days of being informed of the Exchange's decision. The purchase price accepted by the Sponsors shall be the Opening Price as well as the Floor Price from the next trading day.

The company may file an appeal against the Exchange's decision with the Commission within 10 days of being informed of the Exchange's decision. The decision taken by the Commission shall be final and binding. If the Sponsors do not convey their acceptance to the purchase price and quantum fixed by the Exchange and also do not file an appeal with the Commission within the stipulated time under PSX Regulations, the voluntary delisting application shall stand withdrawn.

5.14.8. General meeting of shareholders:

The company shall call a general meeting of its shareholders, within 30 days of the Sponsor's Acceptance, and pass a special resolution resolving that the securities be delisted on the price and terms stipulated by the Exchange. A copy of the special resolution shall be submitted to the Exchange.

The Sponsors shall not withdraw their voluntary delisting application after the voluntary delisting proposal has been approved by the company's shareholders in a general meeting.

5.14.9. Post-General Meeting:

Within 7 days of the approval of the shareholders in a general meeting, the company shall submit the following to the Exchange:

- (a) Sponsors' Bank Guarantee to secure their obligation valid for a period of 15 days from the expiry date of the Initial Buyback Period. (Bank Guarantee Amount = Number of Shares held with Minority Shareholders * Purchase Price); and
- (b) Draft notice containing the Terms & Conditions of buyback to be published in two widely circulated newspapers. Moreover, within 7 days of the approval of the shareholders in a general meeting, the company shall:
 - (a) Convey to all the minority shareholders the decision taken in the general meeting along with a copy of the special resolution; and
 - (b) Publish notice containing the Terms & Conditions of buyback in two widely circulated newspapers.

5.14.10. Initial Buyback Period:

For a period of 60 days, the Sponsors shall be obliged to purchase shares from minority shareholders through the Purchase Agent at the price approved in the company's general meeting. All trades shall be conducted only through the Exchange's Trading System irrespective of marketable lot. The Purchase Agent shall be required to maintain a live bid in the Trading System at the minimum purchase price approved in the company's general meeting and any executed trade shall be based on market forces.

5.14.11. Post-Initial Buyback Period:

Within 7 days of completion of the Initial Buyback Period or such extended number of days as may be specified by the Exchange, the company shall submit the following information to the Exchange in tabular form:

Pre-Initial Buyback Period			During Initial Buyback Period			Post-Initial Buyback Period		
Particulars	No. of Shares	% of Shares	Particulars	No. of Shares	% of Shares	Particulars	No. of Shares	% of Shares
Sponsors			Shares purchased by the Sponsor			Sponsors		
Minority Shareholders						Minority Shareholders		

5.14.12. Successful Buyback:

If the Sponsor successfully acquires the quantum determined under PSX Regulation 5.14.5. and approved by the shareholders in a general meeting, the Sponsors' offer for buyback shall be deemed successful. The company shall be subsequently delisted from the Exchange.

5.14.13. Public Notice Post-Successful Buyback:

The company shall publish a notice in two widely circulated newspapers informing the remaining minority shareholders that the Initial Buyback Period has lapsed and any minority shareholder who still wishes to sell his shares may do so within a further period of one year from the conclusion of the 60-day Initial Buyback Period by contacting the Purchase Agent. The same information shall also be intimated to minority shareholders via email and/or registered post, as may be appropriate.

5.14.14. Sponsors' Ongoing Obligation:

The Sponsors shall remain obliged to purchase shares from minority shareholders through their Purchase Agent at the price approved in the company's general meeting for a further period of one year from the 60-day Initial Buyback Period.

5.14.15. Regulation 5.14. shall not be applicable on SPACs.]

[]

5.18. RELAXATION:

Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to voluntary delisting under these Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such conditions as it may deem fit.

5.19. LISTING AND ANNUAL FEES:

5.19.1. LISTING FEE SCHEDULE:

- (a) A company applying for listing on the Exchange, shall pay an initial listing fee equivalent to one tenth of one percent of the PAID-UP-CAPITAL subject to a maximum of rupees one million and five hundred thousand.

Provided that in case of Open-Ended Mutual Funds, the initial listing fee shall be charged at the rate of one twentieth of one percent of the amount of total fund size of Mutual Fund subject to a maximum of Rupees 0.5 million.

- (b) Whenever, a listed company increases the paid-up capital of any class or classes of its shares, or securities listed on the Exchange, it shall pay to the Exchange a fee equivalent to 0.2% of increase in Paid-Up Capital.
- (c) Every listed company shall pay, in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, an annual listing fee calculated on the basis of the company's *market capitalization, in accordance with following schedule, subject to a maximum of Rupees five million:

Clauses 5.15. to 5.17. deleted on April 10, 2023.

***Explanation:** For the purpose of this sub-clause, the market capitalization shall be calculated by multiplying the last one year's volume weighted average price with the company's outstanding ordinary shares as on June 30, of the preceding year.

Rate of Fee applicable with effect from July 01, 2020:

COMPANIES HAVING MARKET CAPITALIZATION AS ON JUNE 30	RATE OF FEE PER ANNUM
Up to Rs.100 million	Rs. 100,000
Above Rs.100 million & up to Rs. 250 million	Rs. 100,000+0.075% on excess over Rs.100 million
Above Rs. 250 million & up to Rs.500 million	Rs. 212,500+0.06% on excess over Rs. 250 million
Above Rs. 500 million & up to Rs.1,000 million	Rs. 362,500+0.025% on excess over Rs. 500 million
Above Rs. 1,000 million & up to Rs. 2,000 million	Rs. 487,500+0.015% on excess over Rs.1,000 million
Above Rs. 2,000 million & up to Rs.10,000 million	Rs. 637,500+0.013% on excess over Rs.2,000 million
Above Rs.10,000 million & up to Rs.20,000 million	Rs. 1,677,500+0.005% on excess over Rs.10,000 million
Above Rs. 20,000 million & up to Rs.50,000 million	Rs. 2,177,500+0.0015% on excess over Rs.20,000 million
Above Rs.50,000 million	Rs. 2,627,500+0.001% on excess over Rs.50,000 million

Provided that in case of Open-Ended Mutual Funds, the annual listing fee of PKR 25,000 shall be payable in respect of each financial year of the Exchange, commencing from 1st July and ending on 30th June next, before the 30th September in each calendar year.

Provided further that the Board may revise the above fees or any of the slabs or add new slabs with the approval of the Commission.

Provided further that every company applying for listing shall not be charged annual listing fee for twelve (12) months from the date of its listing.

- (d) The above Listing fee or any other sum fixed by the Board shall be payable by 30th September in advance for every financial year.
- (e) Failure to pay the annual fee by 30th September shall make the company liable to pay a surcharge at the rate of 1.5 per cent (one and a half per cent) per month or part thereof, until payment. However, if reasonable grounds are adduced for nonpayment or delayed payment of annual fee, the Exchange may, reduce or waive the surcharge liability.

- (f) A company applying for enlistment on the Exchange shall, in addition to other fees, pay a sum of Rs. 50,000/- (Rupees fifty thousand only) as non-refundable service charges. An open-end mutual fund applying for listing on the Exchange shall pay a sum of Rs. 25,000/- (Rupees twenty five thousand only) as non-refundable service charges.

¹[Provided that where a company withdraws or where the Exchange refuses the listing application, for any or whatsoever reasons, the Exchange may charge additional service fee, equivalent to initial listing fee or PKR 450,000, whichever is lower, which may be adjusted from the initial listing fee paid by such company under Clause 5.19.1 (a) of these Regulations.]

- (g) A company applying for revalidation of approval earlier granted by the Exchange for issue, circulation and publication of prospectus upon lapse of its validity shall pay to the Exchange a revalidation fee at the rate of one twentieth of one percent of paid up capital subject to a maximum of Rs.1 million.

Provided that such fee shall be charged only in cases where validity of approval of the Commission for issue, circulation and publication has also lapsed.

5.19.2. LISTING FEE PAYMENT PROCESS:

- (a) All Exchange dues shall be paid by cheques, pay orders or bank drafts payable to the Exchange at any Bank Branch located in Karachi.
- (b) Without prejudice to the action which the Exchange may take under these Regulations in the event of default in payment of its dues, nothing shall prevent the Exchange from recovering such dues through posting defaulters names on the notice board of the Exchange or by invoking the process of law and obtaining order of a competent court.

5.19.3. DISCIPLINARY ACTIONS AGAINST NON-PAYMENT OF PENALTIES:

- (a) Without prejudice to various specific or other Penalties provided or available under these Regulations, the Exchange shall have powers to place the company in the Defaulters Segment, suspend or delist it, if in the opinion of the Exchange, such company has defaulted or contravened any of these Regulations.
- (b) The placement of a company in the Defaulters Segment, its suspension or de-listing under Regulations 5.11. or the preceding sub-regulation shall be communicated to the Commission, such company and simultaneously notified to the market participants, inter-alia by posting it on the notice board and website of the Exchange and publishing it, if deemed necessary, in the Daily Quotations of the Exchange.
- (c) Trading in the securities of a suspended or de-listed company shall forthwith cease and shall not commence until the suspension is withdrawn or the de-listing is restored by the order of the Managing Director of the Exchange.
- (d) Trading in the securities of a company placed in Defaulters' Segment, if allowed, shall be affected separately and the prices shall also be quoted separately in the Daily Quotations until such company is removed from the Defaulters' Segment and restored to the ready market of the Exchange.

- (e) No listed company shall appoint a person as an external auditor or a person involved in the audit of a listed company who is a close relative, i.e., spouse, parents, dependents and non-dependent children, of the CEO, the CFO, an internal auditor or a director of the listed company.
- (f) Every listed company shall require external auditors to furnish a Management Letter to its board of directors within 45 days of the date of audit report:

Provided that any matter deemed significant by the external auditor shall be communicated in writing to the Board of Directors prior to the approval of the audited accounts by the Board.

5.20. COMPLIANCE WITH ACCESS TO INSIDE INFORMATION REGULATIONS, 2016:

- (a) All Listed Companies shall maintain and regularly update a register to enlist persons employed under contract or otherwise, who have access to inside information, in the manner as provided in Access to Inside Information Regulations, 2016 as may be amended from time to time.
- (b) For the purpose of sub-clause (a), a Listed Company shall designate a senior management officer who shall be responsible for entering or removing names of persons in the said register in a timely manner. The said designated officer shall be obliged to keep proper record including basis for inclusion or exclusion of names of persons in the said list and make the same available as and when required by the Commission.

5.21. DISCIPLINARY ACTIONS:

5.21.1. Any Listed Company which fails or refuses to comply with, or contravenes any provision of these Regulations, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to disciplinary action(s) by the Exchange as specified below:

- (a) Issue an Advice;
- (b) Issue a warning in writing to act more carefully and vigilantly.
- (c) Reprimand in writing that the conduct warrants censure;
- (d) Impose any one or more conditions or restrictions;
- (e) Direct to take remedial actions to rectify its non-compliance(s);
- (f) Impose a fine as specified below:

REGULATION NO.	AMOUNT OF PENALTY	AMOUNT OF PENALTY FOR EVERY DAY DURING WHICH THE DEFAULT CONTINUE
5.7.2.(b)	-	Rs.1,000
5.5.10., 5.6.9., 5.6.10(i)., 5.7.1., 5.8.2.(a)(i)	-	Rs. 5,000
5.8.1.(a)	-	Rs. 10,000
5.7.1.	Rs. 10,000	-
5.14., 5.15., 5.16., 5.17.	Rs. 200,000	Rs. 10,000

Provided where reasonable grounds are adduced by a company and after taking into account the factors including but not limited to the severity and frequency of non-compliance of such company, the Exchange may waive or reduce the applicable fine under this Chapter and/or initiate any one or more disciplinary actions laid down under sub-clause (a) to (e) of this clause.

5.21.2. In cases where specific Penalty provisions have not been provided in these Regulations then whoever fails or refuses to comply with, or contravenes any provision of these Regulations, or fails to comply with directions, decisions, notices, guidelines, clarifications and circulars of the Exchange or fails to provide any required information or provides incomplete, false, forged or misleading information to the Exchange as may be required from time to time, or knowingly and willfully authorizes or permits such failure, refusal or contravention, shall, be liable to fine not exceeding five hundred thousand rupees for each default, and, in case of continuing failure, refusal or contravention, to a further fine not exceeding Rs.10,000/- (Rupees ten thousand only) for every day after the first day during which such contravention continues.

No such penalty shall be imposed unless an opportunity of being heard has been granted.

5.21.3. The amount of penalty shall be paid to the Exchange.

5.21.4. The Managing Director of the Exchange may suspend or if it so decides, delist any company which makes a default in complying with the requirements of Regulation 5.6.10, 5.7.1, 5.8.2 and 5.9.1.

[]

5.21.7. Any action under this Regulation shall be without prejudice to the action or steps taken by the Commission, any other authority or person.

No company which has been suspended or de-listed, as the case may be, shall be restored and its shares shall be requoted on Exchange until it has paid the full amount of penalty for the days of the default and receives the assent of the Managing Director of the Exchange for the restoration.

5.22. REVERSE MERGER REGULATIONS:

5.22.1. The following clauses shall be applicable on the Listed Company in relation to Reverse Merger transactions, for ensuring timely disclosure of information and compliance with all applicable requirements of this Chapter.

5.22.2 Every Listed Company, in order to enable the Exchange to determine its status as Listed Shell Company and assess applicability of the provisions prescribed in relation to Reverse Merger, shall intimate the Exchange immediately upon approval by its board of directors to consider the proposal received from Operating Unlisted Company for merger. The Listed Company shall also obtain from the Operating Unlisted Company and submit to the Exchange, confirmation that the Operating Unlisted Company has received the approval by the board of directors of the Listed Company to initiate merger negotiations with the Operating Unlisted Company.

5.22.3 The Exchange may require the Listed Company to provide any additional information as deemed appropriate, for determining the proposed transaction as a Reverse Merger. The Exchange shall communicate in writing, within a maximum period of 15 days from the date of receipt of such intimation, if the proposed transaction is a Reverse Merger or otherwise. In case the Exchange confirms that the proposed transaction is a Reverse Merger, the Listed Shell Company shall ensure compliance with all applicable requirements as provided for herein below.

5.22.4 The Listed Shell Company shall submit to the Exchange the information/ documents as mentioned in Annexure-II to this Chapter and give an undertaking on non-judicial stamp paper confirming that the proposed Surviving Company shall fulfill the following conditions:

- (a) The minimum paid-up capital shall not be less than Rs. 200 million;
- (b) The minimum Free Float shall not be less than 25% of the issued share capital and 5 million Free Float shares within one year from the date of approval of the scheme of arrangement by the competent authority;
- (c) The Promoters/ Sponsors/ Controlling Directors / Majority Shareholders are / were not also the Promoters/ Sponsors/ Controlling Directors / Majority Shareholders in a:
 - i. Listed Company, which is in the Defaulters' Segment; or
 - ii. Listed Company, which was delisted due to noncompliance of any applicable provision of these Regulations within the past five years; or
 - iii. Corporate Brokerage House whose TRE Certificate has been cancelled/forfeited by the Exchange or any other stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission; or declared defaulter by the Exchange or any other stock exchange of Pakistan that existed prior to January 11, 2016 or the NCCPL, due to noncompliance of any applicable rules, regulations, notices, procedures, guidelines etc. but shall not include any TRE Certificate surrendered voluntarily to the Exchange, if such TRE Certificate Holder does not have any pending investor claims.
- (d) It is not an associated company or a wholly owned company of any other Listed Company, which is in the Defaulters' Segment or trading in its shares is suspended due to violation/non-compliance of laws.
- (e) There are no overdue loan/ payments to any financial institution against the CEO/ Promoters/ Sponsors/ Directors/ Major Shareholders of the Surviving Company either in their individual capacity or as CEO, Director, Partner or Owner in any Company, Firm or Sole Proprietorship;
- (f) There are no overdue loan or payments to any financial institution against the Operating Unlisted Company, its associated or group companies and undertakings;

- (g) None of its Sponsors, Major Shareholders, Directors and Management, Associated Company or undertaking has been declared to have been involved in any fraudulent activity by the Commission, SBP or any other investigation agency or a court;
- (h) None of the Sponsors, Major Shareholders, Directors and Management, Associated Company or undertaking of the Listed Shell Company has been declared involved in any fraudulent activity by the Commission, SBP or any other investigation agency or court;
- (i) The shares of sponsors shall be inducted into CDS in freeze status for a period of not less than three years and the sponsors shall not be allowed to sell their shares during this period;
- (j) It shall ensure compliance with all requirements of these Regulations.

Provided that the condition (d) shall not apply to directors nominated by the Government or by Financial Institutions as creditors.

5.22.5 The Listed Shell Company shall obtain confirmation from the Exchange that it has complied with the requirements of this Clause and any other condition specified by the Exchange before seeking the shareholders' approval for a scheme of Reverse Merger.

5.22.6 If a Listed Shell Company enters into a scheme of Reverse Merger without complying with any requirement(s) of this Clause and any other specified condition, the Exchange shall place such Company or the Surviving Company, as the case may be, in the Defaulters' Segment and/or initiate any other actions including suspension of trading in its shares or delisting as determined by the Exchange.

5.22.7 Where the Exchange is satisfied that it is not practicable to comply with any requirement pertaining to Reverse Merger as provided in these Regulations, in a particular case or class of cases, the Exchange may, for reasons to be recorded, relax such requirement subject to such condition(s) as it may deem fit.

[5.23. DISSEMINATION OF INFORMATION RELATING TO STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019:

The Exchange shall disseminate on its website information relating to statement of compliance of Listed Companies with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and auditor's review report thereon, as reported by their auditor in annual report, for the information of public.]

[5.24.] POWER TO OBTAIN DOCUMENTS:

The Exchange may, by issuing a notice in writing, require a Listed Company/ management company, trustee, or its directors, officers, employees or advisers to produce any documents/information (whether in documentary or electronic form) for investigating into a matter of possible breach of any relevant provision of these Regulations.

S.A. SALAM PUBLICATIONS

¹[Annexure-1]

**DOCUMENTS TO BE SUBMITTED WITH LISTING APPLICATION
DOCUMENTS TO BE UPLOADED ALONG WITH LISTING APPLICATION
THROUGH PRIDE**

The following documents and information shall be uploaded by the applicant company or by the Consultant/Lead manager through PRIDE:

1. An application for Listing on Form I.
2. Undertakings on Form-II and Form-III.
3. Certificate of incorporation.
4. Conversion certificate from private to public company; if applicable.
5. Certificate for change of name of the company, if applicable.
6. Resolution passed by the Board of Directors and members of the company with respect to listing and issue of shares to the general public.
7. License, consent, approval, NOC etc. from the concerned regulatory authority for undertaking / carrying on the business.
8. Memorandum and Articles of Association of the company.
9. Certificate of registration of Modaraba Management Company, if required.
10. Authorization for flotation of Modaraba by the Registrar of Modarabas.
11. Prospectus.
12. Audited accounts of the company, for the last two years or for a shorter period in case the company is in existence for a shorter period, as applicable.
13. Last page of the full prospectus and abridged prospectus, if any, duly signed by every person who is named therein as director of the issuing company. Signatures of the directors must be witnessed by the company secretary. In case of offer for sale of shares, last page of the full prospectus and abridged prospectus if any signed by every Offeror or the persons authorized in writing by the Offerors.
14. No Objection Certificates from the Underwriter(s) to the Issue/Offer, if any, on Form-IV.
15. Letter jointly signed by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the company confirming that they have reviewed the contents of the draft prospectus/offer for sale document and to the best of their knowledge and belief these have been stated/disclosed correctly and fairly.
16. An undertaking on non- judicial stamp paper by the CEO and CFO of the Issuer on the format given in Section-1 (Inside Cover Page) of First Schedule of the Public Offering Regulations duly certified by the oath commissioner.
17. Undertaking by the Company on non-judicial stamp paper regarding details of restrictions placed by any regulatory body, lender, stakeholder, on distribution of profits, transfer of securities, pledging of assets, issuance of corporate guarantee etc. duly certified by the oath commissioner.

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18. Undertaking from the Sponsors of the Issuer on non-Judicial stamp paper that IPO proceeds shall be utilized as per the purpose disclosed in the prospectus duly certified by the oath commissioner.
19. Declaration from the Issuer about the loan amounting to Rs. 500,000 or more written-off by a financial institution during last five years as per Form V.
20. Affidavit from the company affirming, under oath, that the company, has no overdue payment to any financial institution.
21. Affidavit from company's sponsors/promoters, directors, and major shareholders affirming, under oath, that they have no overdue payment to any financial institution. (Specimen attached as Form VI).
22. Application/Declaration of CDS eligibility.
23. Material contracts and agreements relating to the public issue/offer of shares and project, if any.
24. A statement containing particulars, dates of and parties to all material contracts, agreements (including agreements for technical advice and collaboration), concessions and similar other documents except those entered into in the normal course of the company's business or intended business together with a brief description of the terms of such agreements.
25. Title deeds of land duly attested by a gazetted officer.
26. Consent Letters from the Consultant to the Issue, the Book Runner, where required, the underwriters, if any, the share registrar and balloter, auditor, expert and legal advisor to the issue, if any.
27. Consent Letter from Bankers to the issue/offer. The letter shall state that:
 - i. the Bank has given its consent to act as one of the Bankers to Issue/Offer;
 - ii. this consent has not been withdrawn;
 - iii. it has no objection on publication of its name in the prospectus/offer for sale document;
 - iv. the bank has undertaken that the subscription money shall be kept in a separate bank account and shall not be released to the company/the Offeror without prior written approval of the Exchange and/or until the company is formally listed.
28. Individual consent letters from all directors, CEO, CFO and secretary of the company for publishing their names in their respective capacity in the Prospectus/Offer for sale document.
29. Any other document/material/information as may be required by the Exchange for its own record or for inclusion in the prospectus/offer for sale document.
30. Payment of applicable fee and charges as mentioned in Regulation No. 5.19. in favor of the Exchange.

Notes:

- i) Scanned copies of all the documents shall be certified by the Company Secretary/CEO.
- ii) Such scanned documents relating to regulatory authority as specified by the Exchange shall also be certified from the concerned Company Registration Office or concerned Regulatory Authority.
- iii) Warranties, representations, declarations, affidavits and undertakings on stamp papers shall also be submitted in hard form.]

1[FORM I
LISTING APPLICATION

To:

The General Manager
Listing Department,
Pakistan Stock Exchange Limited
Karachi.

Dear Sir/Madam,

1. We hereby apply for the listing of our _____ on your Stock Exchange. (Name of company).
2. Necessary information and documents as required under Annexure-I to Chapter 5 of PSX Regulations are attached herewith.

Yours faithfully,

SIGNATURE & ADDRESS

Cc. to:

The SECP
ISLAMABAD as required under Securities Act]]

1[FORM II
UNCONDITIONAL UNDERTAKING ON NON-JUDICIAL STAMP PAPER

Dated: _____

The Board of Directors
Pakistan Stock Exchange Limited
KARACHI.

UNDERTAKING

We undertake, unconditionally, to abide by the Listing of Companies and Securities Regulations, directions, decisions, notices, guidelines, clarifications and circulars of the Pakistan Stock Exchange Limited, which presently are, or hereinafter may be in force.

We further undertake:

- (1) That our shares and securities shall be quoted on the Ready Delivery Contract Market and/or the Futures Counter at the discretion of the Exchange;
- (2) That the Exchange shall not be bound by our request to remove the shares or securities from the Ready Delivery Contract Market and/or the Futures Counter;
- (3) That the Exchange shall have the right, at any time to place the company/security in the Defaulters' Segment, suspend trading or remove the said shares or securities for any reason which the Exchange considers sufficient in public interest;

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- (4) That such provisions in the articles of association of our company or in any declaration or agreement relating to any other security as are or otherwise not deemed by the Exchange to be in conformity with these Regulations shall, upon being called upon by the Exchange, be amended to supersede the articles of association of our company or the nominee relating to the other securities to the extent indicated by the Exchange for purposes of amendment and we shall not raise any objection in relation to a direction by the Exchange for such amendment;
- (5) That none of the directors, sponsors and substantial shareholders of the company has been sponsor or substantial shareholder in any company, which:
- (i) is in the Defaulters' Segment;
 - (ii) was de-listed by the Exchange due to its non-compliance of any applicable provision of these Regulations; or
 - (iii) whose TRE Certificate has been cancelled or forfeited by the Exchange, PMEX or any other registered stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission due to non-compliance of any applicable rules, regulations, notices, procedures, guidelines etc.
- (6) That none of the sponsors, substantial shareholders, directors or management of the company as well as the company itself or its associated company/entity have been found guilty of being engaged in any fraudulent activity. The company has made full disclosure regarding any/or all cases in relation to involvement of the person named above in any alleged fraudulent activity which is pending before any Court of Law/Regulatory Body/Investigation Agency in or outside of the country; and
- (7) That our company and/or the security may be delisted by the Exchange in the event of non-compliance and breach of this undertaking.

Yours faithfully,

(Signature of Authorized Person)]

FORM III

Dated: _____

To:
The General Manager,
Listing Department,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
KARACHI.

UNDERTAKING

We, M/s _____ have applied for Listing of our Company on your Exchange. In case our application is approved, we hereby undertake as under:-

- (1) That we will issue shares in scripless form in the Central Depository System (CDS) within 10 working days from the date of close of public subscription.
- (2) That shares shall be directly credited through book entry into the respective CDC accounts of the allottees maintained with Central Depository Company of Pakistan Limited (CDC).

MANAGING DIRECTOR/CHIEF EXECUTIVE

FORM IV

To:
The General Manager,
Listing Department,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
KARACHI.

Dear Sir/ Madam,

Re: **NO OBJECTION CERTIFICATE**

We the undersigned have entered into an Underwriting Agreement with M/s. _____ on _____. The terms of which are as follows:

- | | |
|---|---------------------|
| i) Total Number of Shares Underwritten | _____ |
| ii) Face Value | Rs. _____ per share |
| iii) Premium Value (if any) | Rs. _____ per share |
| iv) Value (Including Premium) | Rs. _____ per share |
| v) Amount of Underwriting | Rs. _____ |
| vi) Underwriting Commission | _____ % |
| vii) Take-up Commission | _____ % |
| viii) The Underwriting Agreement is Valid up to | _____ |

We further confirm that we have not entered into any buy back or repurchase agreement in respect of the shares underwritten with the sponsors or any other person under the said agreement.

Yours truly,

Name and Designation of the Underwriter

FORM V

Dated:

DECLARATION

We, the undersigned, hereby declare, represent and warrant pursuant to Regulation 5.2.1 (b) of PSX Regulations:

- (1) that Company complies with the governing laws and regulations of the Exchange; and
- (2) that all of the permissions, authorizations and licenses required for carrying out the business activities of our Company and all of the certificates which we are liable to hold pursuant to the laws and regulations applicable on our Company are existing;
- (3) that there does not exist any material legal disputes which may affect the production and activities of our Company; and
- (4) that loan amounting to Rs. 500,000 or more written-off by a financial institution during last five years was Rs.....

Authorised Signatories

Authorised Signatories

FORM VI

Dated: _____

AFFIDAVIT

We hereby affirm under the oath that _____, the Company, its directors, sponsors/promoters and major shareholders have no overdue payment to any financial institutions.

Authorised Signatories

Authorised Signatories

S.A. SALAM PUBLICATIONS

[Annexure- II]

DOCUMENTS TO BE UPLOADED ON PRIDE PURSUANT TO REVERSE MERGER

The following documents and information shall be uploaded by the Listed Shell Company through PRIDE:

A. PRE SHAREHOLDER APPROVAL:

A Listed Shell Company, prior to seeking shareholders' approval to a scheme of Reverse Merger, shall upload through PRIDE all the relevant information including but not limited to the following:

- (i) Resolutions along with the draft Scheme of Reverse Merger approved by the Board of Directors of Listed Shell Company and the Operating Unlisted Company;
- (ii) Complete report of Valuation of both the Listed Shell Company and the Operating Unlisted Company by an independent firm of practicing chartered accountants having satisfactory Quality Control Review awarded by the Institute of Chartered Accountants of Pakistan and Swap Ratio duly verified by the said Auditor;
- (iii) Corporate profile of both the Listed Shell Company and the Operating Unlisted Company;
- (iv) Name and profile of each member of the Board of Directors of Listed Shell Company and the Operating Unlisted Company;
- (v) Detail of directorships of the directors of both the Listed Shell Company and the Operating Unlisted Company in other companies;
- (vi) Pattern of shareholding of both the Listed Shell Company and the Operating Unlisted Company;
- (vii) Complete group structure including subsidiaries and associates, if any, of the Listed Shell Company and the Operating Unlisted Company;
- (viii) Business plan of the proposed Surviving Company including its financial projections for at least five years;
- (ix) Name and profile of each member of the Board of Directors of the proposed Surviving Company;
- (x) List of Promoters / Sponsors / Controlling Directors of the proposed Surviving Company;
- (xi) Proposed capital structure of the proposed Surviving Company;
- (xii) Profile of key management employees including relevance of their experience for running the Surviving Company;
- (xiii) Latest financial statements including financial highlights along with key financial ratios of both the Listed Shell Company and the Operating Unlisted Company duly audited by a QCR rated audit firm;

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- (xiv) Scheme of Reverse Merger to be placed for Shareholders' approval;
- (xv) Due diligence of the transaction conducted by an independent financial institution, audit firm, law firm, company registered with the Pakistan Engineering Council as consultant and whose name appears as a valuer on the panel of Pakistan Banks Association companies, other company whose name appears as a valuer on the panel of Pakistan Banks Association, and company registered with the Commission as a valuer, or any other expert having relevant expertise and experience;
- (xvi) Affidavit, under oath, that the CEO/Promoters/ Sponsors/ Directors/ Major Shareholders of the Surviving Company, either in their individual capacity or as CEO, Director, Partner or Owner in any Company / Firm / Sole Proprietorship, have no overdue payment to any financial institution;
- (xvii) Affidavit, under oath, that the proposed Surviving Company, its associated/ group companies and undertakings have no overdue loan/payment to any financial institution;
- (xviii) All risk factors associated with the proposed Surviving Company, its management, operations, industry it belongs to, capital market, law and order situation etc.
- (xix) Any other document/ information as may be required by the Exchange

B. POST SHAREHOLDER APPROVAL:

A Listed Shell Company, after seeking shareholders' approval to a scheme of Reverse Merger, shall upload through PRIDE the following documents / information:

- (i) Certified true copy of resolution adopted by the shareholders along with copy of Scheme of Reverse Merger approved by the shareholders;
- (ii) Certified true copy of Order of the Commission / Court / any other competent authority, sanctioning the Scheme of Reverse Merger;
- (iii) Certified true copy of Form-3 i.e. Return of Allotment as filed with the Registrar of Companies;
- (iv) Auditor's Certificate confirming any required increase in the paid-up capital of the Surviving Company;
- (v) Payment of additional listing fee on the increase in paid-up capital of the Surviving Company;
- (vi) Any other document/ material information as may be required by the Exchange.

Notes:

- i) All material, price sensitive information by the Listed Shell Company shall also have to be uploaded on PUCARS.
- ii) Scanned copies of all the documents shall be certified by the Company Secretary/CEO.
- iii) Such scanned documents relating to regulatory authority as specified by the Exchange shall also be certified from the concerned Company Registration Office or concerned Regulatory Authority.
- iv) Warranties, representations, declarations, affidavits and undertakings on stamp papers shall also be submitted in hard form.

The End

The Non-Banking Finance Companies and Notified Entities Regulations, 2008

(Regulation 2, 3, 9, 10, 15B, 16 to 18, and 25)

S.R.O. 1203(I)/2008, Islamabad, November 21, 2008.- In exercise of the powers conferred by sub-section (2) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984), the Securities and Exchange Commission of Pakistan hereby notifies the following Non-Banking Finance Companies and Notified Entities Regulations, 2008 for the regulation of NBFCs carrying out leasing, investment finance services, housing finance services, ¹[discounting services, micro financing" shall be inserted and thereafter, after the expression "NBFCs" occurring at the end, the expressions "and Pension Fund Managers and pension fund scheme business managed by them], asset management services and investment advisory services and their business activities and notified entities being managed by the aforementioned NBFCs.

Part - I

Title and Definitions

1. Short title and commencement.- (1) These regulations shall be called the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

(2) They shall come into force at once.

2. Definitions.- (1) In these Regulations, unless there is anything repugnant in the subject or context,-

(i) "Asset Management Company" means an NBFC licensed by the Commission to provide asset management services;

[]

(iii) "Borrower" means a person who has obtained Finance from an NBFC;

[]

(v) "Collective Investment Scheme" means any arrangement whose sole purpose is the collective investment of funds in a portfolio of securities, or other financial assets for profits, income or other returns, and where the participants, who have pooled in the funds, do not have any day to day control over the management of the scheme, whether or not they have the right to be consulted or to give direction in respect of such management:

Provided that the following shall not be considered as a Collective Investment Scheme for the purpose of these regulations:-

(a) employee welfare trusts or gratuity trusts or employees provident funds or employees' pension funds setup for the benefit of employees by companies; and

(b) any such pool of funds which is separately regulated by the Commission or which is already established under any specific law;

¹Words inserted by SRO 592(I)/2023 dated May 17, 2023.
SRO 592 of 2023

- ¹[(vi) “Closed End Fund” means a Closed End Scheme which is a CIS having a specified period of maturity which does not continuously offer its certificates for sale to investors and entitles the holder of certificates, to receive, proportionate share of the net assets of the closed end scheme;]
- ²[]
- (viii) “Constitutive Documents” includes the trust deed, offering document, supplemental documents and other principal documents governing the formation of a Closed End Scheme, Open End Scheme or a Pension Fund and all other related material agreements;
- (ix) “Consumer Financing” means the financing allowed to individuals for meeting their personal, family or household needs.
- (x) “Consumer Leasing” means any leasing allowed to individuals for meeting their personal, family or household needs;
- (xi) “Contingent Liabilities” means,-
- (a) a possible obligation that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- (b) a present obligation that arises from past events but is not recognized on the books of the NBFC and Notified Entity because:
- (I) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (II) the amount of the obligation cannot be measured with sufficient reliability and includes letters of credit, letters of guarantee, bid bonds or performance bonds, advance payment guarantees and Underwriting Commitments;
- ³[(xiaa) “Data processing” shall mean any operation or set of operations which is performed upon the User’s data, whether or not by automatic means, such as collection, recording, organization, storage, adaptation or alteration, retrieval, consultation, use, disclosure by transmission, dissemination or otherwise making available, aligning or combining, blocking, erasing or destroying of data;]
- ⁴[(xiaaa) “Digital Fund Management NBFC” means services provided by fund management NBFC through digital technology based or internet-based channels, apps or tools, with limited or no human interaction;
- (xiaaab) “Digital Lending” means providing finance through digital, technology-based or internet-based channels, apps or tools, with limited or no human interaction for loan application, approval, disbursement and repayment of loan;
- (xiaaac) “Digital Trustee” means a trustee that is providing services through digital technology based or internet-based channels, apps or tools with limited or no human interaction;]

¹Clause (vi) substituted by SRO 592(I)/2023 dated May 17, 2023.

²Clause (vii) deleted by SRO 592(I)/2023 dated May 17, 2023.

³Clause inserted by SRO 807(I)/2022 dated June 14, 2022.

⁴Clauses (xiaaa) to (xiaaac) inserted by SRO 592(I)/2023 dated May 17, 2023.

- (xia) “deposit taking NBFC” means a lending NBFC with a valid permission to raise Deposits or have outstanding Deposits on its books;
- (xib) “discount house” means an NBFC licensed by the Commission to provide discounting services.
- (xii) “Discretionary Portfolio” means a portfolio of securities and deposit with financial institution managed by an Investment Advisor under an agreement entered into with a client on a duly notarized stamp paper of applicable value and whereby investment decisions are made and executed by the Investment Advisor on behalf of its client;
- xiia “Distributor” means a person who performs distribution function for Collective Investment Schemes;
- xiib “Element of income” represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net Asset Value (NAV) at the beginning of the relevant accounting period.-

Explanation:- Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders’ fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution:

Provided that in case of Exchange Traded Funds receipt and payment of element of income relating to income statement is taken to Income Statement both at the time of issuance and redemption of units.

¹[]

- (xv) “Exposure” includes Finance, subscription to or investment in securities, debt instruments, units or certificates or shares of a Notified Entity, placements, deposits with Financial Institutions, derivatives, Margin Trading System (MTS) or any mechanism that replaces it, but does not include:
 - (a) obligations under letters of credit and letters of guarantee to the extent of cash margin held by an NBFC;
 - (b) Finance provided to financial institutions through REPO transactions with underlying statutory liquidity requirement eligible securities;
 - (c) deposit in current and savings accounts other than term deposits;

²[]

- (xvii) “Fit and Proper Criteria” means the criteria specified in Schedule IX;
- (xviii) “Form” means the Forms annexed to these Regulations;

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¹Clauses (xiii) & (xiv) deleted by SRO 592(I)/2023 dated May 17, 2023.

²Clause (xvi) deleted by SRO 592(I)/2023 dated May 17, 2023.

- (xix) “FSV” means the forced sale value which reflects the possibility of price fluctuations and can be realized by selling the mortgaged, pledged, leased or collaterally held assets in forced or distressed sale conditions;
- (xx) “Government Securities” include monetary obligations of the Federal Government or a Provincial Government or of a corporation wholly owned or controlled, directly or indirectly, by the Federal Government or a Provincial Government and guaranteed by the Federal Government and any other security as the Federal Government may, by notification in the Official Gazette, declare, to the extent determined from time to time, to be a Government Securities;
- (xxi) “Housing Finance Company” means an NBFC licensed by the Commission to provide housing finance services;
- (xxi1) “infrastructure finance company (IFC)” means an NBFC, which deploys at least 70 per cent of its total assets in infrastructure finance for such infrastructure projects which the Commission may notify through circular, having minimum credit rating of A and is compliant with minimum equity and CAR requirement;”;
- (xxii) “Investment Advisor” means an NBFC licensed by the Commission to provide investment advisory services;
- ¹[]
- (xxiv) “Investment Finance Company” means an NBFC licensed by the Commission to provide investment finance services;
- (xxv) “Leasing Company” means an NBFC licensed by the Commission to provide leasing;
- ²[(xxva) “Lender” in relation to P2P Lending means a person or entity extending a loan to a borrower through the Platform for the Price and on the terms and conditions determined by the P2P Service Provider and where context permits, a lender shall also include the P2P Service Provider;]
- (xxvi) “Liquid Assets” means the assets which are readily convertible into cash and includes encashment or realizable value of gold, Government Securities, bank deposits, shares of listed companies which are actively traded on the stock exchange, certificates or shares of a Close End Fund, Deposits issued by DFIs or NBFCs rated at least ‘A-’ by a credit rating agency registered with the Commission, Certificates of Musharika issued by Modarabas rated at least ‘A’ by a credit rating agency registered With the Commission, listed TFCs and Sukuks rated at least ‘A’ by a credit rating agency registered with the Commission and which are actively traded in the market, commercial papers rated at least ‘A’ by a credit rating agency registered with the Commission, National Saving Scheme securities and units of Open End Scheme for which a duly licensed Asset Management Company quotes daily offer and redemption price;

¹Clause (xxiii) deleted by SRO 592(I)/2023 dated May 17, 2023.

²Clause inserted by SRO 807(I)/2022 dated June 14, 2022.

- (xxvii) “Margin Financing” ¹[shall have the same meaning as assigned to it under the] Securities (Leveraged Markets and Pledging) Rules, 2011;
- (xxviii) “Micro Financing” means Finance provided to a poor person or microenterprise;
- (xxviiii) “Microenterprises” means projects or businesses in trading or manufacturing or services or agriculture that lead to livelihood improvement and income generation. These projects or businesses are undertaken by micro entrepreneurs who are either self-employed or employ few individuals not exceeding 10 (excluding seasonal labour);
- (xxviiii) “Net Assets”, in relation to a collective investment scheme and pension fund, means the excess of assets over liabilities of the collective investment scheme or pension fund, computed in the manner provided in these regulation;
- (xxviiii) “non-deposit taking NBFC” means a Lending NBFC which does not have a permission to raise Deposits;
- (xxix) “Non-Discretionary Portfolio” means a portfolio of securities and deposit with financial institution managed by an Investment Advisor under an agreement entered into with the client on a duly notarized stamp paper of applicable value whereby investment decisions are executed by the Investment Advisor on written instructions of the client;
- (xxx) “Notified Entity” means a company or class of companies or corporate body or trust or any other entity or person notified by the Federal Government in the official Gazette;
- (xxxi) “offering document” includes,-
- (a) a published document containing information on a Collective Investment Scheme to invite the public for purchase of certificates or units in that scheme;
 - (b) a document inviting contributions from eligible persons for a pension fund; and
 - (c) all supplementary documents thereto or any document relating to an income payment plan;
- (xxxii) “Open End Scheme” means a collective Investment Scheme which offers units for sale based on net asset value on continuous basis without specifying any duration for redemption and which entitles the holder of such units on demand to receive his proportionate share of the net assets of the scheme less any applicable charges on redemption or revocation;
- (xxxiii) • “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984);
- (xxxiv) “Other Form of Security” includes hypothecation of stock (inventory), assignment of receivables, lease Rentals, contract receivables etc.;

¹Substituted for “means Margin Financing as defined in sub-rule (k) of rule 2 of” by SRO 592(I)/2023 dated May 17, 2023.

- (xxxiva) “poor person” means an individual who has meager means of subsistence and whose total business income excluding expenses during a year is less than or equal to ¹[Rs.1,200,000/-] or such other minimum limit as may be notified from time to time;
- ²[(xxxivb) “P2P Service Provider” shall mean and include a Lending NBFC providing P2P Services;
- (xxxivc) “P2P Services” shall mean the services provided by a Lending NBFC permitted under these Regulations for facilitating P2P Lending transactions through the P2P Lending Platform and shall include the provision of the Platform and activities provided in these Regulations for P2P Lending;
- (xxxivd) “Participant” in relation to P2P Lending means a person who has entered into an arrangement/agreement with a P2P Lending Platform to lend or borrow through a P2P Lending Platform;
- (xxxive) “Peer to Peer Lending” or “P2P Lending” shall mean the extension of loans by the lender to the borrower through the P2P Lending Platform;
- (xxxive)* “Peer to Peer Lending Platform” or “P2P Lending Platform” shall mean an intermediary providing P2P services through online medium or otherwise to the participants who have entered into an arrangement with that platform to lend or to borrow money;
- (xxxivf) “Price” means the amount determined by the P2P Service Provider for each transaction and includes the principal amount plus the profit/rate of return determined based on the factors prescribed in these Regulations;]
- (xxxiva1) “Public Funds” include public deposits, inter-corporate deposits, bank finance and all funds received whether directly or indirectly from outside sources such as funds raised by issue of debentures, commercial papers etc.
Explanation:- for the purposes of this clause the expression “indirect receipt of public funds” means funds received through associates and group entities which have access to public funds;
- (xxxv) “Readily Realizable Assets” include Liquid Assets and stocks pledged with the NBFCs and are in their possession, ³[directly, or held through another NBFC or a Scheduled Bank on behalf of the NBFC, with ‘perfected lien/charge’] duly supported with complete documentation;
- (xxxvi) “Regulations” means the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the Schedules and Forms attached to it;
- (xxxvii) “Rental” include lease Rentals, Rentals in respect of housing finance facilities, hire purchase installments or any other amount received by NBFC from Borrower against the grant of a Facility;
- (xxxviii) “Rules” mean the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003;

¹Substituted for “600,000/-” by SRO 592(I)/2023 dated May 17, 2023.

²Clauses inserted by SRO 807(I)/2022 dated June 14, 2022. *It should be (xxxivf)

³Substituted for “with, ‘perfected lien’” by SRO 592(I)/2023 dated May 17, 2023.

- (xxxix) "Schedule" means the Schedule to these Regulations;
- (xl) "Secured" means Exposure backed by Tangible Security and any Other Form of Security with appropriate margins (in cases where margin has been specified by the Commission appropriate margin shall at least be equal to the specified margin);
- (xli) "small enterprise" and "medium enterprise", (together referred to as the SME)", includes,-
- (a) small enterprise:- a business entity not a public limited company that has annual turnover up to Rs. 150 million and employees (including contractual) up to 50; and
- (b) medium enterprise:- a business entity that has annual turnover of more than Rs. 150 million and up to Rs. 800 million and number of employee (including contractual) between 51 to 100 for trading entity and between 51 to 250 for manufacturing or service entity.
- (xliii) "Tangible Security" means Readily Realizable Assets, mortgage of land, plant, building, machinery and any other fixed assets;
- (xliv) "TFC" means debt instrument issued for the purpose of raising funds in the form of redeemable capital;
- (xlv) "Total Expense Ratio" means the ratio of the sum of all fees, expenses, taxes or government levies charged to the Collective Investment scheme to average daily net assets value of that Collective Investment Scheme;
- (xlvi) "Underwriting Commitments" mean commitments given by NBFCs to the limited companies at the time of new issue of equity or debt instrument, that in case the proposed issue of equity or debt instrument is not fully subscribed, the un-subscribed portion will be taken up by them (NBFCs);
- (xlvii) "Unlisted Debt Security" means a debt security not listed or quoted on a stock exchange; and
- (xlviii) "Unlisted Equity Security" means an equity security not listed or quoted on a stock exchange.
- (xlix) "Unsecured" means the Exposure without any security or collateral.
- ¹(xlix) "User(s)" shall mean any person or entity using the P2P Lending Platform for the transaction and shall include the borrowers and lenders;]

(2) Words and expressions used but not defined in these Regulations shall have the same meaning unless contrary to the context as assigned to them in the Ordinance, Rules, Securities Act, 2015 and the Securities and Exchange Ordinance, 1969 (XVII of 1969) and the Rules and Regulations made thereunder including the Voluntary Pension System Rules, 2005.

¹Clause inserted by SRO 807(I)/2022 dated June 14, 2022.

S.A. SALAM PUBLICATIONS

Part-II
General

3. Application of this part.- The provisions of this part shall apply to the following form of business,-

- (i) Asset Management Services
- (ii) Leasing;
- (iii) Discounting Services;
- (iv) Housing Finance Services;
- (v) Investment Advisory Services; ¹[]
- (vi) Investment Finance Services; ²[and]
- ³(vii) Investment Finance Services restricted to Micro financing.]

4. Minimum equity requirement.- An NBFC licensed by the Commission to undertake any form of business mentioned in Regulation 3 shall, at all the times, meet the minimum equity requirement or any other requirement in lieu of minimum equity requirement in respect of each form of business as provided in Schedule I.

[]

7. Submission of information by the NBFC.- An NBFC shall submit such information including periodical statements, reports, statistics and data in such forms and manner and within such time as may be required by the Commission from time to time.

⁴[]

9. Prevention of NBFCs involvement in money laundering, terrorist financing and other illegal trades.- (1) All NBFCs shall ensure prevention of money laundering and other illegal trades and abide by such laws, directives and circulars as may be issued by the Federal Government or the Commission to safeguard the NBFC against involvement in money laundering activities and other illegal trades.

(2) Notwithstanding the generality of Regulation 9(1) and NBFC shall comply with the following conditions,-

- (a) it shall determine the true identity of the prospective customer or investor before extending its services and care shall be taken to establish beneficial ownership of all accounts and those using safe custody.;

For the purpose of this regulation, customer means a person who has placed a Deposit with the Lending NBFC or has invested in the units or certificates of a Notified Entity or has obtained Finance from a Lending NBFC or has any business relationship with the NBFC or Notified Entity.

- (b) it shall accept money from a customer only after ensuring that an account has been opened in the name of the customer using the account opening form developed by the respective industry associations in consultation with the Commission;

¹Word "and" deleted by SRO 592(I)/2023 dated May 17, 2023.

²Word "and" inserted by SRO 592(I)/2023 dated May 17, 2023.

³Clause (vii) inserted by SRO 592(I)/2023 dated May 17, 2023.

⁴Reg. 8 deleted by SRO 592(I)/2023 dated May 17, 2023.

- (c) it shall establish effective procedures for obtaining identification from new customers and devise a policy to ensure that business transactions are not conducted with persons who fail to provide evidence of their identity;
- (d) it shall conduct its business in conformity with the Rules and these Regulations and shall not offer services or provide any assistance in transactions which, in the opinion of the NBFC, are associated with illegal activities or relating to terrorist financing from legitimate or illegal means;
- (e) it shall establish effective procedures for monitoring of customer accounts on a regular basis, checking identities and bonafide of remitters and beneficiaries of transactions and retain record of transaction; and
- (f) it shall not make payment or receive amounts in cash exceeding Rs.50,000/-.

Provided that the above limit shall not apply to cash payments made for repayment of Finance by an existing borrower.

(3) All transactions into or from the account maintained with the NBFC which are not usual transactions shall be thoroughly scrutinized and properly investigated by the NBFC.

10. Procedure for approval for appointment or re-appointment of directors and chief executives.- An NBFC shall follow the following procedure for obtaining approval of appointment or re-appointment or any change of its directors or chief executive,-

- (a) in the case of election of directors in the Annual or Extraordinary General Meeting, the NBFC, 10 days before the date of the meeting in which election of directors is to be held, shall submit an application for the individuals seeking to contest the elections whether they are retiring directors or otherwise;
 - ¹[(aa) within thirty days from the date of election of directors in a general meeting, or the office of the chief executive falling vacant, as the case may be, the NBFC shall submit an application complete in all respects, for obtaining approval for appointment or reappointment of chief executive;]
 - ²[(ab) in case the Board of Directors of an NBFC decides to remove its chief executive before the expiration of his term of office or the chief executive decides to tender his resignation before the completion of his term of office or replacement of chief executive on completion of his term, the NBFC shall immediately inform the Commission along with reasons for the same;]
- (b) in case of occurrence of any casual vacancy in respect of a director ³[], the NBFC shall submit an application within ⁴[ninety days];
 - ⁵[]
- (c) the application shall be submitted in compliance with the requirements of Schedule IX and be accompanied by information and documents required therein; and

¹Clause (aa) substituted by SRO 592(I)/2023 dated May 17, 2023.

²Clause (ab) inserted by SRO 592(I)/2023 dated May 17, 2023.

³Words "or a chief executive" deleted by SRO 592(I)/2023 dated May 17, 2023.

⁴Substituted for "ten days" by SRO 592(I)/2023 dated May 17, 2023.

⁵Clause (ba) deleted by SRO 592(I)/2023 dated May 17, 2023.

- (d) any deficiency or shortcoming in the information or documents submitted by the NBFC to the Commission shall be rectified by the NBFC within 14 days of the ¹[communication of such deficiencies or short comings] by the Commission informing the NBFC of the deficiency or shortcoming:

Provided that where the NBFC does not remove the deficiency or shortcoming, the Commission may close the matter.”

Part-III

Lending NBFCs

“15B. Limit on aggregate liabilities of an NBFC.- (1) Aggregate liabilities, excluding contingent liabilities and security deposits, of a non-deposit taking NBFC shall not exceed ten times of its equity :

Provided that for an NBFC engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, the aggregate liabilities, excluding contingent liabilities and security deposits shall not exceed ten times of its equity and qualified capital and for this purpose the Commission may specify, through circular, qualified capital and its terms and conditions.

(2) Contingent Liabilities of an NBFC shall not exceed the limits prescribed below:

Credit Rating	Maximum Limit
AA- and above	2 times of equity
A- to A+	1.5 times of equity
BBB+	0.5 times of equity

Provided that for an NBFC engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, contingent Liabilities shall not exceed the 10 times of the equity and qualified capital and for this purpose the Commission may, through circular, specify the qualified capital and its terms and conditions ²[:]

²[Provided further that for an NBFC that is exclusively engaged in the business of issuance of guarantees against,-

- (i) financing to SMEs; and
- (ii) debt instruments issued for financing SMEs,

the Contingent Liabilities shall not exceed 10 times of the equity.]

Provided that the following shall not constitute contingent liabilities for the purpose of this regulation,-

- (a) non-fund based Finance to the extent covered by liquid assets;
- (b) non-fund based finance where the payment is guaranteed by the Federal Government, Provincial Government, Financial Institution rated AA by a credit rating agency registered with the Commission; and

¹Substituted for “issue of the letter” by SRO 592(I)/2023 dated May 17, 2023.

²Full stop substituted and proviso inserted by SRO 807(I)/2022 dated June 14, 2022.

- (c) claims other than those related to provision of Finance (fund based or non-fund based) to the NBFCs' constituents, where the probability of conversion of these claims into liabilities is remote in the view of the Auditor."

"16. Creation of reserve fund.- A deposit taking lending NBFC shall create a reserve fund wherein at least 20% of the after tax profits of the NBFC shall be credited till the time that the reserve fund equals the amount of the paid up capital of the NBFC and thereafter a sum not less than 5% of its after tax profits shall be credited to the reserve fund.

Explanation.- Issuance of bonus shares may be made from the reserve fund after appropriation made under Regulation 16 however the NBFC shall transfer further amounts to the reserve fund in order to comply with the requirements of Regulation (16).

17. Maximum Exposure of NBFC to a single person, or Group.- (1) The total outstanding Exposure (fund based and non-fund based) by an NBFC to a person shall not at any time exceed twenty per cent (20) of the equity of an NBFC (as disclosed in the latest financial statements):

Provided that the maximum outstanding fund based Exposure does not exceed fifteen per cent (15) of the equity of an NBFC:

Provided further that subject to the above specified limits, a small enterprise and a medium enterprise can avail finance maximum up to Rs. 25 million and Rs. 200 million (liquid assets under perfected lien of the NBFC may be deducted from the limits), respectively, from a single NBFC, bank or DFI, or from all NBFCs, banks or DFIs:

Provided further that for an NBFC engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, the total outstanding Exposure (fund based and non-fund based) by an NBFC to a person shall not at any time exceed forty per cent (40%) of the equity (as disclosed in the latest financial statements) and Qualified Capital and for this purpose the Commission may, through circular, specify qualified capital and its terms and conditions:

Provided also that this relaxation shall be applicable to the NBFC as mentioned above:

- (i) for the first five (5) years of its operations; and
- (ii) for total outstanding Exposure in relation to finance raised otherwise from the public:

Provided further that an infrastructure finance company and a non-deposit taking NBFC that is not involved in retail lending and provides finance to other NBFCs or financial institutions, may exceed the above limits by up to five percent and ten percent of its equity, respectively.

Explanation:- For the purposes of this regulation, the infrastructure finance company means an NBFC that deploys at least seventy per cent of its total assets in infrastructure finance for the infrastructure projects, which the Commission may notify through circular and is compliant with minimum equity and CAR requirement.

(2) The total outstanding Exposure (fund based and non-fund based) by an NBFC to any group shall not exceed twenty five per cent (25) of the equity of an NBFC (as disclosed in the latest financial statements):

Provided that the maximum outstanding fund-based Exposure does not exceed twenty per cent (20) of the equity of an NBFC:

Provided further that the limits prescribed in sub-regulation (1) and (2) shall not be applicable to exposure taken by an NBFC in its own subsidiaries out of its surplus equity:

Provided further that for an NBFC engaged exclusively in the business of issuance of guarantees to enhance the quality of debt instruments issued to finance infrastructure projects in Pakistan, the total outstanding Exposure (fund based and non-fund based) to any group shall not exceed fifty per cent (50%) of the equity (as disclosed in the latest financial statements) and Qualified Capital and for this purpose the Commission may, through circular, specify qualified capital and its terms and conditions:

Provided also that this relaxation shall be applicable to the NBFC as mentioned above:

- (i) for the first five (5) years of its operations; and
- (ii) for total outstanding Exposure in relation to finance raised otherwise from the public:

Provided further that an infrastructure finance company and a non-deposit taking NBFC that is not involved in retail lending and provides finance to other NBFCs or financial institutions, may exceed the above limits by up to five percent and ten percent of its equity, respectively.

(3) In case of micro financing, the following Exposure limits shall be applicable:

- (a) Poor Person

Rs. 1,500,000 for housing loan;

Rs. 500,000 for general loans other than housing loan;

- (b) Microenterprise

Rs. 1,500,000]

- (4) Exposure under this Regulation shall be calculated as under,-

- (a) hundred per cent (100) of the deposits placed with the lending NBFC, under perfected lien, shall be deducted from Exposure;

- (b) ninety per cent (90) of the following shall be deducted from Exposure,-

- (i) deposits with any other financial institution or scheduled bank rated at least A or equivalent by a credit rating agency registered with the Commission, under perfected lien; and

- (ii) encashment value of Government Securities and National Saving Scheme securities deposited by the Borrower with the lending NBFC as collateral;

- (c) 85% of the unconditional financial guarantees, payable on demand, issued by the scheduled banks ¹[or NBFCs engaged exclusively in the business of issuance of guarantees,] rated at least 'A' or equivalent by a credit rating agency registered with the Commission, accepted as collateral by NBFCs shall be deducted from the Exposure;
- (d) thirty per cent (30) of listed Term Finance Certificates and Sukuks and shares of the KSE 100 index companies held as security with duly marked lien shall be deducted:

Explanation.- The TFCs and Sukuks to qualify for this purpose should have been rated at least 'A' or equivalent by a credit rating agency registered with the Commission;

- (e) seventy five per cent (75) of the Encashment Value of a Life Policy issued by an A-rated insurance company, duly assigned and endorsed in favor of the lending NBFC using its as a Security²; and
- (f) the following weightage will be applicable in respect of placements with financial institutions,-
 - (i) 10% weightage on Exposure to financial institutions with 'AAA' Rating;
 - (ii) 25% weightage on Exposure to financial institutions rated at least 'AA';
 - (iii) 75% weightage on Exposure to financial institutions rated at least 'A'.

²(5) This regulation shall not apply to an NBFC not accessing Public Funds in Pakistan provided that such NBFC shall determine its internal prudential limits, restrictions and requirements for exposure as per the credit and risk management policies duly approved by its Board.

Explanation:- Public Funds include public deposits, inter-corporate deposits, certificate of deposits and all funds received whether directly or indirectly from outside sources such as funds raised by issue of shares, debentures, commercial papers, etc. that are listed or publicly traded. Further, indirect receipts of public funds mean funds received not directly but through associates and group entities which have access to public funds;]

17A. Maintenance of Capital Adequacy Ratio ('CAR').- A deposit taking NBFC shall be required to maintain CAR of eight per cent (8) for the first two years from coming into force of these regulations and ten per cent (10) for subsequent years as per the criteria given in Schedule IXA.

17B. Asset Liability Management System.- The board of directors of a deposit taking NBFC shall approve a policy for effective monitoring of the NBFC's assets and liabilities profiles for managing liquidity risks by containing mismatches (running total) in maturity of assets and liabilities across all time buckets by establishing internal prudential limits.

¹Words inserted by SRO 592(I)/2023 dated May 17, 2023.

²Sub-regulation (5) substituted by SRO 592(I)/2023 dated May 17, 2023.

17C. Exposure Limits in Capital Market.- (1) An NBFC's aggregate exposure in listed equity securities (in the ready as well as in futures market), and spread transactions shall not exceed fifty percent of its equity.

Explanation:- For the purpose of this Regulation "spread transactions" mean such transactions where shares of one company are purchased on one settlement date and simultaneously sold on another settlement date, that will be considered as one transaction:

Provided that the above condition shall not be applicable on non-deposit taking NBFCs.

(2) An NBFC's investment in equity securities of any company shall not exceed ten percent (10) of the paid-up capital of the investee company or ten per cent (10) of its own equity, whichever is less and the shares acquired in excess of the ten per cent limit, due to the Underwriting Commitments, shall be sold off within a period of six months from the date of acquisition of such shares:

Provided that the amount of provisions created against permanent diminution shall be deducted from the cost of acquisition of equity investments and the maximum limit:

Provided further that the above restriction shall not be applicable to investments made by an NBFC in its own subsidiaries and long term strategic investments out of surplus equity.

Explanation:- For the purpose of this Regulation "investments in equity securities" shall be valued at cost of acquisition for the purpose of calculating the above limit.

18. Limit on clean placements.- An NBFC shall make clean placement only with financial institutions rated at least A- or equivalent by a credit rating agency registered with the Commission:

Provided further that the aggregate Exposure of Deposit taking NBFC shall not exceed its equity.

Explanation. For the purpose of this Regulation "clean placement" means Exposure without taking any security or collateral.

18A. Limit on Unsecured Finance.- A deposit taking NBFC may provide unsecured Finance up to Rs. 200,000/- (Rupees two hundred thousand only) to a single borrower while a non-deposit taking NBFC may provide unsecured Finance up to ten percent of its equity to a single borrower or a single group. ¹[In case of deposit taking NBFC, the aggregate unsecured Finance shall not exceed fifty percent of its equity]:

²[.]

³[Provided that this Regulation shall not be applicable in case of Non-Bank Micro Finance Company:

¹Substituted for "The aggregate unsecured Finance shall not exceed equity of the NBFC" by SRO 592(I)/2023 dated May 17, 2023.

²Proviso deleted by SRO 592(I)/2023 dated May 17, 2023.

³Proviso substituted by SRO 592(I)/2023 dated May 17, 2023.

Provided further that all NBFCs shall determine their internal prudential limits, restrictions and requirements for unsecured exposure as per the credit and risk management policies duly approved by their Board, and shall submit reports to the Commission regarding such policies and unsecured finance provided thereunder, on such format as the Commission may notify through circular.]”

“25. Classification and Provisioning for non-performing assets.- ¹[(1) A Lending NBFC shall observe the criteria for classification of its assets and provisioning as provided in Schedule X:

Provided that in case of loans of up to Rs. 100,000 that are not secured by any Tangible Security and having a duration of up to six months, provided by lending NBFCs engaged in Investment Finance Services, the classification criteria specified for Micro Finance portfolio in Schedule X shall apply. Notwithstanding anything contained in this sub-regulation, after adoption and implementation of IFRS 9, the requirements of IFRS 9 shall be applicable.]

(2) In addition to time based criteria provided in Schedule X subjective evaluation of performing and non-performing Finance shall be made for risk assessment and where considered necessary the category of classification determined on the basis of the aforementioned time based criteria shall be further downgraded:

Provided that such evaluation shall be carried out on the basis of adequacy of security inclusive of its realizable value, cash flow of the Borrower or lessee, operations in the account and records covering advances and credit worthiness of the Borrower or lessee.

(3) The status of classification of a rescheduled or restructured non-performing Finance shall be changed only when the terms and conditions of the rescheduled or restructured Finance are full met for a period of at least six months (excluding grace period, if any) from the date of such rescheduling or restructuring and when at least 20% of the outstanding amount (principal and mark up) is recovered in cash:

Provided that the above condition of six months retention period shall not apply if the Borrower repays or adjusts at least 50% of the restructured or rescheduled loan amount (principal and markup) in cash either at the time of restructuring agreement or later-on during the grace period if any.

(4) An NBFC shall ensure that the status of classification and provisioning of a rescheduled or restructured non-performing Finance is not changed in its reports to the Commission merely due to rescheduling or restructuring of a Finance and rescheduled or restructured Finance shall be reported to the Credit Information Bureau as such and not as default.

(5) Where the Borrower subsequently defaults (either on principal or mark-up) after the rescheduling or restructuring of the non-performing Finance the NBFC shall classify the Finance in the same category as it was in at the time of rescheduling or restructuring and NBFC may further downgrade the classification after taking into account the applicable criteria stated in Schedule X.

(6) At the time of rescheduling or restructuring, an NBFC shall reconsider, re-examine and record in detail the viability of the project or business and shall accordingly obtain a revised business plan, latest CIB report and endeavor to obtain additional security to protect its interests.

¹Regulation 25(1) substituted by SRO 592(I)/2023 dated May 17, 2023.

(7) A Lending NBFC shall take benefit of realizable value of assets held as collateral against non-performing Finance as per criteria given in Schedule XI;

(8) Subjective evaluation of investment portfolio and other assets shall be carried out by the NBFC. Classification of such assets and provisioning required against them shall be determined by keeping in view the risks involved and the requirements of the International Accounting Standards as notified by the Commission under Section 234(3) of the Ordinance and the Technical Releases issued by the ICAP, from time to time.

(9) An NBFC shall review, at least on a quarterly basis, the recovery of their Finance, portfolio and shall properly document the evaluations so made:

Provided that shortfall in provisioning, if any, determined as a result of quarterly assessment, shall immediately be provided in the books of accounts by the NBFC.

(10) The external auditors as a part of the annual audit of the NBFC shall verify that all requirements under these Regulations or any other circular issued by the Commission for classification of assets and determination of provisions required against them have been complied with.”

¹[Schedule I

Minimum Equity Requirement

see Regulation 4

Form of Business	Minimum equity Requirement
New deposit taking NBFCs for obtaining license of Investment Finance Services or Leasing or Discounting or Housing Finance Services	Rs.1,000 million
Existing NBFCs with valid deposit taking permission having Investment Finance Services license	Rs.750 million
Existing NBFCs with valid deposit taking permission having Leasing license	Rs.500 million
Non-deposit taking NBFCs for Investment Finance Services license	Rs.100 million Rs.40 million for Digital Lending
Non-Bank Microfinance Company for Investment Finance Services License*	Rs.50 million Rs.20 million for Digital Lending
Non-deposit taking NBFCs for Leasing or Discounting or Housing Finance Services license	Rs.50 million for each form of business Rs.20 million for Digital Lending
Asset Management Services	Rs.200 million Rs.50 million for Digital Asset Management Services

¹Schedule I substituted by SRO 592(I)/2023 dated May 17, 2023.

672(2)
NBFCs and Notified Entities Regulations, 2008

Investment Advisory Services	Rs.30 million Rs.10 million for Digital Asset Management Services
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Note:

*The Non-Bank Micro Finance Companies which do not have share capital shall maintain minimum "Fund and Reserves" (being the excess of assets over liabilities excluding surplus on revaluation of assets and investments) equal to the amount of minimum equity requirement as prescribed in the above table.]

Schedule II

See Rule 4, 5, 7A and Regulation 11, 40A, 40B, 40C, 41, 44 and 60, 62

A) Application Fees under the Rules:

Form	Subject of application	Amount (in Rs.)
Form I	Application for permission to form an NBFC	250,000
Form II	Application for license to undertake or carry out an activity or function	500,000
Form IV	Application for renewal of license to carry out an activity or function	Nil

Provided that Non-Bank Micro Finance Companies shall pay the following fee amounts:

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Form	Subject of application	Amount (in Rs.)
Form I	Application for permission to form an NBFC	125,000
Form II	Application for license to undertake or carry out an activity or function	250,000
Form IV	Application for renewal of licence to carry out an activity or function	Nil

Provided further that the Commission shall initiate the process of refund of the excessive fees already paid by the non-bank microfinance companies upon receipt of their requests;

B) Application Fees under the Regulations:

S. No	Regulation	Subject of application	Amount (in Rs.)
1	Regulation 44	Application for registration of an Open End Scheme or Closed End Scheme	500,000
2	Regulation 40A(1)	Application for certificate of registration to act as a trustee	500,000

¹[C) Other Fees:

Sr. No.	Head of Fee	Amount
1.	Annual Monitoring Fee to be paid by Deposit taking NBFCs	Rs.250,000/-
2.	*Monthly Fee for Collective Investment Schemes with effect from July 01, 2023	Type of Collective Investment Scheme
		Rate of Fee (% of Average Net Assets)
		Equity, Index, Asset Allocation, Exchange Traded Funds
		0.095%
		Balanced
		0.085%
		Income, Money Market, Capital Protected, Commodity Scheme
		0.075%
3.	Quarterly Fee on discretionary portfolio managed by Investment Advisor with effect from July 01, 2023	0.025% of the average net assets of discretionary and non-discretionary portfolio under management calculated on daily basis by an Investment Advisor
4.	Fee for authorization of Pension Fund	Rs.100,000/-

*The trustee of the Collective Investment Scheme (CIS) shall verify and validate the fee that is required to be paid to the Commission on a monthly basis. In the event of any discrepancy, the trustee shall promptly notify the Commission.]

¹Table C substituted by SRO 592(I)/2023 dated May 17, 2023.

Schedule-III

see Regulation 44

Trust Deed of Closed End Scheme

1. Proposed name and Category (e.g income, equity, money market, balanced etc.) of the Closed End Scheme.
2. Details of the participating parties.
3. Governing law.
4. For the trust :
 - (a) a statement that the deed is binding on each certificate holder as if he had been a party to it and so to be bound by its provisions and authorizes and requires the trustee and the Asset Management Company to do as required of them by the terms of the deed;
 - (b) a provision that a certificate holder is not liable to make any further payments after he had paid the purchase price of his certificates and that no further liability can be imposed on him in respect of the certificates which he holds;
 - (c) a declaration that the property of the Closed End Scheme is held by the trustee on trust for the holders of the certificates *pari passu* according to the number of certificates held by each holder;
 - (d) a statement that the trustee will report to certificate holders in accordance with the Regulations; and
5. Investment Objective and Policy of Closed-End Scheme a statement of the objective and outlines of investment policy of Closed End Scheme.
6. Role of Asset Management Company:
List of the obligations of the Asset Management Company in accordance with the Rules, Regulations and any additional obligations depending upon the nature of the Collective Investment Scheme.
7. Appointment and change of Asset Management Company including-
 - (a) a statement as to how the new Asset Management Company shall be appointed.
 - (b) a statement of the manner in which the Asset Management Company may retire; and
 - (c) a statement of the manner in which the Asset Management Company may be removed.
8. Role of trustee.
A list of the obligations of the trustee in accordance with Regulations and any additional obligations depending upon the nature of the Closed End Scheme.
9. Appointment and change of Trustee Including-
 - (a) a statement as to how the new trustee shall be appointed.

- (b) a statement of the manner in which the trustee may retire;
- (c) a statement of the manner in which the trustee may be removed; and
- 10. Investment restrictions:
A statement of restrictions on the investment of the property of the Closed End Scheme.
- 11. Any exceptions to the investment restrictions.
- 12. Valuation of property method of determining the value of the assets and liabilities and the net asset value of the Closed End Scheme.
- 13. Fees and charges:
The following must be stated, namely:-
 - (a) the maximum fee payable to the Asset Management Company out of the property of the Closed End Scheme, expressed as an annual percentage;
 - (b) remuneration payable to trustee;
 - (c) formation cost to be amortized against the property of the Closed End Scheme; and
 - (d) all other material fees and charges payable out of the property of the Closed End Scheme keeping in view the provisions of Regulations.
- 14. Disclosure of transactions with connected persons.
- 15. Distribution policy and date:
A statement to determine distributable income and the approximate date(s) in the calendar year on which annual income, if any, will be distributed.
- 16. Annual accounting period:
The date in the calendar year on which the annual accounting period ends.
- 17. Audit:
A statement for the appointment of auditor of the Closed End Scheme.
- 18. Base Currency
A statement of base currency of the Closed-End Scheme.
- 19. Modification of the trust deeds:
A statement of the means by which modifications to the trust deeds can be effected.
- 20. Revocation of Closed End Scheme:
A statement of the circumstances in which the Closed End Scheme can be revoked.
- 21. Distribution of proceeds on Revocation
A statement for the distribution of proceeds on Revocation.

SCHEDULE-IV

see Regulation 54

**INFORMATION TO BE DISCLOSED IN THE
OFFERING DOCUMENT OF A CLOSED END SCHEME**

Notice: - This list is not intended to be exhaustive. The directors of the Closed End Scheme or the Asset Management Company are obliged to disclose any information which may be necessary for investors to make an informed judgment.

Constitution of the Closed End Scheme

1. Name, registered address and place and date of creation of the Closed End Scheme, with an indication of its duration if limited.

Investment objectives and restrictions

2. Details of investment objectives and policy, including summary of the investment restrictions. If the nature of the investment policy so dictates, a warning that investment in the Closed End Scheme is subject to abnormal risks, and a description of the risks involved.

Operators and principals

3. The names and registered addresses of the following parties, where applicable:
 - (a) the directors of the Asset Management Company;
 - (b) the trustee;
 - (c) foreign promoters, if any;
 - (d) the auditor;
 - (e) the registrar;
 - (f) the legal adviser;
 - (g) the Shariah Adviser; and
 - (h) the Custodian
4. Details and note on the performance of the Collective Investment Schemes under the management of the Asset Management Company.
5. Performance of the listed companies where the directors are holding similar office.

Characteristics of certificates

6. Minimum investment, if any.
7. A description of the different types of certificates.
8. It must be stated that no money should be paid to any intermediary except the certificate holder or his authorized representative.

Distribution policy

9. The distribution policy indicating the time period for distribution of dividend.

Fees and charges

10. The level of all fees and charges payable by the Closed End Scheme, including management fee, trustee fee and preliminary and floatation expenses.

Taxation

11. Details of exemptions, taxes levied on the Closed End Scheme's income and capital including tax, if any, deductible on distribution to certificate holders.

Reports and accounts

12. The date of the Closed End Scheme's financial year.
13. Particulars of the reports to be sent to the certificate holders.

Warnings

14. The following statements or warnings must be prominently displayed in the Offering Documents or prospectus,-
 - (a) if you are in any doubt about the contents of this Offering Document or prospectus, you should consult your stock-broker, bank manager, legal adviser or other financial adviser; and
 - (b) a warning that the price of certificates and the income from them (where income is distributed) may increase or decrease.

General information

15. A list of documents concerning the Closed End Scheme and the address where they can be inspected free of charge or purchased.
16. The date of publication of the prospectus or Offering Document.
17. A statement that the directors of Asset Management Company accepts responsibility for the information contained in the prospectus or Offering Document as being accurate at the date of publication.
18. Details of Closed End Schemes not authorized must not be shown in the Offering Document.

Winding up or revocation of Closed End Scheme

19. A summary of the circumstances under which the Closed End Scheme can be wound up or revoked.

Distribution of proceeds on winding up or revocation

20. A statement for the distribution of proceeds on, winding up or revocation.

¹[Schedule V

[see Regulation 38]

Disclosure Requirements by Collective Investment Schemes**1. General**

Annual report must contain statement of asset and liabilities, income statement, cash flow statement, distribution statement, statement of movement in unit or certificate holder fund, auditor's report, report of the trustee, report of the fund manager and all the information required in this schedule, Companies Ordinance, the Rules, Code of Corporate Governance and as per the applicable IAS or IFRS.

2. Statement of assets and liabilities.

The following must be separately disclosed, namely:-

- (a) total value of investments;
- (b) bank balances;
- (c) preliminary and floatation costs;
- (d) dividends and other receivable;
- (e) bank loan and overdrafts or other forms of borrowings;
- (f) payable to Asset Management Company;
- (g) dividend payable;
- (h) total value of all assets;
- (i) total value of all liabilities;
- (j) net asset value per unit or certificate;
- (k) number of units issued or certificates issued; and
- (l) contingences and commitments.

3. Income Statement.

- (a) Total investment income net of withholding tax, broken down by category.
- (b) Total other income, broken down by category.
- (c) An itemized list of various costs which have been debited to the Collective Investment Scheme, including,-
 - i. fees paid to the Asset Management Company;
 - ii. remuneration of the custodian;
 - iii. remuneration of trustee;
 - iv. amortization of formation costs;
 - v. safe custody and bank charges, auditor's remuneration;
 - vi. borrowing expenses, legal and other professional fees; and
 - vii. any other expense borne by the Collective Investment Scheme.

¹Schedule V substituted by SRO 592(I)/2023 dated May 17, 2023.

- (d) Taxes.
- (e) Net income.
- (f) Allocation of Net income for the year:
 - i. Income already paid on units redeemed; and
 - ii. Accounting income available for distribution:
 - Relating to Capital Gains; and
 - Excluding Capital Gains.

4. Statement of movements in Unit holders' fund.

- (a) Net asset value per unit as at the beginning of the period.
- (b) Net asset value per unit as at the end of the period.
- (c) Number of units issued and the amount received upon such issue, (i.e. capital value and element of income on issue of units).
- (d) Number of units redeemed and the amount paid on redemption (i.e. capital value of units redeemed and amount paid out for element of income);
- (e) Any item resulting in an increase or decrease in net asset value of the unit including,-
 - i. exchange gain or loss; and
 - ii. Accounting income for the period less distribution.
- (f) Any refund on units as element of income.
- (g) Distribution for the period including:
 - i. Amount brought forward at the beginning of the period bifurcated into realized and unrealized gains.
 - ii. Accounting income available for distribution for the period bifurcated between:
 - Relating to Capital Gains; and
 - Excluding Capital Gains.
 - iii. Interim dividend, date of distribution, and dividend per unit for units entitled to full period dividend.
 - iv. Final dividend, date of distribution, and dividend per unit for units entitled to full year/ period dividend.
 - v. Undistributed income carried forward bifurcated into realized and unrealized gains.; and
 - vi. Amounts transferred to and from reserves.

5. Notes to the accounts.

The following matters shall be set out in the notes to the accounts.

- (a) Statement in the Notes that the financial statements are prepared in accordance with applicable Approved Accounting Standards and applicable statutory requirements or the deed or any regulatory requirements.

- (b) Where unaudited financial statements are used, a declaration by the director(s) of the Asset Management Company that the financial statements give a true and fair view of the Collective Investment Scheme.

(A) Principal accounting policies:

- (a) the basis of valuation of the assets of the Collective Investment Scheme including the basis of valuation of unquoted and unlisted securities;
- (b) the revenue recognition policy regarding dividend income and other income;
- (c) foreign currency translation, if any;
- (d) the basis of amortization of formation costs;
- (e) taxation;
- (f) risk management policies and hedging activities entity shall describe its financial risk management objectives and policies, including its policy for hedging; and
- (g) any other accounting policy adopted to deal with items which are judged material or critical in determining the transactions and in stating the disposition of the Collective Investment Scheme.

Note.- Any changes to the above accounting policies and their financial effects upon the accounts should also be disclosed.

(B) Transactions with connected persons:

Statement as to whether dealings with related parties have been transacted at arm's length basis. The following transactions should be disclosed, namely:-

- (a) details of all transactions entered into during the period between the Collective Investment Scheme and the Asset Management Company, or any entity in which these parties or their connected persons have a material interest;
- (b) name of any director of the Asset Management Company or any connected person if such a person becomes entitled to profits from transactions in shares or from management of the Collective Investment Scheme and the amount of profits to which such person becomes entitled; and
- (c) the total number and value of units held by the Asset Management Company and its related parties.

(C) Borrowings:

- (a) State whether the borrowings are secured or unsecured and the duration of the borrowings.
- (b) Disclosure shall be made of all contingent liabilities showing separately with specifying details.
- (c) If the free negotiability of any asset is restricted by statutory or contractual requirements, this must be stated.

(D) Unit holding or certificate holding pattern of Collective Investment Scheme

Category	No of Investor	Investment amount	% of Total
Individuals			
Associated companies and directors			
Insurance Companies			
Banks and DFIs			
NBFCs			
Retirement Funds			
Public Ltd Companies			
Others			

(E) Basis of Fee

- (a) Basis on which management fee has been paid to the Asset Management Company and the computation thereof; and
- (b) Basis for the fees and charges paid to the trustee.

(F) List of top 10 brokers or dealers by percentage of commission paid by Collective Investment Scheme in one accounting year.

(G) Details of member of investment committee with their qualification and experience.

(H) Name and qualification of fund manager and details of other Collective Investment Scheme managed by the same manager.

(I) The date, names of persons attending each meeting of the board of directors of Asset Management Company.

(J) Latest Rating of the Collective Investment Scheme and Asset Management Company.

6. Contents of the auditors' report.

The report of the auditor shall state,-

- (a) Whether in the auditor's opinion the financial statement prepared for that period have been properly prepared in accordance with the relevant provisions of the Regulations;
- (b) The auditor has conducted audit of the collective investment scheme in accordance with the international standards on auditing as applicable in Pakistan.
- (c) if the auditor is of the opinion that proper books and records have not been kept by the Collective Investment Scheme or the accounts prepared are not in agreement with the books and records of Collective Investment Scheme, that fact; and
- (d) if the auditor has failed to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of the audit, that fact.

7. Fund Manager Report

- (a) Description of the Collective Investment Scheme category and type.
- (b) Statement of Collective Investment Scheme's investment objective(s).
- (c) Explanation as to whether the Collective Investment Scheme has achieved its stated objective(s).
- (d) Statement of benchmark(s) relevant to the Collective Investment Scheme.
- (e) Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmarks.
- (f) Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance.
- (g) Disclosure of the Collective Investment Scheme's asset allocation as at the date of the report and particulars of significant changes in asset allocation since the last report (if applicable).
- (h) Analysis of the Collective Investment Scheme's performance.
 - (i) Based on changes in total NAV and NAV per unit since the last review period or since commencement (in the case of newly established Collective Investment Scheme).
 - (j) Disclosure of the markets that the Collective Investment Scheme has invested in, including:-
 - i. review of the market(s) invested in during the period; and
 - ii. statement of the returns on the investments by market(s) and by instruments.
- (k) Disclosure on distribution (if any), comprising:-
 - i. particulars of income distribution or other forms of distribution made and proposed during the period; and
 - ii. statement on effects on the NAV before and after distribution is made.
- (l) Description and explanation of any significant changes in the state of affairs of the Collective Investment Scheme during the period and up till the date of the manager's report, not otherwise disclosed in the financial statements.
- (m) Breakdown of unit holdings by size.
- (n) Disclosure on unit split (if any), comprising:-
 - i. details of unit split exercise carried out during the period; and
 - ii. statement on effects on the NAV per unit before and after the unit split exercise.
- (o) Disclosure of circumstances that materially affect any interests of the unit holders.
- (p) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker(s) or dealer(s) by virtue of transactions conducted by the Collective Investment Scheme, disclosure of the following:-

- i. identification of the goods and services received; and
- ii. manner in which the goods and services received were utilized.

For Index Funds only

- Statement on the characteristics and general composition of the index and, where applicable, concentration in any economic sectors and issuers.
- Comparison and explanation of the Collective Investment Scheme's performance compared with the actual index performance over the relevant period.

8. Trustee Report

- (a) Statement of opinion whether the Asset Management Company has managed the Collective Investment Scheme in accordance with the following:-
 - i. Investment limitations imposed on the Asset Management Company and the trustee under the trust deed and other applicable laws;
 - ii. valuation or pricing is carried out in accordance with the deed and any regulatory requirement; and
 - iii. creation and cancellation of units are carried out in accordance with the deed
 - iv. and any regulatory requirement.
- (b) Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Collective Investment Scheme; and
- (c) Disclosure of the steps taken to address the shortcoming(s) or to prevent the recurrence of the shortcoming(s).

9. Investment portfolio.

- (a) number or quantity of each holding together with the description and market value;
- (b) the total investment stated at cost;
- (c) the value of each holding as a percentage of the total investments;
- (d) statement of movements in portfolio holdings since the end of the preceding accounting period; and
- (e) the carrying amount of investments (where applicable) categorized as follows:-
 - i. fixed income and other debt securities;
 - ii. quoted and unquoted equity securities;
 - iii. derivatives (e.g. futures, options);
 - iv. other Collective Investment Schemes;
 - v. foreign investments with details of type of instruments
 - vi. any other investments; and
 - vii. significant items included in other assets.
- (f) in case of Government Securities i.e. PIB, GoP Ijara Sukuks, TBills or any other securities, the detail shall include the date of issue and tenure.

10. Performance Table.

A comparative table covering the last three financial years depicting the following:-

- (a) total net asset value;
- (b) net asset value per unit or certificate;
- (c) at the end of each financial year;
- (d) selling price for units;
- (e) repurchase price for units;
- (f) highest and lowest selling and repurchase prices;

Note: Figures should be shown as ex-distribution (The portfolio composition of the Collective Investment Scheme, (e.g. distribution among industry sectors, markets and category of investments).

- (g) total return of the Collective Investment Scheme, and the breakdown into capital growth and income distributions;
- (h) disclosure on distribution (if any), comprising the following:-
 - i. Distribution per unit (gross and net) for interim and final distribution, shown separately; and
 - ii. Highlighting the distribution dates;
- (i) average annual return of the Collective Investment Scheme measured over specific periods to the date of the report, for one year, two years and three years, or from end of offer period (must disclose launch date);
- (j) statement that past performance is not necessarily indicative of future performance and that unit prices and investment returns may go down, as well as up; and
- (k) weighted average portfolio duration in case of income and money market fund.]

S.A. SALAM PUBLICATIONS

Schedule VI

see Regulation 44

INFORMATION TO BE CONTAINED IN THE APPLICATION FOR REGISTRATION OF A COLLECTIVE INVESTMENT SCHEME

Details of the Collective Investment Scheme:-

1. Name of the Collective Investment Scheme.
Collective Investment Scheme type
Collective Investment Scheme Category
2. **Structure of the Collective Investment Scheme.**
Any distinctive feature of the proposed Collective Investment Scheme
3. **Proposed subscription date and place.**
4. A Pricing Mechanism; Forward or Historic.
5. **Investment objectives.**
 - a) Investment Strategy
 - b) Asset Allocation
 - c) Benchmark
6. **Details of opportunities for investment in the market**

Type of Instruments	Availability of Investment Instrument as at XX/XX/20XX*
Equities	(No. of counters, market capitalization etc)
Debt Securities	No of Issues, amount of outstanding etc)
Money Market Instruments	
Other Please	

*Please indicate source of date for the respective type of investment

[7 to 9 Deleted]

SCHEDULE - VII

see Regulation 44

CONTENTS OF THE TRUST DEED OF OPEN END SCHEMES

1. Name and Category (e.g. income, equity, money market, balanced, etc.) of Open-End.
2. Participating parties:
A statement to specify the participating parties including the Asset Management Company (management company) and trustee.
3. Governing law.

4. For the trusts,-
 - (a) a statement that the deed is binding on each holder as if he had been a party to it and so to be bound by its provisions and authorizes and requires the trustee and the management company to do as required of them by the terms of the deed;
 - (b) a provision that a holder is not liable to make any further payments after he had paid the purchase price of his units and that no further liability can be imposed on him in respect of the units which he holds;
 - (c) a declaration that the property of the scheme is held by the trustee on trust for the holders of the units *pari passu* according to the number of units held by each holder. (This may be modified as appropriate for schemes offering income and accumulation units.);
 - (d) a statement that the trustee will report to unit holders in accordance with the Regulations; and
5. A statement of the objective and outline of investment policy of the Open End Scheme.
6. Role of management company:
A statement of list the obligations of the management company in accordance with the Rules and Regulations.
7. Appointment and change of management company:
 - (a) a statement of the manner in which the management company may retire;
 - (b) a statement of the manner in which the management company may be removed; and
 - (c) a statement as to how the new management company shall be appointed.
8. Role of trustee:
A list of the obligations of the trustee in accordance with Regulations and any additional obligations depending upon the nature of the Open End Scheme.
9. Change of Trustee:
 - (a) a statement of the manner in which the trustee may retire;
 - (b) a statement of the manner in which the trustee may be removed; and
 - (c) a statement as to how the new trustee shall be appointed.
10. Investment restrictions:
A statement listing restrictions on the investment of the deposited property and any exceptions granted to investment restrictions.
11. Borrowing restrictions:
 - (a) a statement of exceptions to borrowing limits, if any; and
 - (b) a statement about any exceptions to borrowing limits depending upon the nature of the Open End Scheme, if any.
12. Valuation of property and pricing:
The following rules on valuation of property and pricing must be stipulated,-

- (a) the method of determining the value of the assets and liabilities of the property of the Open End Scheme and the net asset value accordingly;
 - (b) the method of calculating the issue and redemption prices; and
 - (c) the method of pricing and the circumstances under which it can change.
13. Dealing, suspension and deferral of dealing:
The following must be stated,-
- (a) the circumstances under which the dealing of units can be deferred or suspended;
 - (b) the maximum interval between the receipt of a properly documented request for redemption of units and the issue of payment instrument for redemption money to the holder not to exceed six working days; and
 - (c) the circumstances under which the dealing may be suspended.
14. Fees and charges:
The following must be stated,-
- (a) the maximum percentage of the charge payable by the investor on subscription, redemption and conversion of units;
 - (b) the maximum fee payable to the management company out of the property of the Collective Investment Scheme, expressed as an annual percentage;
 - (c) remuneration payable to trustee;
 - (d) formation cost to be amortized against the property of the Open End Scheme; and
 - (e) all other material fees and charges payable out of the property of the Open End Scheme.
15. Disclosure of transactions with connected persons:
16. Distribution policy and date:
A statement about distributable income and the approximate date in the calendar year on which annual income, if any, will be distributed.
17. Annual accounting period:
The date in the calendar year on which the annual accounting period ends.
18. Audit
A statement about the audit and appointment of auditors of the Open End Scheme.
19. Base currency:
A statement of the base currency of the Open End Scheme.
20. Modification of the Trust Deed:
A statement of the means by which modifications to the Trust Deed can be effected.
21. Revocation of Open-End Scheme:
A statement of the circumstances in which the Open-End Scheme can be revoked.

22. Distribution on Revocation of Open-End Scheme:

A statement explaining the manner in which the proceeds of the Open-End Scheme shall be distributed on revocation.

SCHEDULE – VIII

see Regulation 54

INFORMATION TO BE DISCLOSED IN THE OFFERING DOCUMENT BY OPEN END SCHEMES

Notice:- This list is not intended to be exhaustive. The directors of the Asset Management Company are obliged to disclose any information which may be necessary for investors to make an informed judgment.

1. Constitution of the Open End Scheme:

Name, registered address and place and date of creation of the Open End Scheme, with an indication of its duration if limited.

2. Investment objectives and restrictions:

Details of investment objectives and policy, including summary of the investment and borrowing restrictions. If the nature of the investment policy so dictates, a warning that investment in the Open-End Scheme is subject to abnormal risks, and a description of the risks involved.

3. Operators and principals:

The names and registered address of the following parties, where applicable,-

- (a) the directors of the Asset Management Company;
- (b) the trustee;
- (c) foreign promoters, if any;
- (d) the distribution company;
- (e) the auditor;
- (f) the registrar; and
- (g) the legal adviser.
- (h) the Shariah Adviser

4. Details and note on the performance of the Collective Investment Schemes under the management of the Asset Management Company.**5. Performance of the listed companies where the directors are holding similar office.****6. Characteristics of units:**

- (a) minimum investment, if any;
- (b) a description of the different, type of units;
- (c) frequency of valuation and dealing, including days;
- (d) application and redemption procedures;
- (e) the mode of the unit price announcement;
- (f) procedure for subscribing, redeeming or conversion of units;

- (g) the maximum interval between the request for redemption and the issue of payment instrument for the redemption proceeds;
- (h) a summary of the circumstances in which dealing in units may be deferred or suspended; and
- (i) it must be stated that no money should be paid to any intermediary except the unit holder or his authorized representative.

7. Distribution policy:

The distribution policy indicating the time period for distribution of dividend as stock or cash depending on tax laws and interest of unit holders.

8. Fees and charges:

- (a) the level of all fees and charges payable by an investor, including all charges levied on subscription and redemption and conversion, and
- (b) the level of all fees and charges payable by the Collective Investment Scheme, including management fee, advisory fee, trustee fee and preliminary and floatation expenses.

9. Taxation:

Details of exemptions, taxes levied on the Collective Investment Scheme's income and capital including tax, if any, deductible on distribution to unit holders.

10. Reports and accounts

- (a) The date of the Open End Scheme's financial year; and
- (b) Particulars of the reports to be sent to the unit holders;

11. Warnings

The following statements or warnings must be prominently displayed in the offering documents,-

- (a) if you are in any doubt about the contents of this Offering Document, you should consult your stock-broker, bank manager, legal adviser or other financial adviser.
- (b) a warning that the price of units and the income from them (where income is distributed) may go increase or decrease.

12. General information

- (a) a list of constitutive documents and the address where they can be inspected free of charge or purchased;
- (b) the date of publication of the Offering Document;
- (c) a statement that the Directors of Asset Management Company accept responsibility for the information contained in the Offering Document as being accurate at the date of publication;
- (d) details of Collective Investment Schemes not authorized must not be shown in the Offering Document.

13. Revocation of Open-End Scheme

A summary of the circumstances in which the Open End Scheme can be revoked.

14. Distribution of proceeds on revocation

A statement for the distribution of proceeds on liquidation, winding up or termination.

Schedule- IX**FIT AND PROPER CRITERIA**

see Rule 3 and Regulations 2(1)(xvii) and 10

DEFINITIONS

¹["Form of Business", for the purpose of this Schedule, shall include form of business as mentioned in Regulation 3 and Pension Fund Scheme Business,

"Key Executive" means key executives of an entity licensed to undertake any form of business and includes, inter alia, the persons discharging the following functional responsibilities,]

- a. Any executive, officer acting as second to chief executive officer including chief operating officer or by whatever name called;
- b. any person responsible for heading any specific licensed form of business
- c. chief financial officer, head of accounts or head of finance;
- d. head of internal audit;
- e. head of information technology;
- f. head of credit or risk management;
- g. head of human resource;
- h. head of operations;
- i. head of marketing/sales;
- j. head of research;
- k. head of treasury;
- l. chief investment officer;
- m. head of law, company secretary or compliance officer;
- n. fund manager; and
- o. any other functional responsibility which the Commission may include.

APPLICATION AND SCOPE

²[(1) The Fit and Proper Criteria in relation to a form of business is applicable to the following persons:

- i. promoters and major shareholders;
- ii. Director;
- iii. Chief Executive; and
- iv. Key Executives.]

¹Substituted for "Key Executive" means key executives of the NBFC, Investment Company and includes, inter alia, the persons discharging the following functional responsibilities, by SRO 592(I)/2023 dated May 17, 2023.

²Sub-para (1) substituted by SRO 592(I)/2023 dated May 17, 2023.

¹[(2) A proposed director or chief executive shall not assume the charge of office until their appointment has been approved by the Commission.

(3) The application for seeking approval of the Commission under clause (2) shall be submitted along with the requisite information required under Annexure “A” and an Affidavit as specified in Annexure “B”.

(4) The appointment of Key Executives does not require the approval of the Commission; however, the person subject to Fit and Proper Criteria shall ensure at the time of appointing a Key Executive that such person qualifies the Fit and Proper Criteria.]

(5) The fitness and propriety of any person shall be assessed by taking into account all the relevant factors including but not limited to the following:

- (a) Integrity and track record of such person;
- (b) Financial soundness of such person;
- (c) Competence and capability of the person; and
- ²(d) Conflict of interest of such person with the business.

Provided that 5(c) and (d) may not be considered while assessing the fitness & propriety of promoters and major shareholder.

Provided further that in case the sponsor and major shareholder is a body corporate, in addition to the relevant/applicable clauses, corporate behavior of the said body corporate and integrity & track record of the sponsor and ultimate beneficial owners of such corporate body shall be duly considered.

Explanation: For the purpose of this clause, the term “ultimate beneficial owner” shall have the similar meaning as defined under 123A of the Companies Act, 2017.]

³[(6) The Fit and Proper Criteria is perpetual in nature and the person subject to Fit and Proper Criteria shall ensure compliance with the provisions of Fit and Proper Criteria.]

[Deleted]

⁴[(8) All persons subject to Fit and Proper Criteria shall report any change with reference to their fitness and propriety to the Company Secretary within three business days of such change taking effect and the Company Secretary subject to Fit and Proper Criteria shall within a period of seven business days from the date of receipt, report the same to the Commission.]

⁴[(9) The companies engaged in respective form of business shall monitor whether any change in the status of its chief executive, directors and key executives is contrary to the requirements of the Fit and Proper Criteria. In case of any change in status, results in non-compliance with the Fit and Proper Criteria, the Board of companies engaged in respective form of business shall immediately stop the person from performing his assigned functions, shall inform the Commission and initiate the process for replacement of the individual with a fit and proper individual.]

¹Sub-paragraph (2) to (4) substituted by SRO 592(I)/2023 dated May 17, 2023.

²Sub-paragraph (5)(d) and provisos substituted by SRO 592(I)/2023 dated May 17, 2023.

³Sub-paragraph (6) substituted by SRO 592(I)/2023 dated May 17, 2023.

⁴Sub-paragraph (8) & (9) substituted by SRO 592(I)/2023 dated May 17, 2023.

(10) Any violations or circumvention of the Fit and Proper Criteria shall be dealt with under the provisions of the Ordinance.

Assessment of Fitness and Propriety

(a) Integrity and Track Record

A person shall not be considered Fit and Proper if he:

- (i) has been convicted of an offence involving moral turpitude;
- ¹(ii) has been convicted of mismanagement of investments, financial or business misconduct, fraud etc.
- (iii) has been convicted, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;]
- (iv) has been actively involved in the management of a company or firm whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices;
- (v) is ineligible, under the Ordinance or any other legislation or regulation, from acting as a director or serving in a managerial capacity of an NBFC or a company;
- (vi) has entered into a plea bargain arrangement with the National Accountability Bureau
- (vii) in case of promoters or major shareholder of NBFC and Investment Company, does not have the requisite disclosed and verifiable financial resources; []
- ²[]
- ³(vii) in case of promoters or major shareholder, does not have the requisite disclosed and verifiable financial resources.
- ⁴(viii) has been convicted in criminal breach of trust, fraud, offences of terrorism financing or money laundering including predicate offences as provided in the Anti-Money Laundering (AML) Act, 2010, laws make thereunder, or any other AML/ CFT (Countering Financing of Terrorism) requirements notified by the Commission, and is a proscribed persons, either convicted or not, "as mentioned in the notifications issued by the Ministry of Foreign Affairs on United Nations Security Councils Resolutions or intimation from National Counter Terrorism Authority/ Law Enforcement Agencies/ Home Departments of Provinces/ Ministry of Interior]

(b) Financial soundness

In determining a person's financial soundness, the following shall be considered:

- (i) whether such person's financial statements or record including wealth statements or income tax returns or assessment orders are available;
- (ii) whether the person has been declared by a court of competent jurisdiction as defaulter in repayment of loan to a financial institution;

¹Clauses (ii) & (iii) substituted by SRO 592(I)/2023 dated May 17, 2023.

²Proviso deleted by SRO 592(I)/2023 dated May 17, 2023.

³Clause (vii) substituted by SRO 592(I)/2023 dated May 17, 2023.

⁴Clause (viii) inserted by SRO 592(I)/2023 dated May 17, 2023.

- (iii) whether any instance of overdue or past due payment to a financial institution, irrespective of amount, is appearing in the overdue column of latest CIS report of the person and of the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc.

Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment;

Provided further that the following exceptions may be granted by the Commission for the purpose of this sub-clause in case where:-

- (a) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CIS report; and
- (b) No overdue payment appearing in the overdue column in the subsequent latest CIB report;
- (iv) whether the person has applied to be adjudicated as an insolvent and his application is pending;
- (v) whether the person is an un-discharged insolvent; and
- (vi) whether the person has been declared a defaulter by a stock exchange.

(c) Competence and Capability

In determining a person's competence and capability the following shall be considered:

- (i) the directors should be individuals having management or business experience of at least five years at a senior level;

Provided that this condition shall not apply in case of directors of Non-Banking Microfinance Companies and such companies shall comply with conditions applicable as per Schedule I of the NBFC Rules, 2003.

- ¹(ii) the directors shall have experience and knowledge in any related profession such as banking, accounting, law, internal audit or information technology etc.]

Provided that for Non-Bank Micro Finance Companies, the directors having experience and knowledge in professions such as economics, social sector, development sector, microfinance sector etc. shall also be considered;

- (iii) the chief executive should have a minimum experience of seven to ten years in a senior management position, preferably in the regulated financial services sector;
- (iv) the chief executive should have demonstrated, through his qualification and experience, the capacity to successfully undertake the cognate responsibilities of the position; and
- (v) the key executives must be qualified professionals possessing relevant experience and certification relating to the job or assignment.

¹Clause (ii) substituted by SRO 592(I)/2023 dated May 17, 2023.

(d) Conflict of interest

¹[The directors or chief executive shall not:]

- ²[(i) be a director in any entity licensed to undertake any other similar form of business engaged in a similar activity in Pakistan.]
- (ii) be a director, chief executive, chief financial officer, chief internal auditor, research analyst or a trader (by whatever name or designation called) in a stock brokerage house or in any company or entity owned and controlled by a member of a stock exchange; and
- (iii) be a member of a stock exchange engaged in the business of brokerage or is a spouse of such member or in control of more than 20% shareholding, directly or indirectly through his close relatives.

³[Provided that the condition given in point (ii) and (iii) above, shall not apply to the Non-deposit taking lending NBFCs.]

In case of Key Executives, the person subject to Fit and Proper Criteria must ensure that no Key Executive shall head more than one functional area that give rise to conflict of interest within the organization. For example, the departments of audit and accounts shall not be headed by the same person. Further, a key executive shall not hold directorship in his or her personal capacity:

- (a) in a business concern which is also a client of the person subject to Fit and Proper Criteria; and
- (b) in any other financial institution.]

¹Substituted for "The directors or chief executive of NBFC and Investment Company shall not." by SRO 592(I)/2023 dated May 17, 2023.

²Clause (i) substituted by SRO 592(I)/2023 dated May 17, 2023.

³Proviso substituted by SRO 592(I)/2023 dated May 17, 2023.

S.A. SALAM PUBLIC ACCOUNTANTS

SCHEDULE – X

see Regulation 25

¹[(a) For Housing Finance and Financing to Small Enterprises

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
OAEM	Where installment, mark-up, interest, profit or principal is overdue by 90 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	
Substandard.	Where installment, mark-up, interest, profit or principal is overdue by 180 days or more from the due date.	As above.	Provision of 25% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Doubtful	Where installment, mark-up, interest, profit or principal is overdue by one year or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and

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¹Schedule X(a) to (c) substituted by SRO 592(I)/2023 dated May 17, 2023.

			adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Loss.	Where installment, mark-up, interest, profit or principal is overdue by one and half year in case of small enterprise finance and two years in case of Housing Finance or more from the due date.	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
	(b) Where financial instruments discounted are not paid or adjusted within 180 days of the due date.	As above.	

(b) For Micro Finance Portfolio

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
OAEM (Other Assets Especially Mentioned)	Where installment, mark-up, interest, profit or principal is overdue by 30 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	No provision is required

Sub-standard	Where installment, mark-up, interest, profit or principal is overdue by 60 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	Provision of 25% of the difference resulting from the outstanding balance of principal against the Finance less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Doubtful	Where installment, mark-up, interest, profit or principal is overdue by 90 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	Provision of 50% of the difference resulting from the outstanding balance of principal against the Finance less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Loss	Where installment, mark-up, interest, profit or principal is overdue by 180 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	Provision of 100% of the difference resulting from the outstanding balance of principal against the Finance less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.

Note: Classified finance facilities, loans or advances that have been guaranteed by the Government would not require provisioning; however, markup, interest or profit on such accounts shall be taken to suspense account instead of income account.

(c). For all Financing Facilities Other than Micro Finance, Housing Finance and Financing to “small enterprises”

Classification	Determinant	Treatment of income	Provisions to be made
(1)	(2)	(3)	(4)
Substandard	Where installment, mark-up, interest, profit or principal is overdue by 90 days or more from the due date.	Unrealized mark-up, interest or profit to be put in Suspense Account and not to be credited to Income Account except when realized in cash.	Provision of 25% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Doubtful.	Where installment, mark-up, interest, profit or principal is overdue by 180 days or more from the due date.	As above.	Provision of 50% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.
Loss.	Where installment, mark-up, interest, profit or principal is overdue by one year or more from the due date. (b) Where financial instruments discounted are not paid or adjusted within 180 days of the due date.	As above.	Provision of 100% of the difference resulting from the outstanding balance of principal against the facility less the amount of Liquid Assets realizable without recourse to a Court of Law and adjusted FSV of mortgaged, pledged, leased or collaterally held assets as valued by valuers fulfilling prescribed eligibility criteria, in accordance with the requirements provided in Regulation 25.

Note: Moreover, in case the exposure is covered against guarantee issued by an NBFC engaged exclusively in the business of issuance of guarantees and the NBFC continues to make regular payments as per agreed repayment schedule on behalf of the borrower post guarantee call, no classification or provisioning shall be required.]

¹Schedule X(a) to (c) substituted by SRO 592(I)/2023 dated May 17, 2023.

¹[Schedule - XI

[see Regulation 25]

Uniform criteria for determining the value of assets held as collateral

- (a) Only Liquid Assets, leased assets, pledged stocks, plant & machinery with exclusive/first pari-passu charge and property having registered or equitable mortgage (where NOC for creating further charge has not been issued by NBFC) shall be considered for taking benefit for provisioning. The aforesaid assets having pari-passu charge shall be considered on proportionate basis of the outstanding amount;
- (b) Hypothecated assets and assets with second charge or floating charge shall not be considered;
- (c) Valuations of leased assets, pledged stocks, plant & machinery with exclusive/first pari passu charge and mortgaged properties shall be carried out by an independent professional evaluator listed on the panel of evaluators maintained by the Pakistan Banks' Association;
- (d) The evaluators while assigning any values to the leased assets, pledged stocks and mortgaged properties held as collateral, shall take into account all relevant factors affecting the salability of such assets including any difficulty in obtaining their possession, their location, their condition and the prevailing economic conditions in the relevant sector, business or industry. The realizable value of mortgaged, pledged and leased assets determined by the evaluators must take into account the amount that can be realized from the asset if sold in a forced or distressed sale condition. The evaluators shall in their report explain the assumptions, calculations, formula and method adopted in determination of the realizable values;
- (e) The realizable values of leased assets, pledged stocks and mortgaged properties determined by the evaluators shall be subject to verification by the external auditors, who may reject cases of valuation, which in their opinion-
 - (i) do not appear to have been professionally carried out and values determined are unreasonable, or
 - (ii) are not backed by valid documentation of mortgage, pledge or leased assets and are not supported by legal opinion wherever required.
- (f) The categories of liquid assets, pledged stock, leased assets and mortgaged property to be considered for valuation along with discounting factors to be applied would be as under (Apart from the following, no other assets shall be taken into consideration):
 - (i) Liquid Assets:

¹Schedule XI substituted by SRO 592(I)/2023 dated May 17, 2023.

Valuation of Liquid Assets shall be determined by the NBFC itself and verified by the external auditors. However, in the case of pledged shares of listed companies, value should be taken at market value as per active list of Stock Exchange(s) on the balance sheet date. Moreover, valuation of shares pledged against Financing shall be considered only if these have been placed Central Depository Company of Pakistan (CDC), otherwise these will not be admissible for deduction as liquid assets while determining required provisions.

- (ii) Leased assets, plant & machinery with exclusive/first pari passu charge and mortgaged properties:

The value of the leased assets, plant & machinery with exclusive/first pari passu charge and mortgaged properties to be considered for provisioning purpose shall be the FSV and the FSV once determined, shall remain valid for three years from the date of the valuation during which period the leased plant & machinery with exclusive/first pari passu charge and mortgaged assets will not be revalued for provisioning purpose. Also, the adjustment factors of 80%, 70% and 50% in case of leased and mortgaged assets and 30%, 20% and 10% for plant & machinery with exclusive/first pari passu charge shall be applied on the value so determined for the purpose of determining provisioning requirement in 1st, 2nd and 3rd year of valuation, respectively. Thereafter, the assets shall be revalued and the adjustment factor of 50% in case of leased and mortgaged assets and 10% in case of plant & machinery with exclusive/first pari passu charge shall be applied for all subsequent years.

The FSV of leased and mortgaged assets shall be restricted to fresh revaluation or previous value, whichever is less. In case of NBFCs, licensed by the Commission to undertake housing finance services, FSV once determined, shall remain valid for a period of ten years from the date of valuation and an adjustment factor of 70% shall be applied on the value so determined for the purpose of determining provisioning requirement in respect of housing finance for the said period.

Except for a Housing Finance Company, if a valuation is older than three years, a fresh re-valuation shall be carried out failing which the valuation shall be taken as nil.

- (iii) Pledged stocks

The value of the pledged stocks of perishable and non-perishable goods to be considered for provisioning purpose shall be the FSV. In case of pledged stocks, FSV provided by evaluators should not be more than six months old at each balance sheet date. The goods should be perfectly pledged, the operation of the godown(s) or warehouse(s) should be in the control of the NBFC and regular valid insurance for the benefit of the NBFC, premium payment receipts and other documents should be available. In case of perishable goods, the evaluator should also give the approximate date when these are expected to be of no value. The NBFC shall receive monthly stock statements and conduct quarterly inspections of the pledged goods.

¹Schedule XI substituted by SRO 592(I)/2023 dated May 17, 2023. Earlier it was substituted by SRO 1160(I)/2015 dated November 25, 2015.

- (g). Non-performing Finance against which security or in case of lease, additional security is not available, or where mortgaged, pledged or leased assets have not been valued and verified by external auditors, such Finance shall continue to be classified and provided for according to the time-based criteria prescribed in Schedule X.

Schedule- XII

see Regulation 21

Borrower's Basic Fact Sheets (Corporate, Partnerships and Sole Proprietorships)-

Date of Request. _____

(TO BE COMPLETED IN CAPITAL LETTERS OR TYPEWRITTEN)

1. Borrower's Profile:

Name				Address			
Phone#				Fax #		Email Address	
Office		Res.					
National Identity Card #				National Tax #		Sales Tax #	
Import Registration #		Export Registration #		Date of Establishment		Date of opening of A/C	

2. Details of directors/owners/partners:

Name				Address			
Phone#				Fax #		Email Address	
Office		Res.					
National Identity Card #				National Tax #			
Shareholding		Amount		% of Shareholding			

3. Management:

A) EXECUTIVE DIRECTORS/PARTNERS:			
Name	Address	NIC #	Phone #
1.			
2.			
B) NON-EXECUTIVE DIRECTORS/PARTNERS:			
Name	Address	NIC #	Phone #
1.			
2.			

4. Corporate status:

Sole Proprietorship	Partnership	Public/Private Company

5. Nature of business:

Industrial	Commercial	Agricultural	Services	Any other

6. Requested limits:

	Amount	Tenor
Fund-Based		
Non-Fund Based		

7. Business handled/effected with all financial institutions during the last accounting year

Imports	Exports	Remittances effected (if any)

8. Existing limits and status:

	Amount	Expiry Date	Status	
			Regular	Amount over-due (if any)
Fund Based				
Non-Fund Based				

9. Any write-off, rescheduling/restructuring availed during the last three years:

Name of Financial Institution	Amount during 1 st year		Amount during 2 nd year		Amount during 3 rd year	
	Write-off	Rescheduled/restructured	Write-off	Rescheduled/restructured	Write-off	Rescheduled/restructured

10. Details of prime securities mortgaged/pledged:

A) AGAINST EXISTING FACILITIES:				
Name of Financial Institution	Nature of Security	Total Amount	Rank of Charge	Net Realizable Value
1.				
2.				
B) AGAINST REQUESTED/ FRESH/ ADDITIONAL FACILITIES:				
Name of Financial Institution	Nature of Security	Total Amount	Net Realizable Value	
1.				
2.				

11. Details of secondary collateral mortgaged/ pledged:

A) AGAINST EXISTING FACILITIES:				
Name of Financial Institution	Nature of Security	Total Amount	Rank of Charge	Net Realizable Value
1.				
2.				
B) AGAINST REQUESTED/ FRESH/ ADDITIONAL FACILITIES:				
Name of Financial Institution	Nature of Security	Total Amount	Net Realizable Value	
1.				
2.				

12. Credit rating (where applicable):

Name Of Rating Agency	Rating

13. Details of associated concerns (as defined in ordinance):

Name of Concern	Name of Directors	Shareholding	% of Total shares capital

14. Facilities to associated concerns by the concerned FI:

Name of concern	Nature & Amount of limit	Outstanding as on-----	Nature & Value of Securities	Over dues	Defaults

15. Details of personal guarantees provided by the directors/partners etc. to FIs to secure credit:

Name of the Guarantor	Institution / persons to whom Guarantee given	Amount of Guarantee	Validity Period	NIC #	NTN	Net-worth

16. Dividend declared (amount) during the last three years:

During 1 st Year	During 2 nd Year	During 3 rd Year

17. Share prices of the borrowing entity:

Listed Companies		Break-up value of the Shares in case of Private Limited Company
Current Price	Preceding 12 Months Average	

18. Net-worth (particulars of assets owned in their own names by the directors/partners/proprietors):

Owner's Name	Particulars of Assets	Market Value	Particulars of Liabilities

19. Details of all over dues (if over 90 days):

Name Of Financial Institution	Amount

20. Details of payment schedule if term loan sought.

21. Latest Audited Financial Statements as per requirement of Regulation 21(3) to be submitted with the LAF (Loan Application Form).

22. Memorandum and Articles of Association, By-laws etc. to be submitted by the borrower along with the request.

I certify and undertake that the information furnished above is true to the best of my knowledge.

CHIEF EXECUTIVE'S/BORROWER'S
SIGNATURE & STAMP

COUNTER SIGNED BY:

AUTHORIZED SIGNATURE & STAMP
(NBFC OFFICIAL)

Borrower's basic fact sheet – for individuals (other than micro financing)

Date of Request. _____

(TO BE COMPLETED IN CAPITAL LETTERS OR TYPEWRITTEN)

1. Borrower's profile:

Name				Address			
Phone#				Fax #		Email Address	
Office		Res.					
National Identity Card #				National Tax #			
Father's Name				Father's National Identity Card #			

2. Preferences (at least two):

Name				Address			
Phone#				Fax #		Email Address	
Office		Res.					
National Identity Card #				National Tax #			

3. Nature of business/profession:

Industrial	Commercial	Agricultural	Services	Any other

4. EXISTING LIMITS AND STATUS:

	Amount	Expiry date	Status		
			Regular	Amount over-due (if any)	Amount rescheduled/restructured (if any)
Fund Based					
Non-Fund Based					

5. Requested limits:

	Amount	Tenor
Fund Based		
Non-Fund Based		

6. Details of payment schedule if term loan sought.

7. Latest Income Tax Form or Wealth Statement to be submitted by the borrower.

I certify and undertake that the information furnished above is true to be best of my knowledge

 APPLICANT'S SIGNATURE & STAMP
 COUNTER SIGNED BY:

 AUTHORIZED SIGNATURE & STAMP (NBFC OFFICIAL)
Signature & Stamp of concerned Official
 Use additional sheet if required

UNDERTAKING

(Poor Person and Micro Enterprises)

I S/O, D/O, W/O holder of CNIC, undertake that the detail of my existing exposure from Micro Financing NBFCs, Microfinance Banks, other micro finance institutions and other financial institutions as on _____ is as under:

Details of Finance availed

Sr#	Name of the MFB/MFI/other financial Institutions	Type of Finance	Outstanding Amount
	Total Exposure		

Signature: _____

Name of Applicant: _____

CNIC # _____

Date: _____

Schedule XIII

see Regulation 68

Savings

ENACTMENT	Saving
Non-Banking Finance Companies and Notified Entities Regulations, 2007.	Preamble, except for the words and commas "leasing, investment finance services, housing finance services, asset management services, discounting services, investment advisory services and"
	Regulation 1.
	Regulation 2(1)(xl) to (xlili).
	Regulation 3, except for rows 2 to 7 of the table.
	Regulations 34 to 44 and narration of Part III.

Chapter 20

Securities

1. Definitions.- Section 2 of the Act defines "security" as shares, stocks, bonds, debentures, debenture stock and Government securities as defined in the Securities Act, 1920, deposit receipts in respect of deposit of securities and units or sub-units of unit trusts but does not include bills of exchange or promissory notes other than Government promissory notes. A "foreign security" is defined as a security issued elsewhere than in Pakistan and any security the principal of or interest on which is payable in any foreign currency or elsewhere than in Pakistan. For the purpose of Section 13 of the Act, the term "security" also includes coupons or warrants representing dividends or interest and life or endowment insurance policies.

For the purposes of Section 13 of the Act, the term "a person resident outside Pakistan" covers a foreign national including a foreign national of Indo-Pakistan origin as also a Pakistani holding dual nationality for the time being resident in Pakistan and a company registered in Pakistan which is controlled directly or indirectly by a person resident outside Pakistan. In this connection a reference is also invited to para 2 of Chapter-19.

2. Import of Securities.- There are no restrictions under the Act on import into Pakistan of any securities whether Pakistani or foreign.

3. Export of Foreign Securities.- A Pakistan national resident in Pakistan who is, or becomes owner of foreign securities is permitted to hold or retain such securities provided he has acquired them in a manner not involving a breach or violation of the Foreign Exchange regulations. In terms of clause (a) of sub-section 1 of Section 13 of the Act, the taking or sending of any securities to any place outside Pakistan except with the general or special permission of the State Bank, is prohibited. Persons in Pakistan who are holders of foreign securities and who wish to send such securities to banks, brokers or agents abroad for purpose of sale, transfer, etc., should apply to the State Bank through an Authorized Dealer.

Permission for export of such securities will be granted provided the securities are sent through an Authorized Dealer who should give an undertaking that the securities will be received back in Pakistan within a specified period or in the case of sale, the sale proceeds in foreign currency will be repatriated to Pakistan. State Bank may also consider applications for exchange of foreign shares and/or securities held by residents of Pakistan with Pakistan shares and/or securities held by residents abroad. Applications for this purpose should be made to the State Bank through an Authorized Dealer.

4. Export of Pakistani Securities.- Pakistan Nationals as also "persons resident outside Pakistan" holding Pakistani securities desirous of sending or taking out the Pakistani securities not covered under the succeeding paragraphs 6 & 7 are required to obtain prior permission of the State Bank. Application for the purpose should be made to the State Bank through an Authorized Dealer.

5. Transfer of Securities to Non-Residents.- In terms of clause (b) of sub-section 1 of Section 13 of the Act, transfer of any security or creation or transfer of any interest in a security to, or in favour of "a person resident outside Pakistan" is prohibited except with the general or special permission of the State Bank. The above prohibition applies to transfer of (i) all Pakistani securities (i.e. securities expressed to be payable in Pakistan currency or registered in Pakistan) whether held by persons resident in or outside Pakistan and (ii) all foreign securities held by Pakistan nationals. Pledging or hypothecation of securities to or in favour of non-residents e.g., as collateral or security for credit facilities abroad, (see Chapter 19) or utilizing them for forming trusts or settlements of which a non-resident is the beneficiary is also prohibited under Section 13 of the Act. In the case of securities registered in Pakistan, the companies concerned must obtain permission of the State Bank before registering its transfer in the name of "persons resident outside Pakistan". In terms of Section 13 of the Act, Authorized Dealers are required to obtain permission of the State Bank before purchasing shares or securities registered in Pakistan on behalf of "persons resident outside Pakistan".

6. General Exemption.- The State Bank has granted general exemption from the provision of section 13(1) of the Act in connection with the issue, transfer and export of securities on repatriation basis as mentioned in sub para (B) to those non residents who are covered by sub para (A) provided:

- i) The issue price or purchase price as applicable, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan, except in case of issue of bonus shares and transfer of shares and units as stated in sub-paragraph B (v).
 - ii) The purchase price (whether negotiated privately or otherwise) is not less than the price quoted on the stock exchange(s) of the country, in the case of listed securities, and the break up value of shares, as certified by a practicing Chartered Accountant, in the case of unlisted securities or net asset value in case of units of funds.
- (A)
- (I) A Pakistan national resident outside Pakistan.
 - (II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan.
 - (III) A foreign national, whether living in or outside Pakistan.
 - [(IV) A company or firm (including a partnership) or trust or mutual fund or private fund or real estate investment trust (REIT) fund incorporated, registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government.]
- (B) The above exemption applies in the following cases: -
- (I) Issue of shares including Modaraba Certificates/Trust and Fund Units out of new public offers, irrespective of the nature of business of the company.
 - (II) Transfer of shares and units of funds quoted on Stock Exchange(s) of the country, irrespective of the nature of business of the company.
 - (III) Private placement of any class or kind of new/initial shares with foreign investors by a public or private limited company.

- [(IIIA) Private placement for issuance of new units of private funds established and operated by Private Fund Management Company licensed by SECP to provide private equity, venture capital fund management services; and REIT Funds established and operated by REIT Management Company licensed by SECP.]
- (IIIB) Issue of units of mutual funds registered as Open End Schemes (OES) under management of Asset Management Companies (AMCs) licensed by SECP to provide asset management services.
- [(IV) Transfer of shares/units of companies/funds covered by sub para (III), (IIIA) and (IIIB), under offer for sale or any other arrangement.]
- (V) Transfer of Pakistani securities held by a "person resident outside Pakistan" on repatriable basis to other eligible 'persons resident outside Pakistan' on the same basis against payment outside Pakistan provided a certificate to this effect is given by the transferee to the company concerned.
- [(VI) Issue of rights shares and bonus shares and issuance of additional units as right or bonus and/or reinvestment of dividends in all those cases where shares/units are held on repatriable basis by 'persons resident outside Pakistan' in accordance with the general or special permission of the State Bank.]
- (VII) Issue of Government securities.
- (VIII) Issue/transfer of rupee denominated corporate debt instruments viz. Participation Term Certificates/Term Finance Certificates etc. and Registered WAPDA Bonds as permitted under the relevant SRO governing issue and sale of such bonds.
- (C) Companies issuing shares to a 'person resident outside Pakistan/registering transfer of shares in favour of such persons, in accordance with the exemptions provided in sub paragraphs (A) and (B) and the buyers and the sellers of the shares so issued or transferred are exempted from the operation of restrictions contained in Section 18(1) of the Foreign Exchange Regulation Act, 1947.

7. Procedure for issue of Shares/Units.- [(i) Companies issuing shares or REIT Funds issuing units, out of new public offers, on repatriable basis, as permitted under sub para (B)(I) of preceding paragraph 6, may open foreign currency collection accounts with banks abroad or in Pakistan for receiving the subscription in foreign currency. They may also allow refunds from these accounts to unsuccessful applicants. The amount subscribed by the successful applicants should be repatriated to Pakistan and foreign currency accounts closed within a week of allotment of shares/units. Proceeds Realization Certificate in evidence of subscription money having been repatriated to Pakistan shall be obtained by the company from the concerned Authorized Dealer for submission in original to the designated Authorized Dealer with the form prescribed at Appendix V- 95.]

(ii) In the case of remittance of subscription money directly to Pakistan and its payment to the company's rupee account, shares may be issued for the rupee equivalent paid by the concerned Authorized Dealer as shown in the Proceeds Realization Certificate (s).

[(ia) In the case of remittance of subscription money directly to Pakistan and its payment to the fund's rupee account (opened in the name of trustee), private funds/REIT funds may issue units, in terms of paragraph 6(B)(IIIA), for the rupee equivalent paid by the concerned Authorized Dealer as shown in the Proceeds Realization Certificate (s).]

(iii) In case shares are to be issued to non-resident sponsors against the value of plant and machinery supplied by them, an application should be submitted, through an Authorized Dealer, to the area office of the Foreign Exchange Operations Department for issue of an Exchange Entitlement Certificate along with the relative import documents viz. original invoices, original bills of entry, copies of bills of lading or airway bills and import permit/import authorization from Trade Development Authority of Pakistan, if applicable. The Exchange Entitlement Certificate will be issued by the area office of Foreign Exchange Operations Department at the average of interbank buying and selling rates on the dates of filing of bills of entry with the Customs. Once the Exchange Entitlement Certificate has been issued by the area office of Foreign Exchange Operations Department, the company may issue the shares upto the value mentioned in the Certificate to the non-resident sponsors.

(iv) In case the non-resident sponsors want to pay their contribution to the equity in foreign currency and such payments are retained in a foreign currency account opened with an Authorized Dealer in Pakistan, in terms of paragraph 9 (ii) of Chapter 6 of this Manual, the Authorized Dealer concerned will issue a Certificate of Deposit (COD) showing date-wise deposit of equity in the account and its buying exchange rate for the respective currency prevailing on the date on which the amount is credited to the company's foreign currency account. The company may issue shares after receipt of money in its account for the equivalent Rupee amount at the exchange rate shown in the Certificate.

(v) At the request of the company, the State Bank shall authorize an Authorized Dealer for the purpose of remittance of dividend to non-resident shareholders/unitholders as per procedure outlined in para 16, Chapter 14 of the Manual.

(vi) The shares/units issued/transferred to non resident shareholders/unitholder shall be intimated by the company to the designated Authorized Dealer within 60 days of issue/transfer on the form prescribed in Appendix V- 95 or Appendix V- 96, as the case may be, for onward registration with State Bank of Pakistan, alongwith the following documents and other legal documents viz. Memorandum and Articles of Association, Certificate of Incorporation/Registration etc., if not already submitted:-

[a) In case of issue of ordinary shares including Modaraba Certificates/Trust and Fund Units out of public offers under paragraph 6(B)(I) Bank's Proceeds Realization Certificate (PRCs) in original with copy of the consent/ permission of the Securities & Exchange Commission of Pakistan (SECP).]

- b) In case of issue of ordinary shares through private placement against equity repatriated to Pakistan under paragraph 6(B)(III) PRCs in original.
- bb) In case of issue of units of funds under paragraph 6(B)(IIIA), PRC in original.
- c) Omitted.
- [d) In case of issue of rights shares or units of REIT funds through right under paragraph 6(B)(VI) PRCs in original with copy of Board's Resolution.]
- e) In case of issue of bonus shares/units under paragraph 6(B)(VI) Appendix V- 96, a copy of Board's Resolution, Auditor's certificate to the effect that issuance of bonus shares/units is in accordance with the existing applicable laws and the audited accounts for the respective year.
- f) In case of issue of ordinary shares against equity contributed in the shape of plant and machinery under paragraph 7(iii) Exchange Entitlement Certificate issued by the area office of Foreign Exchange Operations Department in original.
- g) In case of issue of ordinary shares under paragraph 7(iv) against equity deposited in a foreign currency account for import of plant & machinery, certificate of deposit, issued by Account maintaining bank, in original.
- [h) In case of transfer of listed shares and units of funds under paragraph 6(B)(II) Stock Broker's Memo and PRCs in respect of the cost of shares/ units and transfer stamp money, both in original. Where the sale of shares/ units is negotiated privately, documents establishing the deal and the price of the share/unit on Stock Exchange on the date of deal, should be furnished.
- i) In case of transfer of shares/ units of un-listed companies/ funds under paragraph 6(B)(IV) Auditor's certificate for break-up value or net asset value in original, a copy of the audited accounts of the respective year, documentary evidence of the agreed sale price and original PRCs in respect of cost of shares/units and transfer stamp money (if applicable).]
- j) In case of transfer of shares/units from one non-resident to another non-resident against payment outside Pakistan under paragraph 6(B)(V), certificate from the transferee and PRCs for transfer stamp duty both in original.
- k) In case of issue of Government Securities, issue/transfer of debt instruments under paragraph 6(B)(VII) and (VIII), PRCs in original with copies of related documents.
- l) Further, in order to enhance due diligence with respect to export of securities to non-resident investors, Authorized Dealers are required to submit the following documents/information with regard to non-resident investors (where applicable) in addition to the above requirements:
 - i. Formal Share Purchase Agreement or equivalent between the Investor & Investee.
 - ii. Business profile containing ownership, organization/group, locations, markets and products.

- iii. Promoters'/ Directors' names, addresses, national ID/passport numbers & country of domicile.
- iv. Certificate of Incorporation or equivalent issued/acknowledged by the relevant Authority.
- v. Memorandum & Articles of Association or equivalent registered with the relevant Authority.
- vi. Annual Audited Financial Statements with Auditors' report & notes thereon for the last
- vii. Pattern of Shareholders (name, national identity number & shares held) or equivalent.
- viii. Related Party details including beneficial ownership (as defined by the SECP) with aforementioned documents, if any.

Authorized Dealers shall maintain centralized record/data of all such cases as well as securities of non-residents already registered on the aforementioned parameters along with the details of Investment/ Dividend repatriated and update the same for On-site inspection /Off-site monitoring by SBP.

- (vii) Subject to observance of the procedure outlined above, the companies issuing/registering transfer of shares/units in favour of non-residents on repatriation basis, may export the share/unit certificates through the designated Authorized Dealer to the shareholders/unitholder. The designated Authorized Dealer shall also allow remittances in respect of the following:-

- (I) Dividend, net of applicable taxes, as permitted under Chapter 14.
- (II) Disinvestment proceeds, less brokerage / commission and taxes, as under:
 - A. For disinvestment proceeds not exceeding the market value (in case of listed securities)/ break-up value (in case of unlisted securities)/ net asset value (in case of units), the designated Authorized Dealer shall allow the remittance on submission and review of:
 - a) Name and address of the non-resident shareholder/unitholder.
 - b) Name and address of the company/fund whose shares/units were sold by the nonresident beneficiary, indicating whether it is a listed or unlisted/private limited company or fund and is covered under para 6 ibid. (This requirement may be waived by the Authorized Dealer in case of quoted shares).
 - c) Name, address and residential status of the buyer of the shares/units in question.
 - d) Copy of broker's memo in case of quoted shares/break-up value certificate of a QCR rated practicing Chartered Accountant in case of unlisted shares/copy of latest quarterly net asset value audited by category A auditor from amongst SBP panel of auditors in case of units.
 - e) Attested copy of executed Share/unit Purchase Agreement (enforceable at law) between resident buyer and non-resident seller, showing rupee value of shares/units purchased.

- f) Attested copy of latest audited financials of the company/fund whose shares/units were being sold.
 - g) Duly filled/ signed M-Form for the rupee value of the remittance in favor of nonresident.
 - h) An undertaking from the buyer that the transaction is not between related parties. In case the transaction is between related parties, an undertaking that the same has been concluded at an arms-length basis.
 - i) Authorized Dealer will ensure due diligence of the transaction/ buyer from AML/ CFT perspective.
- B. For disinvestment proceeds exceeding the market value (in case of listed securities)/ breakup value (in case of unlisted securities)/net asset value (in case of units), the designated Authorized Dealer shall allow the remittance after satisfying itself about the genuineness of the transaction by reviewing the following additional documents:
- a) Detailed justifications/ rationale/ basis of setting the transaction price per share, from the buyer, in original.
 - b) Attested copy of detailed valuation/ transaction due diligence by the buyer showing basis, methodology and key valuation metrics used for valuation of shares/units as per generally accepted best practices for valuation of shares./units
 - c) 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, in addition to above information/ documents, shall also submit an independent/ third party review of the buyer's valuation, from QCR rated practicing chartered accountant as per the latest generally accepted valuation techniques/ methods for a particular type of industry in which resident company/fund is operating. The review report should at least provide view on the appropriateness of the basis and methodology used in the valuation/ transaction due diligence. Further, the review report should also include local/ global comparable transactions and/or trading multiples of comparable publicly traded companies and key valuation metric(s) comparisons, if available.
- [C. For disinvestment proceeds due to maturity of units of fund or revocation of REIT fund, issued in terms of Para 6(B)(IIIA) above, the designated Authorized Dealer shall allow the remittance on submission and review of:
- a) Winding-up report duly verified by external auditor and trustee of fund or in case of REIT fund revocation report by the trustee duly verified by the external auditor.
 - b) Unitholders investment statement
 - c) Distributions statement (including principal repayment)]

- (viii) ¹Authorized Dealers are required to submit electronically, statement showing shares/units registered and held by 'persons/ entities resident outside Pakistan and statement showing issue and export of bonus shares/units to non-resident shareholders/unitholders to the Statistics & Data Warehouse Department of the State Bank on format Appendix V- 95A & 96A at fca.stat@sbp.org.pk by 5th of the following month. Further, the designated Authorized Dealer shall maintain complete record of the shares/units held by non residents including proof of original investment in foreign exchange and other documents detailed above and shall produce the same for audit by the Inspection Team of the State Bank. No record shall be destroyed unless the same has been audited by the State Bank's inspectors.

8. Issue of Securities to Persons Resident outside Pakistan on non-repatriation basis and its transfer on the same basis.

- (i) It is permissible to issue Pakistani Securities of all types, in favour of persons resident outside Pakistan, on non-repatriation basis, if payment is made either in foreign exchange or in Pakistan rupees provided the securities are registered at the Pakistan address of the purchaser and a clear undertaking is furnished by him that no repatriation of capital and profits/dividends accruing thereon will be claimed at any stage.
- (ii) Such securities may also be transferred to a person, whether resident in or outside Pakistan, on the same basis, provided the securities are registered at the Pakistan address of the purchaser and a clear undertaking is given by him that no repatriation of capital and profit/dividend accruing thereon will be claimed at any stage.
- (iii) A person resident outside Pakistan holding shares on non- repatriation basis may also be issued bonus/right shares as per his entitlement, on the basis of non-repatriation of capital and dividend.

9. (A) Trading of Quoted Shares and Units of Funds by Non-Residents.

- (i) ²Non-residents are allowed to trade freely in the shares and units of funds quoted on the Stock Exchange(s) in Pakistan. For this purpose the non-residents will be required to open "Special Convertible Rupee Account" (SCRA) with any Authorized Dealer in Pakistan. Such accounts can be fed by remittances from abroad or by transfer from a foreign currency account maintained by the non-resident investor in Pakistan. The balance available therein can be used for purchase of any share or unit of fund quoted on the Stock Exchange(s) of Pakistan. Payment for such purchases may be debited to the account on production of stock broker's memo showing sale of shares or units of fund to the account holder and disinvestments proceeds may be credited, provided evidence of the sale price in the shape of stock broker's memo is produced. The fund available in such special accounts can be transferred outside Pakistan or credited to a foreign currency account maintained in Pakistan at any time without prior approval of the State Bank. These accounts can also be credited with dividend/profit income. Transfers from one such account to another may also be made in case of transfer of shares/Units between the two account-holders.