



---

Publisher: S.A. Salam Publications UK, 19 Cheetham Hill Road, Manchester, United Kingdom  
Sales Offices in Pakistan: 1<sup>st</sup> Floor, Salam Chambers, 22-Link Mcleod Road., Lahore.  
LAHORE. Ph: 37226953, 37223044, 0307-4695380, 0300-8408932. Email: [lhr@sasalam.com.pk](mailto:lhr@sasalam.com.pk)  
KARACHI: 2<sup>nd</sup> Fl, 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*  
**Complete Company Law  
and Procedures**

**Volume II - 2<sup>nd</sup> Edition**

**125th Update – December 10, 2023**

Please find enclosed **05** updated pages so as to complete and update your copy of the Book. Kindly insert as follows:—

<b>Existing Pages to be removed</b>	<b>Updated Pages to be inserted</b>	<b>Existing Pages to be removed</b>	<b>Updated Pages to be inserted</b>
---	---	---	---

**Part V-NBFC's**

307, 308	307 to 311		
----------	------------	--	--

Yours sincerely,  
Abdul Rab Khan  
Manager

### **Note from the Author**

It gives me great pleasure to complete the 125th update of Complete Company Law and Procedures, 2<sup>nd</sup> Edition, Volume-II. This update covers:

**-SECP's Circular 12, 13, 15 & 16 of 2023.**

These are briefly explained as follows:–

#### ***Part V–NBFC's***

1. On page V-307 onwards, SECP's **Circulars Nos. 12 & 13 of 2023** both dated August 31, 2023 have been reproduced These are re: **Licensing and Allied Applications with Sponsors/ Directors as Foreign Individuals/ Entities.**
2. On page V-308 onwards, SECP's **Circular No. 15 of 2023** dated September 25, 2023 has been reproduced. This is re: **Pricing Caps for Lending NBFCs providing digital-nano-lending.**
3. On page V-310 onwards, SECP's **Circular No. 16 of 2023** dated November 08, 2023 has been reproduced. This is re: **Adoption of revised timelines for approval of IPO application and listing of Securities.**

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

Sheikh Asif Salam

### **Additional Requirements for the digital lenders**

- i. CSAF audit report required under clause 6(1) and 8(7) of Circular 15 of 2022 should only be from Category-I CSAF auditors as per the PTA approved list.
- ii. Any change/update in approved app shall only be made with prior intimation to the Commission. Moreover, where aforesaid change relates to regulatory requirements or it may impact a borrower adversely, fresh app approval will be required.

### **Glossary**

For the purpose of this Circular, “*digital nano lending*” means providing unsecured short-term cash loan up to Rs 25,000/- for a maximum tenor of 90 days through digital lending. Digital nano lending does not include unsecured consumer finance provided by Lending NBFCs for explicit purchase of any products or Earned Wage Access.

Lending NBFCs shall ensure compliance with above requirements for digital nano-lending extended, restructured or renewed with effect from the date of issuance of this Circular.

Any non-compliance with the above requirements shall attract the penal provisions of section 282J of the Companies Ordinance, 1984.”

—————

**Licensing and Allied applications with Sponsors/ Directors as Foreign Individuals/Entities.**- Following is the text of SECP’s Circular No. 12 of 2023 dated August 31, 2023:-

“In exercise of powers conferred by Section 282B(3) of Part VIIIA of the Companies Ordinance, 1984 (XLVII of 1984), (the Ordinance), the Securities and Exchange Commission of Pakistan (“the Commission”) in order to effectively discharge the licensing of Non-Banking Finance Companies (NBFCs), is hereby pleased to direct that;

- (a) an application made under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (“the Rules”), shall clearly specify the particular category of licensing activity of Investment Finance Service, which the applicant intends to perform, amongst the following:
  - (i) Investment Finance Company;
  - (ii) Discounting Services;
  - (iii) Housing Finance Services;
  - (iv) Leasing Services;
  - (v) Microfinance Services:
    1. Conventional Nano Lending
    2. Digital Nano Lending
    3. Buy Now Pay Later – BNPL
    4. Advance against salary, B2C
    5. Advance to SME/MSME
    6. Other \_\_\_\_\_ please specify

The NBFC shall obtain prior permission in case of any change subsequent to grant of license in the type of business activity stated in the application.

- (b) As of the date of this Circular, all applications for license or any subsequent changes in the composition of the board/shareholders of the companies with above stated activities, wherein sponsors/directors/shareholders are foreign nationals/foreign entities, shall only be granted/allowed upon receipt of requisite prior security clearance from Ministry or Interior, Government of Pakistan.
2. This Circular shall come into force with immediate effect.”

**Licensing and Allied applications with Sponsors/ Directors as Foreign Individuals/Entities.**- Following is the text of SECP’s Circular No. 13 of 2023 dated August 31, 2023:-

“In exercise of powers conferred by section 40B read with clause (d) of sub-section (4) of section 20 of the Securities and Exchange Commission of Pakistan Act, 1999\* (XLII of 1997), the Securities and Exchange Commission of Pakistan (“the Commission”) is hereby pleased to direct that license of regulated activities under the Securities Act, 2015 (III of 2015) and the Futures Market Act, 2016 (XIV of 2016), wherein sponsors/ directors/ shareholders are foreign nationals/ foreign entities and any subsequent change in sponsors/ directors/ shareholders shall only be granted/ allowed upon receipt of requisite prior security clearance from Ministry of Interior, Government of Pakistan.

This Circular shall come into force with immediate effect”

\*It should be 1997

**Pricing Caps for Lending NBFCs providing digital-nano-lending.**- Following is the text of SECP’s Circular No. 15 of 2023 dated September 25, 2023:-

“In order to ensure borrowers protection, safeguard them from being trapped in debt cycles and encourage responsible lending practices, the Securities and Exchange Commission of Pakistan (the “Commission”) in exercise of powers conferred under sub-section (3) of section 282B of the Companies Ordinance, 1984 (XLVII of 1984) and regulation 28(da) of the NBFC Regulations, 2008 in addition to and in partial modification of requirements under Circular 15 of 2022 dated December 27, 2022 and Circular 10 of 2023 dated August 7, 2023, hereby directs that all Lending Non-Banking Finance Companies (NBFCs) providing digital nano-lending adhere to the following requirements:

**1. Exposure Limits for Digital Nano Lending**

- (1) An NBFC, can extend a nano-loan for a tenure of up to 30 days;
- (2) An NBFC shall not rollover/restructure a loan more than twice. Maximum tenure of the loan including rollovers/restructuring shall not exceed 90 days;
- (3) An NBFC shall consider rollover/restructuring an extension of the existing loan and shall not treat it as new loan.
- (4) An NBFC shall apply the same APR and terms to loan rollover/ restructuring as applied to the existing loan.

## 2. Annualized Percentage Rate (APR) limit

An NBFC shall charge an Annualized Percentage Rate (APR) not exceeding ten times of the Policy Rate issued by the State Bank of Pakistan. The APR as agreed between lender and borrower at time of grant of loan shall not be affected by any subsequent change in the Policy Rate.

## 3. Maximum amount of permitted costs, interest charge and late payment charges

An NBFC shall not recover from a borrower, on account of all costs of the loan including the nominal interest/markup/profit rate and all other applicable fees (i.e. processing fees, service fees, notarial fees, handling fees and verification fees, among others) as well as penalties for late payment and non-payment, an aggregate amount exceeding the principal of the loan.

## 4. Loan Disbursement and Collection:

An NBFC, for accurate computation of Profit Rate (PR) and APR, shall ensure that:

- (1) Entire Principal amount of the loan shall be disbursed by the lender on the issue date of the loan and shall be payable by the borrower on the maturity date of the loan, or on the extended maturity date in case of rollover of a loan.
- (2) Entire Profit amount shall be payable by the borrower either in lump sum on maturity date of the loan, or in equal amounts at equal intervals during the Loan Period.

## 5. Glossary

- (1) **Loan Period/Tenor:** The time period (in days) from issue date till maturity date of the loan.
- (2) **Loan rollover/restructure:** The renewal or extension of an existing loan, where the borrower is provided with new terms and conditions for repayment without fully repaying the original loan, while 'restructured loan' refers to a modification of the terms and conditions of an existing loan that results in a change to the repayment schedule, fees or other terms.
- (3) **Principal:** The amount disbursed by the lender to the borrower at the beginning of the loan period.
- (4) **Profit for the Loan Period (profit):** The amount including all costs, by whatever name called (markup, interest, profit, processing fee, service fee, handling fee etc.), payable by the borrower during the Loan Period.
- (5) **Profit Rate for the Loan Period (Profit Rate) - %:** Expressed as percentage and computed as the ratio of Profit and Principal.

$$PR\% = \frac{\text{Profit for the Loan Period}}{\text{Principal}}$$

- (6) **Annualized Profit Rate (APR) - % p.a.:** Expressed as percentage per annum and computed by simple annualization of the PR without considering the reinvestment or compounding of Profit over the next twelve (12) months.

$$i. \text{APR (\% p.a.)} = \text{Profit Rate} \frac{365}{\text{Loan Period}}$$

(7) **Illustration:**

Principal	10,000	10,000
Issue Date	1 Oct 2023	1 Oct 2023
Maturity Date	15 Oct 2023	15 Oct 2023
Loan Period	14 days	14 days
Markup	500	900
Fees	300	600
Profit	500 + 300 = 800	900 + 600 = 1,500
Profit Rate -%	8%	15%
APR - % p.a.	8 x 365/14 = 208.6%	15 x 365/14 = 391.1%
Policy Rate - % p.a.	22%	22%
Ceiling for APR - % p.a.	22 x 10 = 220%	22 x 10 = 220%
Whether APR is within the APR Ceiling	Yes	No

6. Through the above clauses of this circular the following clauses of Circular 10 of 2023 dated August 7, 2023 and Circular 15 of 2022 dated December 27, 2022 are partially modified to the extent mentioned below:

- (1) Requirements contained in clause 1(1) above modifies Circular 10 of 2023 dated August 7, 2023, substituting number “90” with “30” in;
  - i. clause (i) of “Exposure Limits for Digital Nano Lending” and
  - ii. the definition of Digital Nano Lending in the “Glossary”
- (2) Requirements contained in Para 5 above substitute clause 9(3) of Circular 15 of 2022 dated December 27, 2022.

7. NBFCs shall ensure compliance with above requirements for digital nano-lending extended, restructured or renewed within seven days of the date of issuance of this Circular.

8. Any non-compliance with the above requirements shall attract the penal provisions of section 282J of the Companies Ordinance, 1984.”

**Adoption of revised timelines for approval of IPO application and listing of Securities.**- Following is the text of SECP’s Circular No. 16 of 2023 dated November 08, 2023:-

“To simplify and streamline the Initial Public Offering (IPO) and listing process, the Securities and Exchange Commission of Pakistan (SECP) has reduced the overall IPO timelines in consultations with market participants and the securities exchange. The revised timelines will optimize the capital formation function of the securities exchange by enabling potential issuers to fulfil their capital raising needs in an efficient and timely manner.

For this purpose, the SECP in exercise of the powers conferred under section 172 of the Securities Act, 2015 hereby notifies the revised timelines attached as Annexure-A for immediate adoption by all stakeholders, including the Pakistan Stock Exchange Limited, Consultants to the Issue (CTI). Issuers, Book Runners and other market participants.

All stakeholders are advised to strictly adhere to the revised timelines in true letter and spirit.”

*(Annexure not reproduced here due to sake of brevity)*

---