

THE COMPANIES (APPOINTMENT OF TRUSTEES) ACT, 1972

An Act to provide for the management of the affairs of certain companies.

[*Gazette of Pakistan, Extraordinary, 25th September, 1972*]

[The following Act of the National Assembly received the assent of the President on the 24th September, 1972, and is hereby published for general information:--]

WHEREAS it is expedient to provide for the management of the affairs of certain companies and for matters connected therewith:

It is hereby enacted as follows:--

1. **Short title, extent, application and commencement.** (1) This Act may be called the Companies (Appointment of Trustees) Act, 1972.

(2) It extends to the whole of Pakistan.

(3) It applies only to companies the objects of which are not confined to one Province.

(4) It shall come into force at once.

2. **Act to override other laws.** This Act shall have effect notwithstanding anything contained in the Companies Act, 1913 (VII of 1913) or in any other law for the time being in force or in any agreement, contract or memorandum or articles of association.

3. **Definitions.** In this Act, unless there is anything repugnant in the subject or context.

(a) "Assets" include all rights and powers and properties, whether movable or immovable, such balances, reserve funds, investments deposits and all other interests and rights in or to or arising out of any such property and the books of accounts and documents;

(b) "company" has the same meaning as in the Companies Act, 1913 (VII of 1913), and

(c) "trustee" in relation to a company means the trustee appointed under section 4 in respect of such company.

4. **Appointment of trustees.** (1) If the Federal Government is of opinion that it is necessary in the public interest so to do, the Federal Government may, by notification in the official Gazette, appoint a trustee in respect of a company the registered office of which is located in Pakistan beyond the Provinces of Baluchistan, the North-West Frontier, the Punjab and Sind on such terms and conditions as may be determined by the Federal Government.

(2) The trustee shall hold office during the pleasure of the Federal Government.

(3) The trustee may, by writing under his own hand addressed to the Federal Government, resign his office.

5. Management of company to vest in trustee. (1) Upon the appointment of a trustee under section 4 in respect of a company, the management of the affairs of such company in so far as they relate to its business and assets and liabilities in the Provinces referred to in that section and all such assets and liabilities shall vest in that trustee and any person or authority exercising or having the right to exercise immediately before such appointment any power or function in relation to the management of such affairs shall cease to exercise or to have the right to exercise such power or function.

(2) The trustee appointed in respect of a company shall, where necessary, open on behalf of such a company, with a branch of the National Bank of Pakistan an account to which he shall credit from time to time all moneys received by him on behalf or on the account of the company after deducting therefrom such amount representing the expenses of the management of the affairs of the company as he may determine with the approval of the Federal Government.

(3) Every trustee appointed in respect of a company shall keep proper account of all income and expenditure received or incurred by him on account of company.

(4) Where a trustee is appointed in respect of a company, the Federal Government may, by order, remove from office any officer howsoever designated performing or having the right to perform any function in relation to the management of the affairs of the company in so far as they relate to its assets or liabilities referred to in sub-section (1).

6. All assets to be delivered to trustee. No officer of a company, nor any other person, shall retain or fail to deliver to the trustee any assets which vest in the trustee under section 5.

7. Powers of trustee. The trustee appointed in respect of a company shall exercise all the powers and functions of the Board of Directors of the company in so far as they relate to the assets and liabilities of the company in the Provinces referred to in section 4.

8. Transfer of assets prohibited. No person shall transfer any of the assets of a company in respect of which a trustee has been appointed or create any charge or encumbrance on such assets and any transfer made or charge or encumbrance created in contravention of this section shall be void.

9. Liability of company. When a trustee is appointed in respect of a company only such liabilities of the company shall be deemed to be liabilities relating to the assets of the company vested in the trustee as may be determined by such authority and in such manner as may be prescribed by rules made under this Act.

10. Amounts payable to trustee. (1) Any amount payable to a company in respect of which a trustee has been appointed shall be paid to the trustee by the person liable to pay the same.

(2) Any person who makes a payment under sub-section (1) shall be discharged from further liability to pay to the extent of the payment so made.

(3) Any payment made otherwise than in accordance with sub-section (1) shall not discharge the person paying it from his obligation to pay the amount due, and shall affect the right of the trustee to enforce such obligation against any such person.

11. Instructions to trustee prohibited. No person shall except, on the authority of the Federal Government, give any instructions to the trustee, nor shall any person in any manner obstruct him in the discharge of his functions.

12. Bar of jurisdiction, etc. (1) No Court shall call in question, or permit to be called in question, anything done or any action taken or purporting to be done or taken under this Act.

(2) No Court shall grant any injunction or make any order, nor shall any such Court entertain any proceedings, in relation to anything done or intended or purported to be done under this Act.

(3) No suit, prosecution or other legal proceeding shall lie against the Federal Government or the trustee or any person for anything in good faith done under this Act or any rule or order made or notification issued thereunder.

13. Power to make rules. The Federal Government may, by notification in the official Gazette, make such rules as appear to it to be necessary or expedient for carrying out the purposes of this Act.

14. Delegation of powers. The Federal Government may, by notification in the official Gazette, direct that all or any of its powers under this Act shall, subject to such conditions, if any, as may be specified in the notification, be exercised by such officer or authority as may be so specified.

15. Removal of difficulties. If any difficulty arises in giving effect to any provision of this Act, the Federal Government may make such order, not inconsistent with the provisions of this Act, including an order modifying the provisions of the memorandum or articles of association of company, as it considers necessary or expedient for the purpose of removing of that difficulty.

16. Repeal. Omitted by Ordinance, 27 of 1981.

THE COMPANIES (APPOINTMENT OF TRUSTEES) RULES, 1973

[*Gazette of Pakistan, Extraordinary, Part II, 14th May, 1973*]

Notification No. S.R.O. 643(I)/73. In exercise of the powers conferred by section 13 of the Companies (Appointment of Trustees) Act, 1972 (XV of 1972), the Federal Government is pleased to make the following rules, namely:

1. These rules may be called the Companies (Appointment of Trustees) Rules, 1973.

2. After the appointment of a trustee in respect of a company under section 4 of the Companies (Appointment of Trustees) Act, 1972 (XV of 1972), the liabilities relating to the assets of that company vested in the trustee shall be determined:

- (a) in the case of a joint stock company, by the Registrar or the Assistant Registrar of Joint Stock Companies, in whose jurisdiction the liabilities of the company arose or are to be discharged;
- (b) in the case of an insurance company, by the Controller of Insurance; and
- (c) in the case of a banking company, by the State Bank of Pakistan.

3. In determining the liabilities of a company under rule 2, the authority referred to therein shall take into account;

- (a) rent and tax for any premises;
 - (b) any vehicle used for the purpose of the business of the company;
 - (c) any liability in respect of which it is proved beyond reasonable doubt that it relates to goods supplied or services rendered for the purpose of the business of the company; and
 - (d) any agreement or instrument calculated to enhance the liability of the company, if it is proved beyond reasonable doubt that the liability was incurred for the purpose of improving or promoting the business of the company or for increasing the value of an asset pertaining to the business of the company.
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THE COMPANIES PROFITS (WORKERS' PARTICIPATION)
ACT, 1968

ACT NO. XII OF 1968¹

[4th July, 1968]²

[8th July, 1968]³

An Act to provide for participation of workers in the profits of companies.

WHEREAS it is expedient to provide for participation of workers in the profits of companies and for matters ancillary thereto;

AND WHEREAS the national interests of Pakistan in relation to the achievement of uniformity within the meaning of clause (2) of Article 131 of the Constitution requires legislation in the matter;

Synopsis

1. Scope and object of Act.

2. Essential service.

1. **Scope and object of Act.** The Act was passed to provide for participation of workers in the profits of companies and matters ancillary thereto. The object of the Act, broadly stated, is to bring into existence the scheme to be called "the participation of workers in the profit of companies" which is considered appropriate and necessary for increased productivity and promotion of industrial peace to mutual benefit of employers and the employees. This object is specified in section 3 of the Act. Section 3(1) of the Act provides that every company to which the scheme applies shall establish a Workers' Participation Fund in accordance with the scheme as soon as the accounts for the year in which the scheme becomes applicable to it are finalised, but not later than nine months after the close of the year. Section 4 provides that there shall be constituted a Board of Trustees consisting of two persons elected by the workers of the company from amongst themselves and two persons nominated by the management of the company of whom at least one shall be a person from the Accounts Branch of the Company.⁴

2. **Essential service.** The provisions of other enactments relating to labour do not cease to apply to employments on the issue of a notification declaring a service to be essential service, and only such provisions of other enactments shall be inapplicable as are inconsistent with the provisions of the Act or the rules framed thereunder.⁵

It is hereby enacted as follows:

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1. Published in Gazette of Pakistan, Extraordinary, 5th July, 1968.
 2. Date of assent by President.
 3. Date of publication in the official Gazette.
 4. PLD 1985 Kar. 21 (DB).
 5. NLR 1981 Lab. 13 (DB) (Kar.).

1. *Short title, extent and commencement.* (1) This Act may be called the Companies Profits (Workers' Participation) Act, 1968.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. *Definitions.* In this Act, unless there is anything repugnant in the subject or context:--

(a) "Board" in relation to a Fund means a Board of Trustees constituted under section 4 for the management and administration of the Fund;

(b) "company" means a company within the meaning of Companies Act, 1913 (VII of 1913), and includes:--

(i) a body corporate established by or under any law for the time being in force;

(ii) any institution, organization or association whether incorporated or not, declared by the [Federal Government] in the Official Gazette to be a company for the purpose of this Act;

Synopsis

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| 1. Companies for the purpose of the Act. | 2. Industrial undertaking operating for part of year. |
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1. **Companies for the purpose of the Act.** The Federal Government has declared each of the following to be a company for the purposes of the said Act, namely: (i) Any company incorporated, registered or established outside Pakistan which is engaged in an industrial undertaking in Pakistan. (ii) Any partnership, association of persons (including consortium, syndicate or joint venture) or proprietorship which is engaged in an industrial undertaking in Pakistan. (iii) Any industrial undertaking which is set up as a departmental activity of the Federal or Provincial Government or a body corporate established under any law for the time being in force.⁷

Rice Export Corporation. Rice Export Corporation of Pakistan which carries on business of export of rice including all operations connected with its procurement, milling, cleaning, storage, packing and sale for export, has been declared by High Court to be an "industrial undertaking" within meaning of the Act.⁸

2. **Industrial undertaking operating for part of year.** The Federal Government has made a special provision for participation of workers in profits of industrial undertaking operating for part of year, namely:

6. Subs. by P.O. 4 of 1975.

7. Notification No. S.R.O. 132(R)/68, dated 31.7.1968.

8. 1986 SCMR 1010 = 1986 PSC 334.

(1) For the purposes of clause (f) of section 2 of the aforesaid Act and paragraph 3 of the Schedule thereto, a worker of an industrial undertaking engaged in the manufacturing of sugar, ginning of cotton or processing of tobacco to which paragraph 1 of the said Schedule applied shall be deemed to have completed six months of continuous employment with the company, and be eligible to the benefits of the Scheme, if he is in continuous employment of the industrial undertaking for not less than half of the period for which the undertaking has operated in a year of account.

(2) For the purpose of disbursement of benefits to workers in accordance with paragraph 5 of the said Schedule, worker of an industrial undertaking which is not in continuous operations for the whole of a year shall be credited:--

- (a) with a year of continuous employment if he has been in continuous employment with that undertaking for the entire period for which it has operated in the year of account; and
- (b) with such period of continuous employment as that period bears to the period he continuously worked with the undertaking the same proportion as a whole year bears to the total period for which the undertaking operated during a year of account.⁹
- (c) "Fund" means a Workers' Participation Fund established under section 3;
- (d) "profits" in relation to a company means such of the "net profits" as defined in section 87-C of the Companies Act, 1913 (VII of 1913), as are attributable to its business, trade, undertakings or other operations in Pakistan;

¹⁰[(dd) "rules" means rules under this Act;]

(e) "scheme" means the scheme set out in the Schedule;

(f) "worker" in relation to a company means an employee of the company whose average monthly emoluments computed in the manner set forth in the scheme do not exceed "[three thousand] rupees per month and who has been in the employment of the company for a period of not less than six months.

¹²[3. *Establishment of fund.*(1) Every company to which the scheme applies shall--

- (a) Establish a Workers' Participation Fund in accordance with the scheme as soon as the accounts for the year in which the scheme becomes applicable to it are finalised,

9. Notification No. S.R.O. 320(1)/71, dated 20.8.1971.

10. Cl. (dd) added by Ord., XII of 1970, w.e.f. 1st July, 1970.

11. Subs. by Act XI of 1994 S.2 and Sch.

12. Sections 3 & 4 subs. by Ord., XII of 1970, w.e.f. 1st July, 1970.

but not later than nine months after the close of that year;

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¹⁴[(b) subject to adjustments, if any, pay every year to the Fund not later than nine months after the close of that year five per cent of its profits during such year, which shall, where the accounts have been audited by an auditor appointed under section 23-B of the Industrial Relations Ordinance, 1969 (XXIII of 1969), be assessed on the basis of such audit; and

(c) furnish to the Federal Government and the Board, not later than nine months after the close of every year of account, its audited account for that year, duly signed by its auditors].

(2) The amount paid to the Fund under clause (b) of sub-section (1) in relation to a year shall be deemed to have been allocated to the Fund on the first day of the year next succeeding that year.]

¹⁵[4. *Management of the Fund.* (1) As soon as may be ¹⁶[but not later than two months] after the establishment by a company of a Fund under section 3, there shall be constituted a Board of Trustees consisting of the following trustees, namely:--

(a) two persons elected by the workers of the company from amongst themselves; and

(b) two persons nominated by the management of the company of whom at least one shall be a person from the accounts branch of the company.

(2) The persons holding office as trustees shall elect for one year a person to be the Chairman of the Board alternately from amongst the trustees elected under clause (a) of sub-section (1) and those nominated under clause (b) of that sub-section, the first Chairman being from amongst the latter.

(3) A trustee shall, unless he sooner ceases to represent the interest he was elected or nominated to represent hold office for such term and on such conditions as may be prescribed by rules.

13. Omitted by Act, 17 of 1977, section 4 & Sch.

14. Clause (b) subs. and clause (c) added by Act, 17 of 1977, section 2 & Sch.

15. Section 3 and 4 subs. by Ord., XI of 1970, w.e.f. 1st July, 1970.

16. Ins. by Act, 17 of 1979, S. 2 & Sch.

(4) All decisions of the Board shall be express in terms of the opinion of the majority of the trustees and, in the event of the trustees being equally divided in their opinions, the Chairman shall have and exercise a second or casting vote.

(5) The Board shall manage and administer the Fund in accordance with the provisions of this Act, the scheme and any rules made in this behalf.

(6) The Board shall, in the exercise of its powers and performance of its functions under this Act, be subject to such directions as the ¹⁷[Federal Government] may, from time to time, give.

(7) The ¹⁷[Federal Government], if it is of opinion that a trustee or a Board has been persistently failing in the performance of his or its functions or has generally been acting in a manner inconsistent with the objects and interests of the Fund, may, after giving such trustee or, as the case may be, the Board, an opportunity of showing cause against it, by order:--

- (a) remove such trustee from his office or direct that the Board shall stand superseded for such period as may be specified in the order; and
- (b) direct that, pending the election or nomination of a person in place of the trustee removed from office or, as the case may be, the re-constitution of the Board, the powers and functions of the trustee so removed or the Board shall be exercised and performed by a person specified in the order.

(8) A casual vacancy in the office of a trustee shall be filled as soon as may be by the election or, as the case may be, nomination of another person and the person elected or nominated to fill such vacancy shall hold office for the unexpired term of his predecessor.

(9) Upon the supersession of a Board under sub-section (7), the trustees in that Board shall cease to hold office and references to the Board in this Act, the scheme and the rules shall be construed as references to the officer specified in the order under that sub-section.

(10) Before the expiry of the period of supersession, the Board shall be reconstituted in accordance with the provisions of this Act to take over its functions upon the expiry of such period.

(11) No act or proceeding of the Board shall be invalid or questioned merely on the ground of the existence of a vacancy in, or defect in the constitution of, the Board].

5. *Penalty.* ¹⁸[(1) Where a company to which the scheme applies fails to comply with any of the provisions of this Act or the scheme, every director, manager or other officer responsible for the management of the affairs of the company shall, if the Federal Government by order so directs, pay by way of penalty a sum which may extend to five thousand rupees and, in case of a continuing failure, a further sum which may extend to one thousand rupees for every day after the first during which the failure continues].

(3) A penalty imposed by an order under sub-section ¹⁹[(1)] shall, if it is not paid within the time specified in the order, be recoverable as an arrear of land revenue.

(4) The ²⁰[Federal Government] may, upon an application made in this behalf by any person aggrieved by an order made under sub-section (1) ^{1***} within a period of six months from the date of the order, review the order and may upon such review pass such order as it may think fit.

²¹[6. *Power to call for information.* The ¹⁸[Federal Government] may, at any time, call upon a company or a Board to furnish it with such information and documents, including the records of the proceedings of the company or the Board; as may be relevant or useful for the purposes of or necessary for ensuring proper compliance with, the provisions of this Act, the rules and the schemes.

7. *Settlement of disputes, etc.* (1) Any difference arising between the Board and the company relating to the administration of the scheme shall be reported to the ¹⁸[Federal Government] whose decision thereon shall be final.

18. Subs. by Act. 17 of 1977, section 2 & Sch. for sub-sections (1) & (2).

19. Subs. by Act. 17 of 1977, S. 2 & Sch.

20. Subs. by P.O. 4 of 1975.

1. Omitted by Act, 17 of 1977, S.2 & Sch.

2. Sections 6 and 7 subs. and sections 8, 9 and 10 added by Ord., XII of 1970, w.e.f. 1st July, 1970.

(2) All claims of a worker relating to the benefits of the scheme, whether against the Board or the company, shall be settled in the same manner as is provided for in the Payment of Wages Act, 1936 (IV of 1936), for the settlement of claims arising out of deductions from wages.]

1. **Jurisdiction of Labour Court.** The mere mention in section 7(2) of the Act that all claims of a worker shall be settled in the same manner as is provided for in the Payment of Wages Act, 1936, does not mean that this gives jurisdiction to the Authority under the Payment of Wages Act. Settlement of claims arising out of deduction from wages, does not debar the jurisdiction of the Labour Court.³

⁴[8. *Delegation of powers.* The ⁵[Federal Government] may, by notification in the official Gazette, direct that all or any of its powers or functions under this Ordinance may, subject to such limitations, restrictions or conditions, if any, as may be specified in the notification, be exercised or performed also by any officer subordinate to it or by any authority so specified].

4[9. *Power to make rules.* The ⁵[Federal Government] may make rules to carry out the purposes of this Act].

4[10. *Act to override other laws.* The provisions of this Act shall have effect notwithstanding anything contained in any other law for the time being in force, or in any contract or the memorandum or articles of associations of a company].

THE SCHEDULE

SCHEME

[See section 2(e)]

1. *Scope of the scheme.* The scheme applies to all companies ^{6***} engaged in industrial undertakings which satisfy any one of the following conditions, and to such other companies as the ⁵[Federal Government] may, by notification in the official Gazette, specify in this behalf, namely:--

- (i) The number of workers employed by the company ^{7***} at any time during a year is ⁸[50] or more.

3. P1J 1981 Tr.C. 13 (Lab.).

4. Sections 8, 9 and 10 added by Ord., XII of 1970, w.e.f. 1st July, 1970.

5. Subs. by P.O. 4 of 1975.

6. The word "primarily" omitted by Ord., XII of 1970, w.e.f. 1st July, 1970.

7. The words "in any shift" omitted by Act. XX of 1973.

8. Subs. for the figure "100" *ibid.*

- (ii) The paid up-capital of the company as on the last day of its accounting year is Rs. 20 lakhs or more.
- (iii) The value of the fixed assets of the company (at cost) is on the last day of the accounting year Rs. 40 lakhs or more.

*[*Explanations.* In this scheme:--

- (a) "industrial undertaking" means an institution, organization, enterprise or establishment which involves the use of electrical, mechanical, thermal, nuclear or any other form of energy transmitted mechanically and not generated by human or animal agency and which is engaged in any one or more of the following operations, namely:--
 - (i) the subjection of goods or materials to any manufacturing, assembly, finishing or other artificial or natural process, which changes their original condition or adds to their value;
 - (ii) ship-building;
 - (iii) the transformation, generation, conversion transmission or distribution of electrical energy, including hydraulic power; and
 - (iv) the working of a mine, oil well or any other source of mineral deposit, including blending, refining and purification of oils and gases; and includes companies engaged in the marketing and distribution of gas or in the carriage of men or goods by sea or air, and any other institutions, organisation, enterprise or establishment which the ¹⁰[Federal Government] may, by notification in the official Gazette, declare to be an industrial undertaking for the purposes of this scheme; and
- (b) references to the paid-up capital and the value of the fixed assets of the company shall, in the case of a company incorporated outside Pakistan but having a branch in Pakistan, be construed as references respectively to the capital invested in such branch and the value of the fixed assets of the branch].

9. Explanation added by Ord. XII of 1970. w.e.f. 1st July, 1970.

10. Subs. by P.O. 4 of 1975.

Synopsis

1. Rice Export Corporation.
2. Companies engaged in carriage of men, etc.

1. **Rice Export Corporation.** In order to ensure proper quality rice, fit for export, Rice Export Corporation subjects the rice purchased from the producers to various processes and for this purposes it has installed at its own godown sites, a number of machines which are operated by electricity and mechanical power. These include an aspirator and cleaner machines, stone separator machines, paddy separator machines, husk separators, rotary sieves and other sophisticated machines. By these processes the rice is cleaned, paddy separated, fragmented rice removed and rice of proper standard retained for export. Substantial amount of labour and expenditure is involved in these operations and these are undertaken with a view to adding to the value of the commodity (rice) and for making it acceptable in the international market. In the result its price is enhanced. Thus, by subjection of the goods to these processes its value is increased. It follows that Rice Export Corporation satisfies the requisites laid down for any establishment to qualify as an "industrial undertaking" within the meaning of the Scheme.¹¹

2. **Companies engaged in carriage of men, etc.** The expression "engaged" specified in clause (iv) of para (a) of the scheme does not lend itself to the construction that it is confined to companies engaged in the carriage of men or goods by sea or air exclusively engaged themselves. When the Legislature has described companies as companies engaged in carriage of men or goods by sea or air; it did not intend that the said companies should engage themselves exclusively in the carriage of men or goods by sea or air but should include agents of foreign companies also.¹²

¹³[2. *Investment of Fund.* (1) The amount allocated or accruing to the Fund shall be available to the company for its business operations. The company may, however, request the Board to utilize the amount in the Fund for investment under sub-paragraph (7) and the Board may decide to so invest the amount.

(2) The company shall pay to the Fund in respect of the amount in the Fund available to it for its business operations as aforesaid interest at the rate of 2½ per cent above the bank rate or 75 per cent of the rate at which dividend is declared on its ordinary shares, whichever is higher. In case there is more than one class of ordinary shares on which different rates of dividend have been declared, then the weighted average of the different rates of dividend shall be taken for the purpose of determining the rate of interest. The interest to the Fund shall accrue on and from the first day of the year next succeeding the year in which the scheme

11. 1968 SCMR 1010=1986 PSC 334.

12. PLD 1985 Kar. 21 (DB).

13. Paragraph 2 Subs. for the original by Ord., XII of 1970, w.e.f. 1st July, 1970.

becomes applicable to the company. Even when the company does not wish to utilize the amount available to it under sub-paragraph (1), interest at the rate aforesaid shall be payable by the company for the period between the date of allocation of any amount to the Fund and the date of its investment under sub-paragraph (7).

(3) If, at any time after the establishment of the Fund, the company raises any additional capital, otherwise than through the issue of bonus or bonus shares, the Fund shall have the first option to convert any amount available to the company under sub-paragraph (1) or any of the assets of the Fund into ordinary equity capital upto a ceiling of 20 per cent of the paid-up capital of the company prior to such conversion of 50 per cent of the additional capital, whichever is less.

Explanation. In this sub-paragraph, "additional capital" does not include any capital offered or to be offered to foreign participants of the company.

(4) For the exercise of the right of conversion under sub-paragraph (3), the Board shall be given sufficient time to sell assets of the Fund to realise the amount needed for subscription to the additional issue of capital by the company.

(5) The shares acquired in the manner set out in sub-paragraph (3) shall participate in future bonus and right issues in the same manner as other shares.

(6) The shares acquired in the manner set in sub-paragraph (3) shall carry voting rights in the same manner as other shares and such voting rights shall be exercised by the Board on behalf of the Fund.

(7) The amount in the Fund which, under sub-paragraph (1), the company has requested to be utilized for investment under this paragraph may be invested by the Board for the purchase of any of the following, namely:--

- (a) I.C.P. Mutual Fund Certificates;
- (b) National Investment Trust (Unit) Certificates;
- (c) Government securities including Defence and Postal Savings Certificates; and

(d) any other securities approved for the purpose by the¹⁴[Federal Government].

¹⁵[3. *Eligibility to benefits of scheme.* All workers shall be eligible to the benefits of the scheme and to participate in the fund. However, a worker not completing six months of employment with the company during a year of account shall not participate in the Fund in respect of the year.]

¹⁶[4. *Distribution of benefits to workers.* The share of a worker in the annual allocation to the Fund shall be expressed in units or fractions of units (worked out to two places of decimal) of the face value of Rs.10 determined in the following manner, namely:--

¹⁷[(a) The number of available units shall be divided into three parts for the workers of the following three categories of workers mentioned below so that a worker in the first of these categories gets four units for each two units that a worker in the second of those categories gets or for each one unit that a worker in the last of these categories gets:--

Categories

1. Workers drawing average monthly wages not exceeding Rs. ¹⁸[1800].
2. Workers drawing average monthly wages exceeding Rs. ¹⁸[1800] but not exceeding Rs. ¹⁸[2200].
3. Workers drawing average monthly wages exceeding Rs. ¹⁸[2200] but not exceeding Rs. ¹⁸[3000].]

(b) The average monthly wages shall be rounded up to the nearest Rs.10.

(c) The number of units available to each category of workers shall be divided equally among all the workers in that category to determine the share of each worker of that category.

¹⁹[(d) Notwithstanding anything contained in this scheme, no worker shall, in any one year, be entitled out of the annual

14. Subs. by P.O. 4 of 1975.

15. Paragraphs 3 & 4 subs. by Ord., XII of 1970, w.e.f. 1st July, 1970.

16. Paragraphs 3 & 4 subs. by Ord., XII of 1970, w.e.f. 1st July, 1970.

17. Clause (a) subs. for the original by Ord., IX of 1972, w.e.f. 13th April, 1972.

18. Subs. by Act XI of 1994 S.2 and Sch.

19. Clause (d) subs. for the original by Ord., IX of 1972, w.e.f. 13th April, 1972.

allocation to units exceeding rupees ²⁰[three thousand] in value in so far as such allocation is relatable to * * * clause (b) of sub-section (1) of section 3. Any amount left out of the annual allocation after the units have been so allocated shall be transferred to the Fund constituted under section 3 of the Workers Welfare Fund Ordinance, 1971 (XXXVI of 1971). No part of such amount shall be deemed to be included in the net asset value of the Fund established under this Act and no individual worker shall have any lien on this amount by virtue of holding any units].

Explanations. In this paragraph, "average monthly wages" means total wages drawn during the year of accounts divided by 12, or by the number of months a worker actually worked during a year in respect of which he is entitled to the benefit under the scheme, as the case may be, and "wages" has the same meanings as in clause (vi) of section 2 of the Payment of Wages Act, 1936 (IV of 1936) but does not include any overtime allowance ²⁰[or bonus].

5. *Disbursement of benefits.* The disbursement of the benefits from the Fund shall be as under:

- (a) 100 per cent of the annual income of the Fund, including capital gains realized, shall be distributed each year to workers in proportion to their units of entitlement.
- ²¹[(b) A worker who voluntarily leaves the employment of the company or whose services are terminated shall be entitled to receive 100 per cent of the net asset value of the units standing in his name.]
- ³[* * * * *]
- ⁴[(f) A worker who continues in the service of the company shall be entitled to receive 190 per cent of the net asset value of the units in his name each year or he may choose to leave his share in the Fund:

Provided that worker while in employment may choose to encash all the units standing in his name at any time at his discretion":]

20. Subs. by Act XI of 1994 S.2 and Sch.
 1. The words "sub-clause (i) of" omitted by Act, XX of 1973.
 2. Subs. by Act, XX of 1973.
 3. Clauses "(c), (d) and (e) omitted by Act, XX of 1973.
 4. Subs. by Act, XX of 1973.

- (g) A worker, in the event of his retirement or, his nominated beneficiary, in the event of the worker's death (from whatsoever cause) while in the employment of the company, shall receive 100 per cent of the net asset value of the units standing in the worker's name. ⁵[* * *]

1. **Payment of benefit.** Where the Labour Court ordered payment of Rs. 1,000 to each participant in the fund. It was held that there was no concept of cash payment of participation fund under the Act or the Scheme attached with it and, therefore, the impugned decision so far as it relates to cash payment to the respondents is liable to be set aside.⁶

6. **Definition of the net asset value of the unit.** To determine the net asset value of a unit, the total net assets of the Fund, namely, market value of the securities, cash and other assets resulting from the investment and re-investment, capital accretion thereto and all incomes of any kind arising therefrom shall be divided by the number of units in the Fund. Net asset value of the entire Fund shall be computed once every year and each worker's unit entitlement determined at the same time. Additional units will be given to the workers according to the amount they voluntarily contribute to the Fund.

7. **Employee's own contribution.** A worker may voluntarily choose to contribute a part of his wages, cash bonus, dividend or interest to the Fund. For each unit of contribution, he shall receive credit for 1-1/4 units. Contribution received during the course of a year of account shall, however, be deemed to be contribution received on the last day of that year. If at any time a worker chooses to leave the employment of the company or ⁸[his services are terminated or on the event of his retirement or death or on the expiry of three years from the date he voluntarily chooses to contribute a part of his wages, cash bonus, dividend or interest to the Fund, he, at his option, or, in the event of his death, his nominated beneficiary, may receive the net asset value of the units representing his contribution. The contribution by a worker in any one year of account shall not exceed 10 per cent of his annual wages during such year.

8. **Fiscal concession to the Companies.** All companies to whom the scheme applies shall be allowed the allocation made to the scheme as a deduction to arrive at the taxable income.

5. The words "irrespective of the period of employment" omitted by Act. XX of 1973.

6. PLJ 1981 Tr.C. 13 (Lab.).

7. Paragraph 7 subs. by Ord., XII of 1970. w.e.f 1st July, 1970.

8. Subs. by Act. 20 of 1973. §.3.

9. *Tax treatment of the income of the Fund.* The income of the Fund including capital gains shall be exempt from income-tax.

10. *Tax treatment of the income to the workers.* All sum paid out by the Fund shall be exempt from income-tax in the hands of the workers.

⁹[11. *Working and location of the Board of Trustees.* The office of the Board of Trustees shall be located at the factory premises or, if there is more than one factory run by the company, at the registered head office of the company. All expenses of the Board including the cost of maintaining accounts, shall be borne by the company.]

12. *Audit of the fund accounts.* The Fund accounts shall be audited annually at the company's expense in the same manner as the accounts of the company are audited:

Provided that the ¹⁰[Federal Government] may, at its own cost, appoint independent accountants for a special audit of the accounts of the Fund.

13. *Scheme's benefits to be in addition to other benefits.* The benefits to a worker under this scheme shall be in addition to, and not in derogation or substitution of, any other benefits to which the worker may be entitled under any other law, contract, terms and conditions of employment or otherwise.

¹¹[14. *Special provision for industries working seasonally.* Notwithstanding anything contained in this Act or this scheme, the ¹²[Federal Government] may, by notification in the official Gazette, make special provisions for the participation of workers in the profits of companies engaged in industrial undertakings which operate only for a part of the year.

1. *Industrial undertakings operating for part of year.* The Federal Government has made a special provision for participation of workers in profits of industrial undertakings operating for part of year namely:--(1) For the purposes of clause (f) of section 2 of the aforesaid Act and paragraph 3 of the Schedule thereto, a worker of an industrial undertaking engaged in the manufacturing of sugar, ginning of cotton or processing of tobacco to which paragraph 1 of the said Schedule applied shall be deemed to have completed six months of continuous employment with the company, and be eligible to the benefits of the Scheme, if he

9. Paragraph 11 subs. by Ord., XII of 1970, w.e.f 1st July, 1970.

10. Subs. by P.O. 4 of 1975.

11. Paragraphs 14. added by Ord., XII of 1970, w.e.f. 1st July, 1970.

12. Subs. by P.O. 4 of 1975.

is in continuous employment of the industrial undertaking for not less than half of the period for which the undertaking has operated in a year of account.

(2) For the purpose of disbursement of benefits to workers in accordance with paragraph 5 of the said Schedule, a worker of an industrial undertaking which is not in continuous operations for the whole of a year shall be credited:--

- (a) with a year of continuous employment if he has been in continuous employment with that undertaking for the entire period for which it has operated in the year of account; and
- (b) with such period of continuous employment as that period bears to the period he continuously worked with the undertaking the same proportion as a whole year bears to the total period for which the undertaking operated during a year of account.¹³

¹⁴[15. *Companies engaged in more than one industrial undertakings.* Notwithstanding anything contained in this Act or this scheme, the 15[Federal Government] may, at the request of a company which is engaged in more than one industrial undertaking located at different places, permit the splitting up of the Fund amongst the various undertakings or groups of undertakings and constitution of the Board of Trustees for each such undertaking or group of undertakings; and thereupon the provisions of this Act and this scheme shall have effect in relation to such undertakings or groups as if each such undertaking or group were a company.

16. *Entrustment of management of Fund to Investment Corporation of Pakistan. etc.* The Board of Trustees may, with the prior approval of the ¹⁵[Federal Government], enter into a contract with the Investment Corporation of Pakistan, the National Investment Trust or the National Bank of Pakistan, entrusting the management of the Fund to that Corporation; Trust or Bank on such fee, which shall be payable by the company, and on such terms and conditions as may be mutually agreed upon].

13. Notification No. S.R.O. 320(1)/81, dated 20-8-1971.

14. Paragraphs 15 and 16 added by Ord. XII of 1970, w.e.f. 1st July, 1970.

15. Subs. by P.O. 4 of 1975.

**THE
COMPANIES PROFITS (WORKERS' PARTICIPATION)
RULES, 1971¹**

[20th August, 1971]

Notification No. S.R.O. 321(I)/71. In exercise of the powers conferred by section 9 of the Companies Profits (Workers' Participation) Act, 1968 (XII of 1968), the Federal Government is pleased to make the following rules, namely:--

1. Short title and commencement. (1) These rules may be called the Companies Profits (Workers' Participation) Rules, 1971.

(2) They shall come into force at once.

2. Definition. In these rules, unless there is anything repugnant in the subject or context,--

(a) "Act" means the Companies Profits (Workers' Participation) Act, 1968 (XII of 1968);

(b) "collective bargaining agent" has the same meaning as in the Industrial Relations Ordinance, 1969 (XXIII of 1969);

(c) "section" means section of the Act.

3. Establishment of Board of Trustees. (1) As soon as possible after the establishment of Fund by a company, the company shall--

(a) intimate to the Federal Government the names, addresses and other particulars of two persons nominated by the company to represent the management on the Board to be constituted for the administration of the Fund; and

(b) where there is no collective bargaining agent in relation to the company, hold elections amongst the workers to elect two of them to the Board by the method of single non-transferable vote:

Provided that, if a collective bargaining agent in relation to the company comes into existence subsequent to the elections, the elected representatives of workers shall cease to be trustees as soon as such agent has nominated two persons to represent the workers on the Board.

(2) As soon as possible after the result of the elections held under sub-rule (1) is available, the company shall intimate to the Federal Government the names, addresses and other particulars of the workers elected to the Board.

(3) Subject to the provisions of sub-section (3) of section 4, a trustee shall hold office for two years unless he earlier resigns or, in the case of a trustee nominated by the company, his nomination is withdrawn by the company.

1. Reproduced from Gazette of Pakistan, Extraordinary, 20th August, 1973, pp. 1038-1043.

(4) The nominee of the company from the accounts branch or, where both the nominees are from the accounts branch, the one designated by the company, shall act as the Secretary to the Fund.

(5) To assist the Board in the performance of its functions, the company shall, at its own expense, provide it with such office accommodation and secretarial staff as the Chairman of the Board may, in accordance with any general or special instructions of the Federal Government in this behalf, require.

(6) It shall be the duty of the Secretary to the Fund to prepare a list of the workers eligible to the benefits of the scheme showing their average monthly wages computed in the manner set forth in paragraph 4 of the Schedule to the Act.

(7) A vacancy in the office of a trustee arising on resignation, death or otherwise shall be filled as soon as possible by the workers or the company, as the case may be, in accordance with the provisions of sub-rule (1).

4. Functions of the Board. (1) The Board shall meet as soon as practicable after it is constituted and frame regulations governing its procedure:

Provided that any regulation framed by the Board shall, to the extent it is repugnant to any of the provisions of the Act or these rules or any directions of the Federal Government given thereunder, be void. (2) The regulations framed by the Board under rule (1) may, in particular, prescribe--

- (a) the manner of holding annual meeting of the Board after the working results of the company have been made available to determine the allocation of shares in the Fund to individual workers;
- (b) the procedure for holding extraordinary meeting to consider individual cases of forfeiture of the shares of workers in the Fund;
- (c) the appointment of an Executive Committee, consisting of an equal number of members representing respectively the workers and the management of the company, to transact all the day-to-day business of the Board, including the receipt and disbursement of moneys and securities and entering into any proceedings on behalf of the Board, subject to such conditions and limitations as the Board may decide;
- (d) the procedure for decision in any question through circulation of papers to all trustees where it is not convenient or practicable to hold a meeting of the Board.
- (e) the quorum and requirement of notice for the meetings of the Board; and
- (f) the entrustment to the Secretary of the functions relating to maintenance of the office and records of the Board;

(3) The trustees shall not be entitled to any remuneration for their services as such but the reasonable cost of their travel for attending meetings of the Board shall be borne by the company.

5. **Maintenance of accounts.** The procedure for maintenance of accounts and determination of annual and long-term benefits to the workers shall be, as far as possible, in accordance with the Model Procedure set out in Annex I appended to these rules.

6. **Limitation as to the power of the trustees.** No trustee shall have any right to vote or take a decision as such trustee upon any matter relating to himself or to any of rights or benefits under the Scheme.

7. **Miscellaneous.** (1) All actions and determinations of the Board affecting workers shall be uniform in nature as to all workers similarly situated and nothing shall be done or omitted in the administration of the scheme which may unreasonably discriminate in favour of, or against, workers who are officers, share-holders or supervisors.

(2) Neither any income of, nor benefits due to, the workers under the Scheme may be assigned, hypothecated, exchanged or sold;

Provided that nothing in this sub-rule shall be deemed to prevent,

(a) a worker from nominating any person to receive, in the event of the worker's death while in the employment of the company, the net asset value of the units standing in the worker's name, or

(b) a person so nominated from in any way transferring any interest in the Fund devolving upon him by virtue of such nomination.

(3) A worker shall, as soon as may be after he has become eligible to the benefits of the Scheme, send to the Board a nomination in writing conferring on one or more persons the right to receive, in the event of the worker's death while in the employment of the company, the net asset value of the units standing in his name.

(4) If a worker nominates more than one person under sub-rule (3) he shall specify in the nomination the share payable to each of the nominees in such manner as to cover the entire asset value of the units standing in the worker's name.

(5) A worker may at any time cancel a nomination by sending a notice in writing to the Board;

Provided that the worker shall along with notice send a fresh nomination made in accordance with the provisions of sub-rules (3) and (4).

(6) Units shall be transferable only by the Board under the provisions of the Scheme relating to issuance, forfeiture and cancellation of Units.

(7) If the Scheme is, for any reason, discontinued with respect to a company, the Fund shall be distributed among the workers in accordance with the net asset value of the Units credited as on the date of termination, in cash or in securities as the Board may determine.

8. **Repeal.** The Companies Profits (Workers' Participation) Rules, 1969, are hereby repealed.

Annexure I

MODEL PROCEDURE FOR THE MAINTENANCE OF ACCOUNTS OF
WORKERS' PARTICIPATION FUND

[See illustration of the Methods of Computation Annex II]

Company's Allocation:

1. Company's allocation to the Fund at **two and-a-half per cent** of annual profits before tax (computed on the same basis as for computing the Managing Agency Commission) shall be made as soon as audited accounts are available. The allocation shall, however, be deemed to have been made on the first day of the account year next succeeding the one to which such profits pertain.

Valuation of Units:

2. Units of the company's allocation shall in the year of the application of the scheme be valued at Rs. 10 each and in subsequent years at the net asset value defined in paragraph 3.

3. The net asset value of the Fund shall be computed as at the close of each year of account (after the first) in the following manner:--

- (i) For listed securities, the last reported sale price on a stock exchange shall be used and for unlisted securities break-up value be used.
- (ii) Securities purchased and awaiting payment against delivery shall be included as assets of the Fund, and the cash account adjusted.
- (iii) Securities sold but not delivered pending receipt of proceeds shall be excluded and the account adjusted.
- (iv) Cash in hand and with banks is to be valued at face amount.

However, company's allocation out of the profits pertaining to such year of account shall not be included but workers voluntary contributions received during the year shall be included as if received on the last day of the account year.

(Please see example C in Annex II).

4. The valuation of units shall be obtained by dividing the net asset value of the fund as obtained in paragraph 3 by the number of units existing at the commencement of the year of account (without inclusion of number of units to be issued in respect of company's allocation out of profits for that year or units to be issued in respect of workers voluntary contribution during the course of the year).

(Please see example D in Annex II).

Allocation of Compulsory Units:

5. Compulsory units to be allocated each year out of company's allocation from profits shall be computed as on the last day of each year of account in the manner laid down in paragraph 6 and shall be deemed to exist from the first day of the year of account next succeeding such year.

6. The mode of allocation shall to be divide company's allocation first into units at the current net asset value (Rupees Ten in the first year and then distribution of the units thus becoming available amongst the workers in such a manner that such worker in the first wage-slab (drawing monthly wages not exceeding Rs. 300 p.m.) gets three units for each two units that the worker in the next higher wage-slab (drawing monthly wages not exceeding Rs. 600 p.m.) gets and for each one unit that the worker in the highest wage-slab (drawing monthly wages exceeding Rs. 600 p.m.) gets.

(Please see Example A in Annex II).

Allocation of Contributory units.

7. In respect of voluntary contribution received during the course of a year, workers shall get credit for $1\frac{1}{2}$ units for each one unit of contribution but at the close of such year and such contributory units shall be deemed to exist only on the first day of the year next succeeding the one during which contribution was made.

8. Allocation of contributory units shall be made out of total number of units available as a result of allocation from company's profits for the year and amount received in contribution from worker prior to the allocation of compulsory units.

(Please see Example B in Annex II).

Distribution of Income.

9. Income of the Fund through interest dividend or realized capital gain during the course of a year shall be divided amongst all workers at the end of the year in proportion to the number of units they hold as at the commencement of such year.

(Please see Example B in Annex II).

Distribution of Principal out of the Fund.

10. On retirement, leaving employment, death, disability, termination of employment, etc. or at the end of the period prescribed in paragraph 5 of the scheme (please see Schedule to the Act), the net asset value of the units held by the workers at the commencement of the year during which such event occurs shall, subject to forfeiture provisions of the Act, be paid out to the worker or his nominee as the case may be.

(Please see Example E in Annex II).

Annexure II

ILLUSTRATION OF THE METHODS OF COMPUTATION

(A) Allocation of Compulsory Units in the First Year:

If the profits of the company during the previous year are Rs. 8 lakhs, its contribution to the Fund @ $2\frac{1}{2}\%$ shall be Rs. 90,000, i.e. 2,000 units, which shall be divided amongst workers as follows:--

- (1) Number of workers drawing average monthly wages not exceeding Rs. 300

= 100

(2) Number of workers drawing wages exceeding Rs. 300 but not exceeding Rs. 600 = 40

(3) Number of the workers drawing average wages exceeding Rs. 600 but not exceeding Rs. 1,000 = 20

Units to be divided on the basis of $109 + 3 + 40 \times 2 + 20 \times 1$ = 400

Each worker in the first category shall, therefore get 15 units $\left(\frac{2000 \times 3}{400} \right)$

$$\frac{100 \times 3 + 40 \times 2 + 20 \times 1}{300 + 80 + 20}$$

in the second category 10 units $\left(\frac{2000 \times 2}{400} \right)$ and in the third 5 units,

i.e. $\left(\frac{2000 \times 1}{400} \right)$ = 5

(B) *Distribution of Dividend and Interest Income*

Income of the Fund shall be divided in the beginning of the second year as follows:--

Say income from interest on Rs. 10,000	= 750.00
and dividend income on balance	= 1,250.00

Rs 10,000 invested in shares.	= 2,000.00

Total income Rs. 2,000 or Re. 1 per unit.

(C) *Net asset value of the Units in second and subsequent year.*

The position of net assets as at the beginning of the second year may be say,	
Rs. 10,000 loan to the company	= Rs. 10,000
Rs. 10,000 in shares of the Company	
with market value of Rs. 14 per share of Rs. 10	= Rs. 14,000

Total	= Rs. 24,000

$$\text{Unit value} = \frac{24,000}{2,000} = \text{Rs. 12}$$

If the profits of the company in the previous year, i.e. 1st year, are Rs. 12 lakhs, its contribution to the Fund at $2\frac{1}{2}\%$ shall be Rs. 30,000 $1 + 2$, i.e. 2,500 units;

(D) Contributory Units.

If the workers have voluntarily subscribed in the first year an amount of Rs. 4,800, i.e. equivalent to 400 units bringing the total number of additional units available for distribution to 2,900. The contributory workers will get credit for 500

units, i.e. $\left(\frac{400 \times 5}{4}\right) = 500$ as Contributory Unit. The remaining 2,400 units shall be Compulsory Units and distributed as shown at A above.

(E) Retirement Benefits.

Current units value	x	(Number of units held by the retiring workers--Forfeiture if any under paragraph 5).

THE COMPANIES (APPOINTMENT OF LEGAL ADVISERS) ACT, 1974

(Act No. X of 1974)

An act to provide for the appointment of Legal Advisers to companies.

(*Gazette of Pakistan, Extraordinary, March 5, 1974*)

WHEREAS it is expedient, to provide for the appointment of Legal Advisers to companies and matters connected therewith it is hereby enacted as follows:--

1. **Short title, extent and commencement.** (1) This Act may be called the Companies (Appointment of Legal Advisers) Act, 1974.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. **Definitions.** In this Act, unless there is anything repugnant in the subject or context:--

(a) "*Advocate*" means an advocate entered in any roll under the provisions of the Legal Practitioners and Bar Councils Act, 1973 (XXXV of 1973).

(b) "*Company*" means a company formed and registered under the Companies Act, 1913 (VII of 1913), but does not include a company the paid-up capital of which is less than ¹[five lakh rupees] or a company limited by guarantee or an association registered under section 26 of that Act;

(c) "*Legal Adviser*" means a person appointed as such under section 3; and

(d) "*Registered firm*" means firm registered under the Partnership Act, 1932 (IX of 1932), all the partners of which are advocates.

3. **Appointment of Legal Adviser.** (1) Every company shall appoint at least one legal Adviser on retainer to advise such company in the performance of its functions and the discharge of its duties in accordance with law:

Provided that a company in existence immediately before the commencement of this Act shall be deemed to have complied with the provisions of this sub-section if it appoints a legal Adviser before the expiration of three months from such commencement.

(2) No person other than an advocate or a registered firm shall be appointed to be a Legal Adviser.

4. **Retainer.** Every Legal Adviser appointed by Company shall be paid by the Company a retainer which shall in no case be less than ²[one thousand two hundred] rupees per mensem.

1. Subs. by Act, 81 of 1975, S. 2.

2. Subs. by Act, 4 of 1994, S. 2.

5. Who may not be appointed Legal Adviser. A company shall not appoint an advocate or a registered firm to be its Legal Adviser, if upon such appointment, the number of companies of which such advocate or firm is a Legal Adviser will exceed,—

- (a) in the case of the advocate, three; or
- (b) in the case of the firm, the product of three and the total number of partners of the firm:

Provided that a company in existence immediately before the commencement of this Act shall be deemed to have complied with the provisions of this sub-section if, before the expiration of three months from such commencement, it terminates the appointment of the advocate or registered firm that appointment of whom or which is prohibited by this sub-section.

(2) No compensation shall be payable for the termination of an appointment of agreement under or by virtue of the operation of the provisions of sub-section (2).

6. Power to exempt. The Federal Government may, by notification in the official Gazette, exempt any company or class of companies from the operation of the provisions of sub-section (1) of section 3 subject to such conditions and for such period as may be specified in the notification.

7. Penalty and procedure. (1) If a company contravenes, or fails to comply with any of the provisions of this Act or the rules made thereunder, manager or other officer responsible for the conduct of its affairs shall unless he proves that the contravention or failure took place without his knowledge or that he exercised all diligence to prevent such contravention or failure, be deemed to be guilty of such contravention or failure and be punishable with simple imprisonment for a term which may extend to three months or with fine, or with both.

(2) No Court shall take cognizance of any offence punishable under this Act except on a report in writing of the facts constituting such offence made by an officer of the Federal Government or of a Provincial Government authorised by the Federal Government in this behalf.

(3) No Court inferior to that of a Magistrate of the first Class shall try an offence punishable under this Act.

8. Power to make rules. (1) The Federal Government may by notification in the official Gazette, make rules for carrying out the purpose of this Act.

(2) In particular and without prejudice to the generality of the foregoing provision, such rules may provide for the maintenance of registers of Legal Advisers by Companies, the form in which such registers shall be maintained the furnishing of information by companies and the intervals at which such informations shall be furnished.

THE COMPANIES (APPOINTMENT OF LEGAL ADVISERS) RULES, 1975

(Gaz. of Pak., Extra, Pt. II, 2-4-75)

Notification No. S.R.O. 373(1)/75. In exercise of the powers conferred by Section 8 of the Companies (Appointment of Legal Advisers) Act, 1974 (Act No. X of 1974), the Federal Government is pleased to make the following rules, namely:--

1. Short title and commencement. (1) These rules may be called the Companies (Appointment of Legal Advisers) Rules, 1975.

(2) They shall come into force at once.

2. Definition. In the rules, unless the context otherwise requires,--

(a) 'Act' means the Companies (Appointment of Legal Advisers) Act, 1974.

(b) 'Registrar' means the Registrar as defined in sub-section (15) of section 2 of the Companies Act, 1913.

3. Maintenance of register and records. (1) Every company shall maintain a register in the form set out in Schedule I. Every company shall obtain a certificate from its legal adviser once a year in the form set out in Schedule II.

4. Furnishing of information by the company. (1) Every company shall, within fifteen days of the appointment of a legal adviser by it, furnish in duplicate to the Registrar of the region in which its registered office is situated the name (names of the partners in case of a firm), address and remuneration of the legal adviser.

(2) Every company shall furnish such additional information or documents as the Registrar may require.

(3) The Registrar shall keep proper record of all the information received under this rule.

SCHEDULE I

[See rule 3(1)]

REGISTER OF LEGAL ADVISER

Name of the Legal Adviser (If the legal adviser is a firm, name of firm should be given).	Number of partners in case of a firm	Remuneration	Address	Date of appointment	Date of termination of appointment	Remarks
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SCHEDULE II

[See rule 3(2)]

CERTIFICATE

(To be obtained annually from a legal Adviser)

I/We certify that during the year I/We was/were not engaged as legal adviser in more than three companies/..... companies. The particulars of the companies in which I/We was/were the legal adviser during the year are as follows:--

Name of the company

Address

(1)

(2)

Signature..... Name

COMPANIES (MANAGEMENT BY ADMINISTRATOR) RULES, 1993

[Gazette of Pakistan, Extraordinary, Part II, 8th November, 1993]

S.R.O. 1083(I)/93, dated 8.11.1993.--In exercise of the powers conferred by subsection (12) of section 295, read with section 506 of the Companies Ordinance, 1984 (XLVII of 1984), and the Finance Division Notification No. S.R.O. 698(I)/86, dated the 2nd July, 1986, the Corporate Law Authority hereby makes the following rules, the same having been published previously as required under the said section 506:--

PART I--PRELIMINARY

1. **Short title and commencement.**--(1) These rules may be called the Companies (Management by Administrator) Rules, 1993.

(2) They shall come into force at once.

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

(i) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984); and

(ii) "section" means a section of the Ordinance.

(2) All other words, terms and expressions used but not defined in these rules shall have the same meanings as are assigned to them in the Ordinance.

PART II--REPRESENTATION TO THE AUTHORITY

3. **Several creditors may join in one representation.**--All creditors may be joined in one representation or the representation may be made by one or more creditors whose debt or aggregate debt is not less than sixty per cent of the paid up capital of the company.

4. **Documents to be accompanied with representation.**--(1) The representation under rule 3 shall be in the form of an application to the Authority and shall be supported by such information as specified in the Annexure to these rules.

(2) A representation shall be accompanied,--

(a) by supporting documents referred to or relied upon, alongwith certified copies of annual accounts of the company for the preceding three years; and

(b) by the original receipt of the fee paid under rule 8.

(3) The application shall be in triplicate.

5. **Register of Representation.**--The Authority shall cause the particulars of every application to be entered in a register to be kept for the purpose, called "Register of Representations under section 295", entries wherein shall be serially

numbered in every year and the number in the register shall be endorsed on the application which shall be borne by all proceedings thereunder.

6. **Notice to parties.**—When a representation has been duly made by an application, notice shall be issued to the company and all others concerned to appear and show cause why the application should not be accepted.

7. **Disposal of representations.**—(1) The Authority shall, except in extraordinary circumstances and on grounds to be recorded, hear the representation on day to day basis and shall dispose it of within sixty days of its receipt.

(2) In dealing with a representation under sub-rule (1), the provisions of section 478, shall, as far as possible, be applicable.

8. **Fee.**—A fee of ten thousand rupees shall be payable for making a representation to the Authority under sub-section (1) of section 295.

PART III--MANAGEMENT BY THE ADMINISTRATOR

9. **Management of company.**—Where an administrator has been appointed, he shall manage the company in accordance with the provisions of the Ordinance, the rules made thereunder, and in accordance with such directions, not inconsistent with the provisions of the Ordinance or rules made thereunder, as the Authority may give from time to time.

10. **Best possible profits and benefits to be earned.**—The administrator shall manage the affairs of the company and carry on its business in the best possible manner so as to earn the best possible profits and benefits for the company and its members and creditors.

11. **Handling over of company's affairs.**—In the event of an order under sub-section (6) of section 295 whereby the purpose of the order for appointing the administrator has been fulfilled and the company has been permitted to appoint directors, on appointment of such directors, the administrator shall hand over the management and affairs of the company, including records thereof, to the said directors.

12. **Appointment of committee.**—The Authority may appoint a committee consisting of representatives of the creditors and shareholders to offer its comments and suggestions to the Authority regarding the administrator with particular reference to:—

- (a) the affairs of the company;
- (b) disposal of capital assets; and
- (c) any other related matter.

Annexure

[See rule 4(1)]

INFORMATION TO BE SUPPLIED WITH THE REPRESENTATION

1. Name and status of the company.....

2. Names of the directors at the time of representation
 3. Name of the chief executive of the company.....
 4. Registered office of the company
 5. Nature of business of the company.....
 6. Paid-up capital of the company.....
 7. Amount of loans with dates thereof
 - (i) Long-term loans with rate of mark-up.....
 - (ii) Bridging advance with rate of mark up.....
 - (iii) Working capital loans with rate of mark up.....
 - (iv) Any other loan.....
 8. Repayment schedule of the respective loans.....
 9. Repayments made, if any, with their respective dates
 10. Total amount of outstanding loan with period thereof with percentage of the paid-up capital
 11. Nature of grievances.....
 12. Statement and documents filed in support of item 10, if any, with complete address of the creditors.....
-

COMPANIES (INVITATION AND ACCEPTANCE OF DEPOSITS) RULES, 1987

[Gazette of Pakistan, Extraordinary, Part II, 26th September, 1987]

S.R.O. 778(1)/87, dated 26.9.1987.--In exercise of the powers conferred by section 88, read with section 506 of the Companies Ordinance, 1984 (XLVII of 1984), and the Finance Division Notification No. S.R.O. 698(1)/86, dated the 2nd July, 1986, the Corporate Law Authority hereby makes the following rules, the same having been published previously as required under the said section 506, namely:--

1. **Short title and commencement.**--(1) These rules may be called the Companies (Invitation and Acceptance of Deposits) Rules, 1987.

(2) They shall come into force on the first day of January, 1988.

(3) They shall apply to all companies, except the banking companies.

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

(a) "banking company" means a banking company as defined in the Banking Tribunals Ordinance, 1984 (LVIII of 1984);

(b) "deposit" means any deposit of money with, and includes any amount borrowed by, a company, but shall not include a loan raised by issue of debentures or a loan obtained from a banking company or a financial institution;

(c) "depositor" includes any person, other than a banking company or a financial institution, who has given a loan or provided finance other than--

(i) finance by way of contribution towards share capital; or

(ii) finance by way of redeemable capital on contribution to debentures issued by the company to a company.

(d) "form" means a form annexed to these rules;

(e) "free reserves" includes any amount which, having been set aside out of revenue or other surpluses, excluding surplus on revaluation of assets, after adjustment of all intangible or fictitious assets is free in that it is not retained to meet any diminution in value of assets, specific liability, contingency or commitment known to exist at the date of the balance sheet;

(f) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984);

(g) "Schedule" means a schedule to the Ordinance; and

(h) "section" means a section of the Ordinance.

(2) All other terms and expressions used but not defined in these rules shall have the same meaning as in the Ordinance.

3. Acceptance of deposits by Companies.—(1) No company shall accept any deposit--

- (a) for purposes other than the financing of its own business as referred to in Explanation to clause (c) of section 5 of the Banking Companies Ordinance, 1962 (LVII of 1962);
- (b) from another company, except a company which is its holding company;
- (c) which is repayable on demand or on notice or repayable earlier than the expiry of six months or later than the expiry of thirty-six months from the date of acceptance of renewal of such deposit, or renew any such deposit accepted by it, whether before or after the commencement of these rules:

Provided that a company may, for the purpose of meeting any of its short-term requirements of funds, accept or retain or renew deposits for repayment earlier than six months from the date of deposit or renewal, as the case may be, subject to the conditions that such deposits--

- (i) shall not exceed ten per cent. of the aggregate of the paid-up share capital and free reserves of the company; and
- (ii) shall be repayable not earlier than three months from the date of such deposit or renewal, as the case may be:

Provided further that, where a company has, before the coming into force of these rules, accepted any deposit repayable after a period of more than thirty-six months, such deposits shall, unless renewed after the coming into force of these rules, be repaid in accordance with the terms of such deposits.

(2) No company shall accept or renew or retain any deposits, if the amount of such deposit, together with the amount of such other deposits, referred to in this rule and outstanding on the date of acceptance or renewal of such deposits, including any deposit accepted under proviso to sub-rule (1), exceeds twenty-five per cent of the aggregate of the paid-up share capital and free reserves of the company.

(3) If, immediately before the commencement of these rules, any deposit, accepted by a company before such commencement, exceeds the limit specified in sub-rule (2), the company shall, within five years from the date of coming into force of these rules, bring down the deposits to the limit aforesaid and for this purpose the company shall not renew or retain such deposits on expiry of their pre-existing term nor accept any further deposits besides repaying the same and adopting other measures to bring down the aggregate deposits within the limits permissible under this rule during the said period of five years.

(4) Nothing contained in this rule shall apply to the following types of deposits, namely:--

- (a) any amount received from or guaranteed by the Federal Government or the Government of a province or a corporation owned or controlled by any such government;
- (b) loans or finance raised by issue of debentures on redeemable capital;
- (c) finance as defined in the Banking Tribunals Ordinance 1984 (LVIII of 1984) obtained from a banking company or a financial institution;
- (d) advance or application money or subscription for shares in the company;
- (e) security deposits with utility companies;
- (f) security deposits in connection with the execution contracts;
- (g) earnest-moneys received from tenders;
- (h) deposits to undertake deposit works;
- (i) rent received in advance from a lessee;
- (j) amount received by way of security or an advance from any purchasing agent, selling agent or other agent in the ordinary course of business of the company or an advance received against orders for the supply of goods or properties or for rendering services;
- (k) amount, received from an employee by way of security deposit or contribution towards provident fund;
- (l) amount, received from employees for payment of annuities or superannuation benefits; and
- (m) amount received from a person who at the time of the receipt of the amount by the company was a director of the company or any amount received by a private company from its shareholders, provided such amount has not been raised from any other person or persons except his spouse and children.

Explanation.—For the purpose of this rule, in arriving at the aggregate of the paid-up share capital and free reserves there shall be deducted from the aggregate of the paid-up share capital and free reserves as appearing in the latest audited balance-sheet of the company, the amount of accumulated balance of loss and balance of deferred revenue expenditure, if any, as disclosed in the said balance sheet.

4. Purpose for which deposits cannot be utilised.—No company shall utilise the deposits received by it for providing financial assistance to any other person.

5. Maintenance of liquid assets.—(1) Every company shall before the 31st day of December of each calendar year deposit or invest, as the case may be, a sum which shall not be less than ten per cent of the amount of its deposits maturing during the year ending on the 31st day of December next following, in any one or more of the following modes, namely:—

- (a) in a National Savings Scheme;

- (b) in a special account to be opened by the company for the purpose in a scheduled bank, free from charge or lien;
- (c) in Government securities; or
- (d) in such other securities as are notified by the Authority for the purpose.

(2) The amount deposited or invested, as the case may be, under sub-rule (i), shall not be utilised for any purpose other than for the repayment of deposits maturing during the year referred to in that sub-rule, provided that the amount remaining deposited or invested, as the case may be, shall not at any time fall below ten per cent of the amount of deposits maturing until the 31st day of December of that year.

6. Obligation of public companies to issue advertisement and provisions relating thereto.—(1) Subject to rule 7, every company intending to invite or allow or cause any other person to invite deposits shall issue an advertisement for the purpose in one daily newspaper in English language and in one daily newspaper in Urdu language circulating in the province in which the registered and other offices of the company are situated.

(2) No company shall issue or allow any other person to issue or cause to be issued on its behalf any advertisement, inviting deposits unless such advertisement is issued on the authority and in the name of the Board of Directors of the company and contains a reference to the conditions subject to which deposits shall be accepted by the company, the date on which the said Board of Directors has approved the text of the advertisement, and the matter specified in Form No. 1.

(3) An advertisement issued in accordance with this rule shall be valid until the expiry of six months from the date of closure of the financial year in which it is issued or until the date on which the balance-sheet is laid before the company in general meeting, or where the annual general meeting for any year has not been held, the latest day on which that meeting should have been held in accordance with the provisions of the Ordinance, whichever is earlier, and a fresh advertisement shall be made in each succeeding financial year for inviting deposits during that financial year, within a fortnight of expiry of the said period.

(4) The advertisement referred to in this rule shall not be issued by or on behalf of a company unless before the date of its issue, approval of the Authority to its issue, circulation or publication has been obtained within sixty days preceding the date of its issue and there has been delivered to the Registration concerned for registrar a copy thereof authenticated by the chief executive of the company and a majority of the other directors on the Board of Directors of the company as constituted at the time the Board approved the advertisement.

Explanation.—For the purposes of this rule, the date of the newspaper in which the advertisement first appears shall be taken as the date of issue of the advertisement.

7. Certain provisions to apply to private companies and public companies not issuing advertisement.—The following provisions shall apply to public companies not issuing advertisement and the private companies in addition to the other provisions or conditions laid down in these rules, namely:—

- (a) No private company shall invite or allow or cause any other person to invite deposits from the public whether by issue of an advertisement, public notice or otherwise;
- (b) A private company may accept deposits from persons other than its directors or shareholders or their spouses or minor children, provided that the number of such persons shall not exceed twenty at any time;
- (c) Where a public company intends to accept deposits without issuing an advertisement or a private company intends to accept deposits in the manner permissible under these rules, it shall before accepting deposits obtain the approval of the Authority and deliver to the Registrar concerned for registration a statement in lieu of advertisement containing all the particulars required to be included in the advertisement by virtue of sub-rule (2) of rule 6 authenticated duly in the manner provided in sub-rule (4) of that rule.
- (d) A statement delivered under sub-rule (3) of rule 6 shall be valid until the expiry of six months from the date of closure of the financial year in which it is so delivered or until the date on which the balance-sheet is laid before the company in general meeting, or where annual general meeting for any year has not been held, the latest day on which that meeting should have been held in accordance with the provisions of the Ordinance, whichever is earlier, and a fresh statement in lieu of the advertisement shall be delivered to the Registrar concerned within a fortnight of expiry of the period.

8. Form of application for deposits.-- (1) No company shall accept or renew any deposit referred to in rule 2 unless an application is made by the intending depositor for the acceptance of such deposit and such application contains a declaration by such person to the effect that the amount is not being deposited out of the funds acquired by him by borrowing or accepting deposits from any other person except his spouse or minor children.

(2) The application referred to in sub-rule (1) shall be made in the form supplied by the company and such form shall be accompanied by a statement by the company containing all the particulars specified in sub-rule (2) of rule 6 and incorporating therein all changes in relation to such particulars upto the date on which the form is issued by the company.

9. Furnishing of receipts to depositors.-- (1) Every company shall, on the acceptance or renewal of deposit, furnish to the depositor or his agent, receipt for the amount received by the company.

(2) The deposit receipt referred to in sub-rule (1) shall be signed by an officer of the company duly authorised by the company in this behalf, and shall state the date of deposit, the name and address of the depositor, the amount received by the company as deposit with nature thereof, the rate of return payable thereon and the date on which the deposit is repayable.

10. Register of deposits.--(1) Every company accepting deposits shall keep at its registered office one or more registers in which there shall be entered separately in the case of each depositor, the following particulars namely:--

- (a) name and the address of the depositor;
- (b) date and amount of each deposit with nature thereof;
- (c) duration of the deposit and the date on which each deposit is repayable;
- (d) rate of return;
- (e) date or dates on which payment of return will be made;
- (f) date or dates on which return is actually paid and the amount paid on each date;
- (g) date on which the deposit is actually repaid and the amount repaid;
- (h) date of renewal, if renewed; and
- (i) any other particulars relating to the deposit.

(2) The register or registers referred to in sub-rule (1) shall be preserved in good order for a period of not less than ten calendar years from the financial year in which the last entry is made in the register and shall be open to inspection by any shareholder or depositor of the company without charge.

11. Circulation of information to the depositors.— (1) Every company which has accepted or invited deposits under rule 3 shall within six months of the close of the accounting year of the company send to every depositor the particulars and information required to be included in the case of a public company in an advertisement inviting deposits and in the case of any other company the statement in lieu of advertisement.

(2) Every depositor shall be supplied within seven days of his request a copy of the latest audited balance-sheet and profit and loss account of the company free of cost.

12. Prohibition on employing agents for soliciting deposits and payment of commission, etc.— No company shall employ an agent for soliciting, collecting and receiving deposits or pay any commission of brokerage to any one on deposits received by it.

13. General provisions regarding repayment of deposits.— (1) Where a company makes repayment of a deposit after the expiry of a period of six months from the date of such deposit but before the expiry of the period for which such deposit was accepted by the company the return payable by the company on such deposit calculated on daily product basis, shall be reduced by one-fourth from the return due on the deposit and the company shall not pay return higher than the profit as so reduced.

(2) Where any repayment of the deposit or payment of any return thereon is not made within seven days of the date on which it becomes payable, the company shall pay to the depositor an additional return at the rate of two per cent per month calculated on daily product basis, or such higher rate as may be specified by the Authority in the case of any particular company or depositor or class of companies or depositors.

(3) A deposit accepted or received by a company, whether before or after commencement of these rules, and any return due thereon shall be repaid or paid, as the case may be, on a date not later than seven days from the date becoming due or payable and if default is made in repayment of any deposit or payment of return thereon as aforesaid without approval of the Authority, the company shall forthwith discontinue acceptance of new deposits and renewal of deposits already received by it until permitted by the Authority and subject to conditions as may be imposed by it.

14. Power of Authority to decide certain questions.-- If any question arises as to whether these rules are or are not applicable to a particular company or deposit, such question shall be decided by the Authority.

15. Return of deposits to be filed with the Registrar.-- (1) Every company to which these rules apply, shall on or before the 31st day of March of every year file with the Registrar, a return in Form-II and furnish the information contained therein as on the 31st day of December of the previous year certified by the auditor of the company.

(2) A copy of the return shall also be simultaneously furnished to the Authority.

16. Penalty.-- If a company or any other person contravenes any provision of these rules for which no punishment is provided in the Ordinance, the company and every officer of the company or such other person, who is in default, shall be punishable with fine which may extend to two thousand rupees and where the contravention is a continuing one, with a further fine which may extend to one hundred rupees for every day after the first during which the contravention continues.

FORM I

[See Rule 6 (2)]

MATTERS TO BE SPECIFIED IN THE ADVERTISEMENT

- (a) Name of the company and address of the registered office;
- (b) Date of incorporation of the company;
- (c) Status of the company i.e. whether public (Listed or not) or private;
- (d) Particulars of Holding Company/Subsidiaries;
- (e) Names, addresses and occupations of the Chief Executive and Directors;
- (f) Date on which the Board of Directors approved the advertisement statement;
- (g) Business carried on by the company and its subsidiaries with the details of branches and units/projects, if any;
- (h) Purpose for which deposit invited/solicited specifying the main projects/objects to be financed with deposits;

(i) Profits of the company, before and after making provision for taxes or loss, as the case may be, for the three financial years immediately preceding the date of advertisement (or such shorter period as the company may have issued accounts);

(j) Dividend/bonus declared by the company in each of the last three financial years of the company (or such shorter period for which the company may have issued accounts);

(k) A summarized financial position of the company appearing in the two balance-sheets immediately preceding the date of the advertisement in the following form certified by the Company's auditors:--

SUMMARIZED FINANCIAL POSITION OF THE COMPANY AS
APPEARING IN THE TWO AUDITED BALANCE SHEETS
IMMEDIATELY PRECEDING FINANCIAL YEARS

Reserves and liabilities	Figures for the latest financial year for which audited accounts are available with date	Figures for the financial year preceding the year referred to in column 2 with date	Assets	Figures for the latest financial year for which audited accounts are available with date	Figures for the financial year preceding the year referred to in column 5 with date
1	2	3	4	5	6
			(i) Fixed assets		
(i) Paid up share Capital			(ii) Investments		
(ii) Free reserves			(iii) Current assets		
(iii) Other reserves/Surpluses/Profits			(iv) Miscellaneous		
(iv) Deposits			(v) Loss for the year		
(v) Secured loans/Finances			(vi) Accumulated loss/deficit balance		
(vi) Unsecured loans/Finances					
(vii) Current liabilities and provisions					

Note:--(a) Brief particulars of contingent liabilities to be added by way of a footnote.

(b) A summarized financial position may not be incorporated in the statement in lieu of advertisement of private company.

(l) The amount which the company can raise by way of deposits under these rules and the aggregate of deposits actually held on the last day of the immediately preceding financial year;

(m) Terms and conditions applicable to deposits;

(n) A statement to the effect that on the day of the advertisement, the company has no overdue deposits other than unclaimed deposits or a statement showing the amount of such overdue deposits, as the case may be;

(o) A declaration to the effect--

(i) that the company has complied with the provisions of these rules;

(ii) that the deposits accepted by the company (other than secured deposits, if any, accepted under the provisions of these rules, the aggregate amount of which may be indicated) are unsecured and ranking *pari passu* with other unsecured liabilities;

(iii) that compliance with these rules or approval of the Corporate Law Authority does not imply that repayment of deposits is guaranteed or financial soundness of any scheme or correctness of any of the statements made or opinion expressed with regard to the same is accepted by the Federal Government or the Corporate Law Authority; and

(iv) that approval of the Authority has been obtained to the invitation and acceptance of deposits and issue of the advertisement, as the case may be.

Chief Executive

Signature:

Date:

Place:

Directors

FORM II

[See Rule 15(1)]

RETURN OF DEPOSITS WITH COMPANIES OTHER THAN BANKING COMPANIES AS ON THE 31ST DECEMBER, 19

1. Name of the Company
2. Full address of:
 - (a) Registered office
 - (b) Principal office
3. Status (whether public or private)
4. Date of Incorporation
5. Financial year of the Company

6. Capital:

- (a) Authorised
 (b) Subscribed
 (c) Paid-up

7. Main Business; Manufacturing/Trading/Agriculture/Any other (To be specified).....

with description of identifiable units)

8. Type of industry (such as Cotton Textile, Sugar, Cement, Engineering)....

9. Name(s) of the company's banker(s) and their addresses.....

10.....Name of Chief Executive

*Strike off whatever is not applicable.

Note:--The duly authenticated return complete in all respects should be filed with the registrar concerned and simultaneously its copy sent to the Corporate Law Authority.

PART A

DEPOSITS, ETC. OUTSTANDING

As on 31st December, 19

Type and name of deposits.	No. of depositors	Amount (in thousands of rupees)
1	2	3

Total:

PART B

PARTICULARS OF DEPOSITS, ETC.

As on 31st December, 19

Particulars of Deposits	No. of depositors	Amount (in thousands of rupees).
1	2	3

1. Repayable after a period of 3 months or more but less than 6 months.
- (a) Below Rs. 10,000
 (b) Rs.- 10,000 to Rs.50,000
 (c) Above Rs. 50,000

- | | | |
|----|--|------|
| 2. | Repayable after a period of 6 months or more but less than one year. | -do- |
| 3. | Repayable after a period of 1 year or more but less than two years. | -do- |
| 4. | Repayable after a period of two years or more but less than 3 years. | -do- |
| 5. | Repayable after a period of three years. | -do- |

Total:

1. Amount of deposits brought forward from the previous year.
 2. Amount of deposits accepted during the year.
 3. Amount of deposits repaid during the year.
 4. Total amount of deposits repayable during the year, which remain unclaimed.
 5. Total amount of deposits repayable during the year, which though claimed have not been repaid by the company during the year and the aggregate amount of the deposits remaining so unpaid.
 6. Particulars of Deposits/ Investments of assets shown at (4) & (5) above (with details) as required under rule.
- II. Particulars of liquid assets.
- (a) Amount of deposits maturing before 31st December, next.
 - (b) Ten per cent of
 - (a) above.....
 - (c) Particulars of liquid assets:--
 - (i) Bank deposits with the name(s) of the Banks and type of deposits.
 - (ii) Deposit in National Savings Schemes and type of deposits.

Total:

Note:—If the aggregate amount of deposits not repaid exceeds Rupees five hundred thousand, reasons for non-payment of each deposit and the steps for repayment should be indicated in an Annexure.

PART C

I. RATES OF RETURN ON DEPOSITS

As on the 31st December, 19

Types of deposits.	Rate of Return	Amount of return (in thousands of rupees)
1	2	3
	1. Below 6%	
	2. 6% or more but less than 9%	
	3. 9% or more but less than 11%	
	4. 11% or more but less than 13%	
	5. 13% or more but less than 15%.	
	6. 15% or more but less than 18%.	
	7. 18% or more.	
Total 1 to 7:		

II. CHIEF EXECUTIVE'S CERTIFICATE

Certified that the figures of deposits, liquid assets, rates of return under Parts A, B and C and other information contained in the return have been verified and found to have been correctly prepared and also that the aggregate of the paid-up capital and free reserves, etc., as arrived at on the lines indicated in Explanation to rule 3 of the Rules are as follows:-

1. Paid up capital	Rs.
2. Free reserves (specify item-wise)	Rs.
3. Sub-total	Rs.

- 4. Less deductions as per Explanation to rule 3 (to be specified). Rs.
- 5. Adjusted amount of paid-up capital and free reserves (item 3 minus item 4). Rs.
- 6. Deposits. Rs.
- 7. Percentage of item 6 to item 5. Rs.

Signature of Chief Execution
Name

Dated

Place Designation.....

CERTIFICATE OF AUDITORS

Certified that the information contained in this return is correct.

Chartered Accountant

Dated

Place

COMPANIES (ISSUE OF CAPITAL) RULES, 1996

[The Gazette of Pakistan Extraordinary, Part II, Feb. 10, 1996]

S.R.O. 110(I)/96. In exercise of the powers conferred by section 506 of the Companies Ordinance, 1984 (XLVII of 1984), read with Finance Division's Notification No. S.R.O. 698(I)/86, dated the 2nd July, 1986, the Corporate Law Authority is pleased to make the following rules, the same having been previously published as required by sub-section (1) of the said section, namely:--

1. Short title, commencement and application. (1) These rules may be called the Companies (Issue of Capital) Rules, 1996.

(2) They shall come into force at once.

(3) They shall apply to--

- (i) the companies proposing to offer share capital to the public;
- (ii) listed companies proposing to increase share capital through right issue or bonus issue;
- (iii) all companies proposing to issue shares for consideration otherwise than in cash; and
- (iv) certain persons offering shares for sale to the public.

2. Interpretation. In these rules the words and expressions used shall have the same meanings as are assigned to them in the Companies Ordinance, 1984 (XLVII of 1984).

3. Policy for issue of capital. A company which owns a loan-based project or an equity-based project and proposes to raise capital through public offer for the first time shall comply with the following conditions, namely:--

(1) *Loan-based projects:*

- (i) The size of capital to be issued shall be in accordance with financial plan approved by an institution financing the project.
- (ii) The company's auditors shall certify that sponsor's subscription has been received in full and at least eighty per cent thereof has been utilized in the project.
- (iii) The stock exchange concerned shall verify that at least thirty per cent of the plant and machinery has been installed and last consignment of plant and machinery where required, has been shipped to the company.
- (iv) The sponsors shall, at all times, retain at least twenty-five per cent of the capital of the company.

(II) *Equity-based projects:*

- (i) The fixed capital expenditure shall be entirely financed by equity.
- (ii) the project shall be appraised by a financial institution or a commercial bank or an investment bank.
- (iii) The appraisal report shall be accompanied by a certificate from the company's auditors confirming that--
 - (a) the capital allocated to sponsors, foreign and local investors, if any has been fully paid; and
 - (b) the land for the project has been acquired, letters of credit have been established and shipment schedule of plant and machinery has been finalized by the suppliers.
- (iv) The issue shall be fully underwritten and the underwriters, not being the associated companies, shall include at least two financial institutions, including commercial banks and investment banks and the underwriters shall evaluate the project in their independent due diligence reports.
- (v) The sponsors shall retain at least twenty-five per cent of the capital of the company for a period of five years from the date of public subscription.

4. **Issue of shares on premium.** A company issue shares to the public on premium subject to the following conditions, namely:--

- (i) It shall have profitable operational record of at least one year;
- (ii) the premium on public offering shall not exceed the amount of premium charged on placements with foreign or local institutions and the names and addresses of such institutions shall be disclosed in the prospectus;
- (iii) the issue shall be fully underwritten and the underwriters, not being the associated companies, shall include at least two financial institutions, including commercial banks and investment banks and the underwriters shall give full justification of the amount of premium in their independent due diligence reports;
- (iv) the due diligence report of the underwriters shall form part of the material contracts;
- (v) full justification for premium shall be disclosed in the prospectus;
- (vi) the employees of the company getting preferential allocation, if any, shall be charged premium at the same rate as the public; and
- (vii) the shares allotted to any person on account of preferential allocation at par, shall not be salable for a period of two years from the date of public subscription. These persons shall be issued jumbo certificates with markings "not salable for two years". The particulars of each jumbo certificate will be furnished to the respective stock exchange. Companies

while splitting jumbo certificates into marketable lots, after the prescribed period, shall inform the respective stock exchange.

5. **Issue of right shares by a listed company.** A listed company may issue right shares subject to following conditions, namely:—

- (i) The company shall not make a right issue within one year of the first issue of capital to the public or further issue of capital through right issue;
- (ii) the company, while announcing right issue, shall clearly state the purpose of the right issue, benefits to the company, use of funds and financial projections for three years. The financial plan and projections shall be signed by all the directors who were present in the meeting in which the right issue was approved.
- (iii) the decision of the company to issue right shares shall be communicated to the Authority and the respective stock exchange on the day of the decision;
- (iv) the company may charge premium on right shares up to the free reserves per share as certified by the company's auditors and the certificate of the auditors shall be furnished to the Authority and the respective stock exchange alongwith intimation of the proposed right issue;

Provided that where a company proposes to charge premium on right issue above the free reserves per share it shall be required to fulfil the following requirements, namely:—

- (a) At least forty per cent of all the shareholders undertake to subscribe their portion of right issue; and
- (b) the remaining right issue shall be fully underwritten and the underwriters, not being associated companies, shall include at least two financial institutions including commercial banks and investment banks and the underwriters shall give full justification of the amount of premium in their independent due diligence reports;
- (v) right issue of a loss making company or a company whose market share price during the preceding six months has remained below par value shall be fully and firmly underwritten;
- (vi) book closure shall be made within forty-five days of the announcement of the right issue and the payment and renunciation date one announced for the letter of right shall not be extended except with the permission of the respective stock exchange under special circumstances; and
- (vii) if the announcement of bonus and right issue is made simultaneously, resolution of the board of directors shall specify whether the bonus shares covered by the announcement qualify for right entitlement.

Explanation. "free reserves" includes any amount which, having been set aside out of revenue or other surpluses after adjustment of all intangible or fictitious assets, is free in that it is not retained to meet any diminution in value of assets.

specific liability, contingency or commitment known to exist at the date of the balance sheet, but does not include--

- (i) reserves created as a result of re-valuation of fixed assets;
- (ii) goodwill reserve;
- (iii) depreciation reserve to the extent of ordinary depreciation including allowance for extra shifts admissible under the Income Tax Ordinance, 1979 (XXXI of 1979);
- (iv) development allowance reserve created under the provisions of the Income Tax Ordinance, 1979 (XXXI of 1979);
- (v) workers welfare fund;
- (vi) provisions for taxation to the extent of the deferred or current liability of the company; and
- (vii) capital redemption reserve.

6. Issue of bonus shares by listed companies. A listed company may issue bonus shares subject to the following conditions, namely:--

- (i) The decision of the directors to issue bonus shares shall be communicated to the Authority and the respective stock exchange on the day of the decision and the intimation letter shall be accompanied by the auditor's certificate as specified in clause (iii);
- (ii) the free reserves of the company calculated in the manner as specified in rule 5 shall be sufficient to issue the bonus shares after retaining in the reserves twenty-five per cent of the capital as it will be increased by the proposed bonus shares;
- (iii) a certificate from the auditors shall be obtained to the effect that the free reserves and surplus retained after the issue of the bonus shares will not be less than twenty-five per cent of the increased capital; and
- (iv) all contingent liabilities disclosed in the audited accounts and any such liability which may have been created subsequent to the audited accounts shall be deducted while calculating minimum residual reserves of twenty-five per cent.

7. Offer for sale of shares by privatised companies. Where a company has been privatised by the Federal Government or a Provincial Government, the new management shall not offer shares to the public for a period of three years from the date of privatisation at a price higher than the purchase price per share adjusted by right or bonus issue or any other distribution made out of the pre-acquisition reserves.

8. Issue of shares for consideration otherwise than in cash. A company may issue shares for consideration otherwise than in cash subject to the following conditions, namely:--

- (i) The value of assets shall be determined by a consulting engineer registered with Pakistan Engineering Council and borne on the panel of at least two financial institutions as a valuer;
- (ii) the value of assets taken over shall be reduced by depreciation charged on consistent basis;
- (iii) the goodwill and other intangible assets shall be excluded from the consideration; and
- (iv) certificate from a practising Chartered Accountant shall be obtained to the effect that the above mentioned conditions have been complied with.

9. Offer for sale of shares by certain persons. A person who holds more than ten per cent of the shares of a company may offer such shares for sale to the public subject to the following conditions, namely:-

- (i) The size of the capital to be offered to public through offer for sale shall not be less than one hundred million rupees or twenty-five per cent of the capital, whichever is less;
- (ii) no premium shall be charged unless the company has profitable operational record for at least one year;
- (iii) in case a premium is to be charged on the sale of shares, the offer shall be fully underwritten and the underwriters, not being the associated Companies, shall include at least two financial institutions including commercial banks and investment banks and the underwriter shall give full justification of the amount of premium in their independent due diligence reports;
- (iv) due diligence reports of the underwriters shall form part of the material contracts; and
- (v) full justification for the premium shall be disclosed in the offer for sale.

10. Relaxation of rules. Where the Authority is satisfied that it is not practicable to comply with any requirement of these rules in a particular case or class of cases, the Authority may, for reasons to be recorded, relax such requirement subject to such conditions as it may deem fit.

11. Penalty. Whoever fails or refuses to comply with, or contravenes any provision of these rules, or knowingly and wilfully authorises or permits such failure, refusal or contravention, shall, in addition to any other liability under the Ordinance, be also punishable with fine not exceeding two thousand rupees, and in case of continuing failure, refusal or contravention, to a further fine not exceeding one hundred rupees for every day after the first during which such contravention continues.

THE CORPORATE LAW AUTHORITY RULES, 1984

[*Gazette of Pakistan. Extraordinary, Part II, dated 31.12.1984*]

S.R.O. 1100(1)/84.--In exercise of the powers conferred by section 506 of the Companies Ordinance, 1984 (XLVII of 1984), the Federal Government is pleased to make the following rules, the same having been published previously as required by the said section, namely:--

1. **Short title and commencement.**--(1) These rules may be called the Corporate Law Authority Rules, 1984.

(2) They shall come into force at once.

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

(a) "application" includes an application, petition or appeal submitted to the Authority under the Ordinance or these rules;

(b) "Authority" means the Corporate Law Authority constituted under section 11 of the Ordinance;

(c) "Chairman" means the Chairman of the Authority;

(d) "member" means a member of the Authority and includes the chairman;

(e) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984); and

(f) "section" means a section of the Ordinance.

(2) All other terms and expressions used but not defined in these rules shall have the same meanings as in the Ordinance.

3. **Consideration of questions by circulation.**-- The Chairman may, by general or special order, direct that any matter which is required to be considered by the Authority in a meeting may be disposed of by circulation instead of at a meeting of the Authority.

4. **Mode of submission of application, etc.**--Unless otherwise prescribed, an application made to the Authority shall be:--

(i) duly signed, dated and verified by an affidavit by the person making it and, in the case of a company, signed and verified by its chief executive or director, secretary or liquidator;

(ii) neatly and legibly written, typed or printed, shall precisely set out the facts, grounds and claims or relief applied for in serially numbered

paragraphs and specify the relevant provisions of law under which action or relief is applied for;

- (iii) accompanied by documents referred to or relied upon and, in the case of a petition for review of, or an appeal against, any order or decision, by a certified copy of such order or decision;
- (iv) accompanied by three spare copies, duly signed, dated and verified and accompanied by the documents as aforesaid; and
- (v) accompanied by the original receipt for the fee for an application as specified in the Sixth Schedule to the Ordinance.

5. Manner of disposal of application, etc.--On receipt of an application, the Authority shall, unless it rejects or dismisses the same *in limine* or returns it for removal of any defect or shortcoming or otherwise disposes of the same, institute such enquires or proceedings in respect of any matter as may, in the opinion of the Authority, be necessary to obtain the information or evidence respecting any matter concerning the application and may provide an opportunity respecting applicant or any other person interested in the matter of being heard before arriving at a decision.

6. Appearance by authorised representative.--Any person who is entitled or required to attend before the Authority in connection with any proceeding under the Ordinance, otherwise than when required to attend personally, may be represented at such attendance by a duly authorised advocate, a member of the Institute of Chartered Accountants of Pakistan or the Institute of Cost and Management Accountants of Pakistan practising in Pakistan or a director or officer of the company or any other person authorised in writing in this behalf by the person so entitled or required to attend.

7. Authentication of orders and decisions of the Authority.--All orders and decisions of the Authority shall be authenticated by the signature of an officer of the Authority empowered in this behalf by the Authority.

8. Seal of the Authority.--There shall be an official seal of the Authority which shall be affixed on such documents and in such manner as may be specified by the Authority.

INVESTMENT COMPANIES AND INVESTMENT ADVISERS RULES, 1971

[Gazette of Pakistan, Extraordinary, 12th March, 1971]

S.R.O. 78(I)/71.--In exercise of the powers conferred by section 32 of the Securities and Exchange Ordinance, 1969 (XVII of 1969), the [Federal Government] is pleased to make the following rules to regulate the business of investment advisers and investment companies, namely:--

CHAPTER I PRELIMINARY

1. **Short title and commencement.**--(1) These rules may be called the Investment Companies and Investment Advisers Rules, 1971.

(2) They shall come into force at once.

2. **Definitions.** In the rules, unless there is anything repugnant in the subject or context,--

- (a) "Authority means the [Corporate Law Authority] of Pakistan;
- (b) "closed-end company" in relation to an investment company, means a company which does not continuously offer for sale a security which entitles the holder of such security on demand to receive his proportionate share of the net assets of the company;
- (c) "custodian" means a banking company within the meaning of the Banking Companies Ordinance, 1962 (LVII of 1962), which is appointed to be a custodian under these rules;
- (d) "Form" means a form set out in the Schedule;
- (e) "net assets", in relation to an investment company, means the excess of assets over liabilities of the company, such excess being computed in the manner specified hereunder:--
 - (i) A security listed on a stock exchange shall be valued at its last sale price on such exchange on the date as of which it is valued, or if such exchange is not open on such date, then at its last sale price on the next preceding date on which such exchange was open and if no sale is reported for such date, the security shall be

1. Subs. by P.O. 4 of 1975.

2. Subs. S.R.O. 176(I)/82, dated 20.2.1982.

valued at an amount not higher than the closing asked price nor lower than the closing bid price.

- (ii) An investment purchased and awaiting payment against delivery shall be included for valuation purposes as a security held, and the cash account of the company shall be adjusted to reflect the purchase price, including brokers' commissions and other expenses incurred in the purchase thereof but not disbursed as of the valuation date.
 - (iii) An investment sold but not delivered pending receipt of proceeds shall be valued at the net sale price.
 - (iv) The value of any dividends, bonus, shares, or rights which may have been declared on securities in the portfolio but not received by the company as of the close of business on the valuation date shall be included as assets of the company, if the security upon which such dividend, bonuses or rights were declared is included in the assets and is valued ex-dividend, ex-bonus or ex-rights as the case may be.
 - (v) Interest accrued on any interest-bearing security in the portfolio shall be included as an asset of the company if such accrued interest is not otherwise included in the valuation of the security.
 - (vi) Any other income accrued up to the date on which computation was made shall also be included in the assets.
 - (vii) All liabilities, expenses, taxes and other charges due or accrued up to the date of computation which are chargeable under these rules, other than the paid-up capital of the company, shall be deducted from the value of the assets.
 - (viii) The remuneration accrued up to the date of computation payable to the investment adviser for providing management and other services shall be included as an expense;
- (f) "net capital", in relation to an investment adviser, means an amount by which the current assets, namely cash in hand or in bank, money receivable within a period of twelve months from the date of the balance-sheet and such other assets, not being the value of securities referred to in sub-rule (2) of rule 5, as are so classified under generally accepted accounting principles, exceed the current liabilities, namely, money payable within a period of twelve months from the date of the balance-sheet and such other liabilities as are so classified under generally accepted accounting principles.
- (g) "Ordinance" means the Securities and Exchange Ordinance, 1969 (XVII of 1969).

CHAPTER II

REGULATION OF THE BUSINESS OF INVESTMENT COMPANIES

3. No investment company to commence business without registration. No company shall commence business as an investment company unless it is registered with the Authority under these rules.

4. Eligibility for registration. A company proposing to commence business as an investment company shall be eligible for registration under these rules if it fulfils or complies with the following conditions or requirements, namely:--

- (a) that such company is registered as a public limited company under the Companies Act, 1913 (VII of 1913);
- (b) that it is to function as a closed-end investment company with a capital of not less than fifty lac rupees but not more than two crore rupees;
- (c) that no director, officer or employee of such company has been convicted of fraud or breach of trust;
- (d) that no director, officer or employee of such company has been adjudicated an insolvent or has suspended payment or has compounded with his creditors;
- (e) that the promoters of such company are, in the opinion of the Authority, persons of means and integrity and have special knowledge of matters which the company may have to deal with as an investment company.

5. Registration.(1) Any company which is eligible for registration under rule 4 as an investment company may make an application in Form I to the Authority for registration under these rules.

(2) An application under sub-rule (1) shall, besides the other documents referred to in Form I, be accompanied by an undertaking by the investment adviser of the company that the investment adviser will at all times hold or beneficially own equity securities of the company of an amount which is neither more nor less than ten per cent of the paid-up value of such securities.

(3) The Authority, if it is satisfied after such enquiry and after obtaining such further information as it may consider necessary,--

- (i) that the applicant is eligible for registration; and
- (ii) that it would be in the interest of the capital market so to do,

may grant a certificate of registration to such company in Form II.

6. Investment policy and diversification. (1) The investment policy of an investment company shall be clearly and concisely stated in its Memorandum and Articles of Association and the public offer for the sale of its securities.

(2) An investment company shall not enter into any transaction in any security other than a security which is listed on a stock exchange or for the listing of which an application has been made to a stock exchange.

(3) The investment of an investment company in any other company shall not, at any time, exceed an amount equal to five per cent of the paid-up capital of the investment company or an amount sufficient to acquire ten per cent of any class of the securities of that other company.

7. Sale of securities and cost thereof. (1) Securities representing ninety per cent. of the capital of an investment company shall be offered to the public at par; but no such offer shall be made--

(a) until the investment adviser of the investment company has made an investment of the amount referred to in sub-rule (2) of rule 5; or

(b) unless the offer has been underwritten by an underwriter appointed by the investment company with the prior approval in writing of the Authority.

(2) An investment company shall not sell any securities for any consideration other than cash.

(3) All expenses incurred in connection with the incorporation of an investment company and the offer for sale of the securities of the company and the distribution of such securities, including commission payable to the underwriters, shall be borne by the investment adviser and shall be reimbursable to him by the company in equal amount paid annually over a period of not less than five years.

(4) No interest shall be payable by the company in respect of the expenses referred to in sub-rule (3).

(5) The expenses referred to in sub-rule (3) shall be reported to the Authority giving their break-up under separate heads, as soon as the distribution of the securities is completed.

8. Prohibitions. No investment company shall--

(a) merge with, acquire or takeover any other investment company, unless it has obtained the prior approval of the Authority in writing to the scheme of such merger, acquisition or takeover;

(b) hypothecate or mortgage any of the securities held or beneficially owned by it;

(c) make a loan or advance of money to any person except in connection with the normal business of the investment company;

(d) effect a short sale in any security;

(e) purchase any security in a forward contract;

(f) purchase any security on margin;

(g) participate in a joint account with others in any transaction;

- (h) apply any part of its assets to real estate, commodities or commodities contracts;
- (i) acquire any security of which another investment company is the issuer;
- (j) make an investment in a company which has the effect of vesting the management, or control over the affairs, of such company in the investment company;
- (k) employ as a broker, directly or indirectly, any director, officer or employee of the investment company or its investment adviser or any director, officer or employee thereof;
- (l) issue at any time, without the prior approval of the Authority in writing, a senior security which is either stock or represents indebtedness.

9. Transactions with directors, etc. No investment company shall, without the prior approval of the Authority in writing, purchase from, or sell to, any director, officer or employee of the investment company or of the investment adviser thereof or a person who beneficially owns ten per cent. or more of the equity securities of the company or of its investment adviser.

10. Appointment of investment adviser. (1) No investment company shall appoint any person as an investment adviser except by a contract in writing the terms of which have been previously approved by the Authority in writing.

(2) The contract shall, initially or on renewal, be valid for a period not exceeding five years and shall not be renewed or modified unless such renewal or modification has been authorised by the share-holders of the investment company in general meeting and approved by the Authority.

(3) The contract shall, among other things provide that the investment adviser shall bear all expenditure in respect of the secretariat and office space of the company and professional management, including all administrative, accounting and legal services, and that the fee payable to the auditors and the custodian, taxes on income of the company brokerage, stamp duty and any other duties or taxes connected with the sale or purchase of securities shall be payable by the investment company.

11. Remuneration payable to investment adviser. The investment adviser of an investment company shall be entitled to be paid annually, after the account of the investment company have been audited, a remuneration of--

- (a) an amount not exceeding one per cent. of the net assets of the investment company as at the end of its year of account; and
- (b) an amount not exceeding one-half of the amount by which the dividend distributed by the investment company exceeds ³[twenty] per cent.

12. Power of the Authority to give certain directions. The Authority, if it is satisfied that it is necessary or expedient so to do in the public interest or of the

3. Subs. by S.R.O. 72 (1)/95, dated 21.1.1995.

capital market in Pakistan, may, by order in writing, direct an investment company, within such time as may be specified in the order,--

- (a) to disinvest the whole or such part of its investment portfolio as may be so specified;
- (b) to refrain from investing in or disinvesting such securities as may be so specified;
- (c) to co-opt one or more person nominated by the Authority as members of the board of directors of the company with the same status, powers and rights as the other members of the board.

13. Amount distributable to share-holders. An investment company shall distribute by way of dividend to its share-holders not less than ninety per cent. of its income derived from interest, dividends received and capital gains arising from the acquisition and disposal of securities as reduced by such expenses as are chargeable to the company under these rules, including the remuneration payable to the investment adviser.

14. Publication of portfolio securities. Every investment company shall cause to be published, in the Bulletin or other such publication of the stock exchange on which its securities are listed, the names and the value of its portfolio securities as at the end of each half-year.

15. Custody of securities. (1) Every investment company shall place and maintain the securities owned or held by the company with a custodian appointed by it with the prior approval in writing of the Authority.

(2) The investment company shall settle with the custodian a scheme for the custody of securities which shall, among other matters, provide for the circumstances in which the securities may be released from custody.

(3) The custodian shall, if it feels that the nature of any release of a security from custody is contrary to the provisions of these rules, report the matter to the Authority forthwith.

16. Maintenance of books of account and other documents. (1) Every investment company shall maintain such books of accounts and other records as shall depict a true and fair picture of its state of affairs, including--

- (a) journals, cash book and other records of original entry forming the basis of entry in any ledger;
- (b) ledgers (or other comparable record) reflecting asset, liability, income and expense;
- (c) ledgers (or other comparable record) showing at any time securities which are receivable or deliverable;
- (d) record of transactions with the bank;
- (e) register of transactions in securities; and
- (f) record of the meeting of the board of directors.

(2) The books of account and other records to be maintained under sub-rule (1) shall be preserved for a period of not less than five years.

17. **Periodical reports to share-holders, etc.** (1) Every investment company shall transmit to its share-holders--

(a) an annual report, together with a copy of the balance-sheet and income and expenditure account and the auditor's report, not less than fourteen days before the date of the general meeting at which it is to be laid before the share-holders; and

(b) a six-month report, within one month of the end of each half-year.

(2) Such report, so far as may be applicable, shall be in accordance with the provisions of the Securities and Exchange Rules, 1971, and shall contain a statement showing the securities owned at the beginning of the relevant period, securities purchased or sold during such period, and the securities held at the end of such period together with the value (at cost and at market), the sale price and the capital gain or loss in each case and the percentage in relation to its own assets and the paid-up capital of the company whose securities are owned.

(3) The statement of income and expenditure of the investment company shall include a statement of income and expenditure of the investment adviser in relation to the investment company.

(4) A copy of the annual report referred to in sub-rule (1) shall, within the time specified therein, be furnished to the Authority together with a statement containing the following information in respect of the investment company as at the end of the year:--

(a) Total number of security holders.

(b) Particulars of persons holding five per cent. or more of the securities of the company at any time during the year.

(c) Names and number of securities held by directors and officers of the company.

(d) Any security of any other issuer sold and then bought during any six-month period.

(e) Particulars of the personnel (executive, research and other) of the investment company.

(f) Remuneration paid to the investment adviser.

(g) Particulars of the personnel (executive, research and others) of the investment adviser.

(h) Fee paid to the auditors.

(i) The date, names of persons attending and minutes of each meeting of the board of directors.

- (j) Particulars of transactions in which broker was the principal.
- (k) Highest brokerage paid to five brokers.

CHAPTER III

REGULATION OF THE BUSINESS OF INVESTMENT ADVISERS

18. No person to commence business without registration. No person shall commence business as an investment adviser unless such person is registered with the Authority under these rules.

19. Eligibility for registration. Any person proposing to commence business as an investment adviser shall be eligible for registration under these rules if it fulfils or complies with following conditions or requirements, namely:--

- (a) that such person is registered as a company under the Companies Act, 1913 (VII of 1913);
- (b) that no director, officer or employee of such company has been convicted of fraud or breach of trust;
- (c) that no director, officer or employee of such company has been adjudicated an insolvent or has suspended payment or has compounded with his creditors;
- (d) that the directors of such company are, to the satisfaction of the Authority, persons of means and integrity and have special knowledge of the matters which the company may have to deal with as an investment adviser.

20. Registration. (1) Any person who is eligible for registration under rule 19 as an investment adviser may make an application in Form III to the Authority for registration under these rules.

(2) An application under sub-rule (1) shall, besides the other documents referred to in Form III, be accompanied by an undertaking that the company will at all times maintain a net capital balance in the capital account of an amount which is not less than one lac rupees.

(3) The Authority, if it is satisfied after such enquiry and after obtaining such further information as it may consider necessary,--

- (i) that the applicant is eligible for registration; and
- (ii) that it would be in the interest of the capital market so to do,

may grant a certificate of registration to such person in Form IV.

21. Maintenance of books of accounts, etc. (1) Every investment adviser shall maintain such books of accounts and other records as shall depict a true and fair picture of its state of affairs, including--

- (a) journals, cash books and other records of original entry forming the basis of entry in any ledger;
- (b) ledgers (or other comparable record) reflecting asset, liability, income and expense;
- (c) ledgers (or other comparable record) showing securities in the portfolio;
- (d) record of transactions with banks;
- (e) record of the meetings of the board of directors; and
- (f) original record of all reports, analysis and memoranda containing investment advice distributed.

(2) Such books of accounts and other records shall be preserved for a period of not less than five years.

22. Submission of annual report to Authority. Every investment adviser shall submit to the Authority an Annual report, together with a balance-sheet and income and expenditure account and the auditor's report, within six months of the close of its year of account.

23. Enquiry. (1) The Authority may cause an enquiry to be made by any person appointed in this behalf into the affairs of any investment adviser registered under these rules or any of its directors, managers or other officers.

(2) Where an enquiry under sub-rule (1) has been undertaken every director, manager or other officer of the investment adviser to which or to whose director, manager or other officer the enquiry relates and every other person who has had any dealing with such investment company, investment adviser, director, partner, manager or officer shall furnish such information in his custody or power or within his knowledge relating to or having bearing on the subject-matter of the enquiry as the person conducting the enquiry may by notice in writing require.

(3) The person conducting an enquiry under sub-rule (1) may call for, inspect and seize books of account and documents in possession of any such investment adviser or person.

24. Cancellation of registration. (1) Where the Authority is of the opinion that an investment adviser has contravened any provision, or has otherwise failed to comply with any requirement, of the Ordinance or of any rule or direction made or given thereunder, the Authority may, if it considers necessary in the public interest so to do by order in writing,--

- (a) cancel the registration of the investment adviser; or
- (b) remove the investment adviser from the office of investment adviser of any investment company;

Provided that no such order shall be made except after giving the investment adviser an opportunity of being heard.

(2) An investment adviser removed from office under clause (b) of sub-rule (1) shall not be entitled to or be paid any compensation or damages for loss or termination of office.

(3) An investment adviser of an investment company who is removed from office under clause (a) of sub-rule (1) shall not be appointed to such office of that company until after the expiration of a period of five years from the date of such removal.

(4) Where the investment adviser of an investment company is removed from that office under clause (b) of sub-rule (1) no director or officer of the investment adviser shall hold the office of director of the investment company or any other office connected with the conduct or management of the affairs of the investment company, until after the expiration of a period of five years from the date of such removal.

(5) Where the investment adviser is removed from office under clause (b) of sub-rule (1), the Authority may, by order in writing, appoint a person, hereinafter referred to as the Administrator, to manage the affairs of the investment company subject to such terms and conditions as may be specified in the order.

(6) The Administrator shall receive such remuneration from the investment company as the Authority may determine.

(7) The management of the affairs of the investment company shall, on and from the date of appointment of the Administrator, vest in him.

(8) If at any time it appears to the Authority that the purpose of the order appointing the Administrator has been fulfilled, it may permit the investment company to appoint another person to the office of investment adviser; and, on the appointment of such investment adviser, the Administrator shall cease to hold office.

THE SCHEDULE

FORM I

[See rule 5(1)]

**FORM OF APPLICATION FOR REGISTRATION AS AN INVESTMENT
COMPANY**

To

The Securities and Exchange
Authority of Pakistan;
Islamabad.

Dear Sir,

We hereby apply for the registration of

(Name of the Investment Company)

under rule 5 of the Investment Companies and Investment Advisers Rules, 1971.

2. An undertaking (in original) from the investment adviser in terms of rule 5(2) of the aforesaid Rules and four copies of each of the following documents are enclosed:--

- (i) Memorandum and Articles of Association.
- (ii) Investment Advisory Contract,
- (iii) Custodial Agreement.
- (iv) Underwriting Agreement.

3. We hereby undertake to take all steps necessary to have the securities issued by us listed on a stock exchange.

4. Necessary information required in the annex to this form is furnished. We undertake to keep the information up-to-date at all times.

Yours faithfully,

.....
Signature of the Secretary or
a director of the applicant
company

Annex to Form I

1. Name, address and telephone number(s) of the company
2. Date and place of incorporation
3. Names and addresses of directors, distinguishing between promoter-directors and other directors
4. Whether any director has been convicted of fraud or breach of trust.
5. Whether any director has been adjudicated an insolvent or has suspended payment or has compounded with his creditors.
6. Names and addresses of officers and employees

7. Whether any officer or employee has been convicted for fraud or breach of trust.
8. Whether any officer or employee has been adjudicated an insolvent or has suspended payment or has compounded with his creditors.
9. Names of the directors, officers, and employees of the investment company and those of the investment adviser thereof who are members of a stock exchange.
10. Director's interest, direct or indirect, in any other investment company.
11. Previous experience of the promoters/directors in investment field.
12. The financial standing of the promoters/directors (attach proof, if any)
13. (a) Authorised capital of the company.
(b) Part of such capital proposed to be raised through public offer.
14. Name, address and telephone number of the investment adviser.
15. Name and address of the custodian.
16. Name and address of the underwriter.
17. Financial standing and resources of the underwriter.

FORM II

[See rule 5(3)]

CERTIFICATE OF REGISTRATION AS AN INVESTMENT COMPANY

Securities and Exchange Authority of Pakistan

346, Shalimar 6/3

Islamabad, the

197

The Securities and Exchange Authority of Pakistan, having considered the application for registration under rule 5 of the Investment Companies and Investment Advisers Rules, 1971, by

(Name of the investment company)

and being satisfied that the said.....

(Name of the investment company)

is eligible for registration and that it would be in the interest of the capital market so to do, hereby grants, in exercise of the powers conferred by rule 5 of the Investment Companies and Investment Advisers Rules, 1971, registration to

..... subject to the conditions stated here-

(Name of the investment company)

inbelow or as may be prescribed or imposed hereafter.

2. The draft agreement between.....

(Name of the investment company)

and is approved subject to the following

(Name of the investment adviser)

conditions:--

3. The appointment of is hereby approved subject

(Name of Custodian)

to the following conditions:--

4. The appointment of is hereby

(Name of underwriter)

approved subject to the following conditions:--

.....
Signature of the Officer.

FORM III

[See rule 20(1)]

FORM OF APPLICATION FOR REGISTRATION AS INVESTMENT ADVISER

To

The Securities and Exchange

Authority of Pakistan,

Islamabad.

Dear Sir,

We hereby apply for the grant of registration of.....

(Name of the investment company)

under rule 20 of the Investment Companies and Investment Advisers Rule, 1971.

2. Four Copies of the Memorandum and Articles of Association are enclosed.

3. We hereby undertake to maintain at all times a net capital balance in the capital account of an amount which is not less than one lac rupees.

4. Necessary information required in the annex to this form is furnished. We undertake to keep this information up-to-date at all times.

Yours faithfully

.....
*Signature of the Secretary or a
 Director of the applicant*

ANNEX TO FORM III

1. Name, address and telephone number(s) of applicant
2. Names and addresses of directors
3. Whether any director has been convicted of fraud or breach of trust.
4. Whether any director has been adjudicated an insolvent or has suspended payment or has compounded with his creditors.
5. Names and addresses of officers and employees
6. Whether any officer or employee has been convicted for fraud or breach of trust.
7. Whether any officer or employee has been adjudicated an insolvent or has suspended payment or has compounded with his creditors
8. Whether any director or officer has any interest in any investment company

- 9. What is the financial standing of the directors.
- 10. Give a brief description of the kind of investment advisory services proposed to be provided, the organizational set up, previous professional experience of directors/officers, etc.

FORM IV

[See rule 20(3)]

CERTIFICATE OF REGISTRATION AS AN INVESTMENT ADVISER

Securities and Exchange Authority of Pakistan

346, Shalimar 6/3

Islamabad, the 197

The Securities and Exchange Authority of Pakistan, having considered the application for registration under rule 20 of the Investment Company and Investment Advisers rules, 1971, by and being satisfied

(Name of adviser)

that the said is eligible for registration and that it would

(Name of adviser)

be in the interest of the capital market so to do, hereby grants, in exercise of the powers conferred by rule 20 of the Investment Companies and Investment Advisers Rules, 1971, registration to subject to

(Name of the adviser)

the conditions stated hereinbelow or as may be prescribed or imposed hereafter.

.....
Signature of the Officer.

SECURITIES AND EXCHANGE ORDINANCE, 1969

(Ordinance XVII Of 1969)

An Ordinance to provide for the protection of investors, regulation of market and dealings in securities

[Gazette of Pakistan, Extraordinary, 28th June, 1969]

WHEREAS it is expedient to provide for the protection of investors, regulation of markets and dealings in securities and for matters ancillary thereto;

AND WHEREAS the national interest of Pakistan in relation to the achievement of uniformity requires '[Federal] legislation in the matter;

NOW, THEREFORE, in pursuance of the Proclamation of the 25th day of March, 1969, read with the Provisional Constitution Order, and in exercise of all powers enabling him in that behalf, the President is pleased to make and promulgate the following Ordinance:

CHAPTER I PRELIMINARY

1. *Short title, extent and commencement.* (1) This Ordinance may be called the Securities and Exchange Ordinance, 1969.

(2) It extends to the whole of Pakistan.

(3) It shall come into force on such date as the '[Federal Government] may, by notification in the official Gazette, appoint.

2. *Definitions.* In this Ordinance, unless there is anything repugnant in the subject or context,--

(a) "associate" means any partner, employee, officer or director of a member;

- ²[(aa) "asset management company" means a company which offers investment schemes under trust deeds and issues redeemable securities.]
- ³[(aaa) Authority means the Corporate Law Authority constituted under the Companies Ordinance, 1984 (XLVII of 1984).]
- (b) "bank" means a banking company as defined in the Banking Companies Ordinance, 1962 (LVII of 1962);
- (c) "broker" means any person engaged in the business of effecting transactions in securities for the account of others;
- ⁴[(cc) "central depository" means a company formed to establish and operate a system for the central handling of securities, whether or not listed on a stock exchange, whereby such securities are deposited with and held in custody by, or registered in the name of, the company as a nominee for the depositors and dealings in respect of such securities are effected by means of entries in securities accounts without the physical delivery of scrips.]
- (d) "equity security" means any stock or transferable share (preferred or common) or similar security representing ownership; any security convertible, with or without consideration, into such a security, or carrying any warrant or right to subscribe to or purchase such a security; any such warrant or right itself; and such other security as may be prescribed;
- ⁵[(dd) "free reserves", for the purposes of an investment company include any amount which, having been set aside out of the revenue or other surpluses is free in that it is not retained to meet any diminution in value of the assets, specific liability, contingency or commitment of that company known to exist at the date of the balance sheet;]
- (e) "investment adviser" includes person who is, for compensation, engaged in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling securities, but does not include--

2. Ins. by Act, 7 of 1994, S. 2 (i).

3. Clause (aaa) inserted by Act, 1 of 1995, S. 7(1).

4. Ins. by Act, 7 of 1994, S. 2 (ii).

5. Ins. by Ord. 27 of 1980, S. 2 (a).

- (i) a bank;
 - (ii) any lawyer, accountant, engineer or teacher whose performance of such services is solely incidental to the practice of his profession;
 - (iii) any broker, jobber, member or associate whose performance of such services is solely incidental to the conduct of his business as a broker, jobber, member or associate and who receives no separate compensation therefor;
 - (iv) the publisher of any newspaper, news magazine, or other publication of general and regular circulation; or
 - (v) the Investment Corporation of Pakistan;
- “(f) "investment company" means a company engaged principally or wholly in buying and selling securities of other companies and includes a company, not being a holding company, the investment of which in the share capital of other companies at any one time is of an amount equivalent to eighty per cent of the aggregate of its own paid-up capital and free reserves, but does not include a bank or any insurance company or a corporation which is a member of Stock Exchange ;]
- (g) "issuer" means any person who has issued or proposes to issue any security;
- (h) "jobber" means any person engaged in the business of effecting transactions in securities for his own account, through a broker or otherwise, but does not include any person who trades in securities for his own account, either individually or in some fiduciary capacity, otherwise than as a part of a regular business;
- (i) "member" means a member of a Stock Exchange;
- “(ii) "officer", for the purpose of Chapters III, IV and V, in relation to an issuer, includes managing agents, manager, secretary, accountant or auditor of the issuer;]

6. Subs. by Ord. 27 of 1980, S. 2 (b).

7. Ins. by Ord. 27 of 1980, S. 2 (c).

- (j) "person" includes a Hindu undivided family, a firm, an association or body of individuals, whether incorporated or not, a company and every other artificial juridical person;
- (k) "prescribed" means prescribed by rules made under this Ordinance;
- (l) "security" includes--
- (i) any stock, transferable share, scrip, ⁸[*Modaraba* certificate], note, debenture, debenture stock, ⁹[participation term certificate], bond, investment contract, and pre-organization certificate or subscription, and, in general, any interest or instrument commonly known as a "security"; and, any certificate of deposit for, certificate of interest or participation in, temporary or interim certificate for, receipt for, or any warrant or right to subscribe to or purchase, any of the foregoing, but does not include currency or any note, draft, bill of exchange or banker's acceptance or any note which has a maturity at the time of issuance of not more than twelve months, exclusive of days of grace, or any renewal thereof whose maturity is likewise limited;
 - (ii) any Government security as defined in the Securities Act, 1920 (X of 1920); and
 - (iii) any bonus entitlement voucher issued by the State Bank of Pakistan in accordance with any scheme announced by the ¹⁰[Federal Government];
- (m) "Stock Exchange" means any person who maintains or provides a market place or facilities for bringing together buyers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a Stock Exchange, as that term is generally understood, and includes such market place and facilities.

8. Ins. by Ord., 23 of 1982, S. 2.

9. Ins. by Ord., 23 of 1982, S. 2.

10. Subs. by P.O. 4 of 1975.

¹¹[*Explanation.* In clause (1), "Modaraba Certificate" has the same meaning as in the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980).]

1. **Scope.** The development of joint stock enterprise would never have reached its present stage but for the facilities which the stock exchanges provided for dealing in securities. They have a very important function to fulfil in the country's economy. Their main function, in the words of an eminent writer, is "to liquify capital by enabling a person who has invested money in, say, a factory or a railway, to convert it into cash by disposing of his share in the enterprise to someone else". Without the stock exchange, capital would become immobilised. The proper working of a stock exchange depends upon not only the moral stature of the members but also on their calibre.¹²

There are three modes of dealing in shares and stocks, namely, (1) spot delivery contract, i.e., a contract which provides for the actual delivery of securities on the payment of a price thereof either on the day of the contract or the next day, excluding perhaps the period taken for the despatch of the securities or the remittance of money from one place to another; (2) ready delivery contract, which means a contract for the purchase or sale of securities for the performance of which no time is specified and which is to be performed immediately or within a reasonable time; (3) forward contract, i.e. contracts whereunder the parties agree for the performance at a future date. If the stock exchange is in the hands of unscrupulous members, the second and third categories of contracts to buy or sell shares may degenerate into highly speculative transactions or, what is worse, purely gambling ones. Where the parties do not intend while entering into a contract of sale or purchase of securities that only difference in prices should be paid, the transaction, even though speculative, is valid and not void, for "there is no law against speculation as there is against gambling". But, if the parties do not intend that there should be any delivery of the shares but only the difference in prices should be accounted for, the contract, being a wager, is void. More often than, not it is difficult for a Court to distinguish one from the other as a wagering transaction may be so cleverly camouflaged as to pass off as a speculative transaction. These mischievous potentialities inherent in the transactions, if left uncontrolled, would tend to subvert the main object of the institution of stock exchange and convert it into a den of gambling which would ultimately upset the industrial economy of the country.¹³

Stock Exchange is a company limited by guarantee. Stock exchange, is a company limited by guarantee. A company limited by guarantee is one whose memorandum of association contains an undertaking by each member to contribute a specified amount towards the payment of its debts and the expenses of winding it up if it is wound up while he is a member or within one year after he ceases to be a member. The rest of company's memorandum is similar to that of a company limited by shares, and in particular it states that the liability of its members is limited. Companies limited by guarantee are mostly formed for charitable, social or

11. Added by Ord., 23 of 1982, S. 2.

12. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

13. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

other non-trading purposes, and it is not uncommon for their articles to provide that certain persons shall be members of them *ex officio*. This does not make such persons members of the company for the purpose of company law, however, and so unless they have specifically requested that they should be treated as ordinary members and their names have been entered on the company's register of members, they are not liable to contribute towards payment of company's debts, nor may they exercise the rights of members, such as attending general meetings and voting.¹⁴

Membership of stock exchange--value of. Membership of a stock exchange or a seat on the stock exchange is a property, a very valuable one for that matter, capable of being transferred or disposed of on certain conditions. Membership of stock exchange is not limited to promoters, sponsors or Directors.¹⁵

CHAPTER II

REGISTRATION AND REGULATION OF STOCK EXCHANGES

3. *No Stock Exchange to operate without registration.* ¹⁶(1) No Stock Exchange shall operate or carry on its functions, and no person shall use or utilize, for the purpose of any transaction or dealing in any security, the facilities or services of a Stock Exchange, unless such Stock Exchange is registered under this Ordinance.

¹⁷(2) The Authority shall determine the number and places for the establishment of stock exchanges ;]

4. *Eligibility for registration.* (1) Any Stock Exchange which fulfils such conditions or complies with such requirements as may be prescribed to ensure fair dealings ¹⁸[protection of investors and its sustainable economic viability] shall be eligible for registration under this Ordinance.

(2) The conditions or requirements which may be prescribed for the purposes of sub-section (1) may, among other matters, relate to--

- (a) qualifications for membership and admission, exclusion, suspension, expulsion and re-admission of members thereinto or therefrom;
- (b) constitution and powers of the governing body and the powers and duties of the office-bearers;

14. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

15. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

16. Section renumbered as subsection (1) by Act. 10 of 1995. S. 7 (2).

17. Subsection added by Act 1. of 1995. S. 7 (2).

18. Subs. for "and to protect investors", by Act. 1 of 1995. S. 7 (3)(a).

- (c) representation ¹⁹[from a class or classes of persons or professions] on the governing body of a Stock Exchange or any of its Committees;
- (d) the manner in which business should be transacted including restriction on the business of the members;
- (e) Memorandum and Articles of Association, rules, regulations and bye-laws of a Stock Exchange; and
- (f) the maintenance of accounts, ²⁰[and records,] including those of members, and their audit.

1. **Scope.** The Government has not prescribed the eligibility conditions so far by declaration of its policy in the matter or by framing rules or regulations, under the Ordinance. Hence, any person desirous of embarking upon this business, profession or trade is at a loss to determine what are the requirements. The application form prescribed under the Securities and Exchange Rules for the purpose is an elaborate document directed at obtaining all the relevant information from an applicant for a registration of a Stock Exchange. In this background, the right of hearing prescribed in sub-section (3) of section 5 of the Ordinance acquires importance.¹

5. **Registration.** (1) Any Stock Exchange which is eligible for registration under Section 4 may, in such form ²[, manner and on payment of such fee] as may be prescribed, apply to the ³[Federal Government] for registration.

(2) The ³[Federal Government], if it is satisfied, after such inquiry and after obtaining such further information as it may consider necessary,--

(i) that the Stock Exchange is eligible for registration; and

(ii) that it would be in the interest of the trade and also in the public interest to register the Stock Exchange;

may grant a certificate of registration to the Stock Exchange..

(3) No application for registration shall be refused except after giving the application an opportunity of being heard.

1. **Registration of Stock Exchange.** Registration of Stock Exchange is purely an administrative function. It is neither *quasi*-judicial nor judicial; there is no *lis* between parties; there is no adversary hearing and no adjudicatory exercise

19. Subs. for "of the Federal Government", by Act, 1 of 1995, S. 7 (3)(b)(i).

20. Inserted by Act, 1 of 1995, S. 7 (3)(b)(ii).

1. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

2. Subs. for "and manner", by Act, 1 of 1995, S. 7 (4).

3. Subs. by P.O. 4 of 1975.

undertaken in determining the satisfaction of the conditions of eligibility which are to be prescribed or have to be determined and thereafter the element of public interest.⁴

Corporate law Authority—power of. The intervention of Corporate Law Authority in the matter of entertaining and also of disposing of an application under section 5 of the Ordinance was wholly without jurisdiction finding no support from the statute. Such orders, therefore, could be challenged by recourse to constitutional jurisdiction without availing of or exhausting the departmental remedies.⁵

Application for Registration—procedure. An application for registration of Stock Exchange is a matter of importance and has policy or public interest overtones. It has to be submitted to the Minister or Minister of State, it is in the schemes of Rules of Business obligatory for the Secretary to record his opinion and not to avoid it or pass on the responsibility to someone else. It is his duty to remain in the picture and to discharge his duty in accordance with the law by recording his opinion on the subject. The Secretary will normally defer to the decision of the Minister and implement it. It is only when the Secretary feels that the Minister's decision requires reconsideration that he is to resubmit the case. It is only in a resubmitted case that if the difference of opinion persists and still the Secretary feels that the matter is important enough, in the national interest, to require further consideration that the Secretary is required to request the Minister to refer the case to the Prime Minister for orders. It is not ordinarily for the Court to determine when a Secretary should submit to the decision of the Minister or when he should resubmit the case for reconsideration, or when he should take the controversy to the Prime Minister. It is his domain and exclusively his own, not for the Court's intervention.⁶

Refusal of registration, revision against. Where on a revision filed against an order refusing registration of Stock Exchange, Secretary Finance proceeded to deal with revision under R. 26(1) of the Rules as a revision against the order of the Corporate Law Authority when in fact it should have been a review against the order of the Minister of State, which he could not have competently dispose of but should have resubmitted to the Minister of State. Handling of the case by Secretary, thus, suffered with infirmity. Where order of refusal was given out to have been passed by the Corporate Law Authority and dealt with in revision by Federal Secretary Finance as that of Corporate Law Authority, Corporate Law Authority possessed no such power under the law, its action was completely without jurisdiction. Constitutional petition against such order was competent.⁷

Application for registration of second stock exchange. The fact that there existed one stock exchange, was no ground to refuse to entertain the application with regard to subsequent one.⁸

4. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

5. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

6. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

7. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

8. PLD 1990 SC 1092=PLJ 1990 SC 543=NLR 1991 SCJ 94=1990 PSC 1122.

6. *Accounts, annual reports, returns, etc.* (1) Every Stock Exchange and every director, officer and member thereof shall prepare and maintain such books of accounts and other documents in such manner as may be prescribed; and every such book of accounts or document shall be subject to inspection at all reasonable times by any person authorised by the ²[Federal Government] in this behalf.

(2) Every Stock Exchange shall submit to the ²[Federal Government], in such manner and containing such particulars as may be prescribed, an annual report and periodical returns relating to its affairs.

(3) Without prejudice to the provisions of sub-section (1) and sub-section (2), every Stock Exchange and every director, officer or member thereof shall furnish such documents, information or explanation relating to the affairs of the Stock Exchange or, as the case may be, relating to the business on the Stock Exchange of such director, officer or member as the ²[Federal Government] may, at any time, by order in writing require.

7. *Cancellation of registration, etc.* (1) Where the ²[Federal Government] is of opinion that a Stock Exchange or any member, director or officer of a Stock Exchange has contravened any provision, or has otherwise neglected or failed to comply with any requirement, of this Ordinance, or of any rule, regulation or direction made or given thereunder, the ²[Federal Government] may, if it considers it necessary for the protection of investors or to ensure fair dealings or fair administration of the Stock Exchange so to do, by order in writing,--

- (a) suspend for such period as may be specified in the order the transaction of any business on the Stock Exchange;
- (b) cancel the registration of the Stock Exchange;
- (c) supersede the governing body or other authority of the Stock Exchange;
- (d) remove the director, officer or member from his office in, or membership of, the Stock Exchange;

Provided that no such order shall be made except after giving the governing body or other authority or, as the case may be, the director, officer or member, an opportunity of being heard.

² Subs. by P.O. 4 of 1975.

(2) An order made under clause (c) or clause (d) of sub-section (1) may also direct that the functions of the governing body or other authority which has been superseded or of the director or officer who has been removed shall be performed by such authority or person as may be specified therein.

(3) An order under sub-section (1) shall have effect notwithstanding anything contained in any other law for the time being in force or in any Memorandum or Articles of Association:

Provided that no order made under clause (a) or clause (b) of sub-section (1) shall affect the validity of any contract lawfully entered into before the date of such order.

8. *Restriction on dealings in securities.* (1) No person shall transact any business in securities on any Stock Exchange unless he is a member thereof.

(2) No business shall be transacted on a Stock Exchange in a security, other than a Government security or a bonus entitlement voucher, which is not listed on such Stock Exchange.

(3) No person shall act as a dealer in a security listed on a Stock Exchange outside such Stock Exchange:

10* * * * *

(4) No person other than a member shall act as a broker or a jobber for any security not listed on a Stock Exchange:

Provided that the prohibition in this sub-section shall not apply to discounting of any security evidencing a loan.

9. *Listing of securities.* (1) An issuer who intends to get any of his securities listed on a Stock Exchange shall submit an application therefor, in the prescribed form to the Stock Exchange and submit a copy of the application to the ¹¹[Federal Government].

(2) Upon receipt of an application under sub-section (1), the Stock Exchange may, if it is satisfied after making such inquiry as it may consider necessary that the applicant fulfils the conditions prescribed in this behalf, list the security for dealings on the Stock Exchange.

10. Proviso to S. 8 omitted by Act. 9 of 1996, S. 5.

11. Subs. by P.O. 4 of 1975.

(3) Where a Stock Exchange refuses to list a security, the ¹¹[Federal Government] may, either on petition by the applicant made within the prescribed time or on its own motion, direct the Stock Exchange to list the security.

(4) Where after the listing of a security, the ¹¹[Federal Government] or Stock exchange finds that the application is deficient in any material respect or that the issuer has failed to comply with any prescribed condition or requirement and that the continued listing of the security would not be in the public interest, the ¹¹[Federal Government] or, as the case may be, the Stock Exchange may, by order, either require the issuer to correct the deficiency or comply with the prescribed condition or requirement within the time specified in the order or revoke the listing.

(5) A listed security may be delisted on application by the issuer to the Stock Exchange which may deny the application or grant it on such conditions as appear necessary or appropriate for the protection of investors.

(6) Where a Stock Exchange refuses to delist a security, the ¹¹[Federal Government] may, on petition by the applicant made within the prescribed time, direct the Stock Exchange to delist the security.

(7) The ¹¹[Federal Government] or Stock Exchange may, if it considers it to be in the interest of trade or in the public interest so to do, suspend, by order recording the reasons, trading in any listed security.

(8) An order under sub-section (7) shall remain in force for a period of ¹²[sixty] days which the ¹³[Federal Government] or, as the case may be, the Stock Exchange may extend for further periods not exceeding ¹²[sixty] days at any time.

(9) No application submitted under sub-section (1) shall be refused, and no listing shall be revoked under sub-section (4), unless the issuer has been given an opportunity of being heard.

10. *Compulsory listing of securities.* Where the ¹⁴[Federal Government], having regard to the nature of, and the dealings in, any security, is of the opinion that it is necessary or expedient in the public interest so to do, it may, after consulting a Stock Exchange

12. Subs. by Ord., 47 of 1984, Sch. 8.

13. Subs. by P.O. 4 of 1975.

14. Subs. by P.O. 4 of 1975.

and giving the issuer of such security an opportunity of being heard, direct the Stock Exchange to list the security.

CHAPTER III

REGULATION OF ISSUERS

15* * * * *

CHAPTER III-A¹⁶

INSIDER TRADING

15A. *Prohibition on stock exchange deals by insiders.* No person who is, or has been, at any time during the preceding six months, associated with a company shall, directly or indirectly, deal on a stock exchange in any listed securities of that or any other company or cause any other person to deal in securities of such company, if he has information which--

- (a) is not generally available;
- (b) would, if it were so available, be likely to materially effect the price of those securities; or
- (c) relates to any transaction (actual or contemplated) involving such company.

Explanation. For the purpose of this section, the expression "associated with" shall mean a person associated with a company, if he--

- (i) is an officer or employee of that company or an associated company; or
- (ii) occupies a position which gives him access thereto by reason of any professional or business relationship between him or his employer or a company or associated company of which he is a director.

15B. *Liability for contravention of Section 15A.* (1) Where a person contravenes the provisions of Section 15A, the Authority may, by a notice in writing, ask such person to show cause for

15. Sections 11 to 15 omitted by Ord., 47 of 1984, Sch. 7.

16. Chapter III-A ins. by Act, 1 of 1995 S. 7 (5).

compensating any person who has suffered loss for such contravention and initiating prosecution against him.

(2) Where a person to whom a notice has been issued under sub-section (1) satisfy the Authority that--

- (a) any dealing on stock exchange or communication of any information was not made with the intent of making any profit or causing a loss to any person or company; or
- (b) the dealing on stock exchange or any information was communicated in good faith in discharge of his legal responsibilities, .

the Authority may withdraw such notice.

(3) Where the Authority is not satisfied with the explanation of the person given in response to the show cause notice served upon him under sub-section (1), it may direct him to pay any other person who has suffered loss for any contravention of Section 15A, compensation which shall not be less than the amount of loss sustained by any other person as a result of such dealing or communication of information;

Provided that where the person who has suffered any loss for any contravention of Section 15A is not determined, the amount of compensation equivalent to the gain accrued or the loss avoided by such contravention, shall be payable to the Federal Government.

(4) In addition to compensation payable under sub-section (3), a person contravening the provisions of Section 15A shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to the three times the amount of gain accrued or loss avoided by such contravention, or with both.

(5) Any compensation payable under this section shall be recoverable as arrear of land revenue.

CHAPTER IV

PROHIBITION AND RESTRICTIONS

16. *Credit, [pledging] and lending of customers' securities.* No member or associate shall, in contravention of any rules made under this Ordinance, directly or indirectly,---

17. Subs. for "hypothecation", by Ord., 27 of 1980, S. 4.

- (a) extend or maintain credit, or arrange for the extension or maintenance of credit, to or for any person for the purpose of purchasing or carrying any security; or
- (b) borrow on any security or lend or arrange for the lending of any security carried for the account of a customer; or
- ¹⁸[(c) pledge or arrange for the pledging of any security carried for the account of any customer].

17. *Prohibition of fraudulent acts, etc.* No person shall, for the purpose of inducing, dissuading, effecting, preventing or in any manner influencing or turning to his advantage, the sale or purchase of any security, directly or indirectly,--

- (a) employ any device, scheme or artifice, or engage in any act, practice or course of business, which operates or is intended or calculated to operate as a fraud or deceit upon any person; or
- (b) make any suggestion or statement as a fact of that which he does not believe to be true; or
- (c) omit to state or actively conceal ¹⁸[a material fact] having knowledge or belief of such fact; or
- (d) induce any person by deceiving him to do or omit to do anything which he would not do or omit if he were not so deceived; or
- (e) do any act or practice or engage in a course of business, or omit to do any act which operates or would operate as a fraud, deceit or manipulation upon any person, in particular--
 - (i) make any fictitious quotation;
 - (ii) create a false and misleading appearance of active trading in any security;
 - (iii) effect any transaction in such security which involves no change in its beneficial ownership;
 - (iv) enter into an order or orders for the purchase and sale of security which will ultimately cancel out each other and will not result in any change in the beneficial ownership of such security; -

18. Clause (c) subs. by Ord., 27 of 1980, S. 5.

- (v) directly or indirectly effect a series of transactions in any security creating the appearance of active trading therein or of price for the purpose of inducing its purchase by others or depressing its price for the purpose of inducing its sale by others;
- (vi) being a director or an officer of the issuer of a listed equity security or a beneficial owner of not less than ten per cent of such security who is in possession of material facts omit to disclose any such facts while buying or selling such security.

18. *Prohibition of false statements, etc.* No person shall, in any document, paper, accounts, information or explanation which he is, by or under this Ordinance, required to furnish, or in any application made under this Ordinance, make any statement or give any information which he knows or has reasonable cause to believe to be false or incorrect in any material particular.

¹⁹[18A. *Prohibition of making fictitious and multiple applications for new issues.* (1) No person or any other person on his behalf shall make a fictitious application or submit more than one application for shares of companies offered to the public.

(2) In case of contravention of the provisions of sub-section (1), the application money shall be liable to confiscation:

Provided that no action under this sub-section shall be taken without giving the applicant an opportunity of being heard.]

19. *Maintenance of secrecy.* No person shall, except with the permission of the ²⁰[Federal Government], communicate or otherwise disclose to any person not legally entitled thereto any information which has been entrusted to him or which he has obtained or to which he has access in the course of the performance of any functions under this Ordinance.

20. *Prohibitory orders.* (1) Where the ²⁰[Federal Government] is of opinion that any person is engaged or is about to be engaged in any act or practice which constitutes or is calculated to constitute a contravention of the provisions of this Ordinance or of any rules made thereunder, or that any person has neglected, or is not likely, to do an act the omission or failure to do which constitutes such

¹⁹. Ins. by Act. 1 of 1995 S. 7 (5).

²⁰. Subs. by P.O. 4 of 1975.

contravention, it may, by order in writing, direct such person to abstain from doing the act or committing the practice which constitutes or is calculated to constitute such contravention, or to do the act, the omission or failure to do which constitutes such contravention.

(2) Every person to whom a direction under sub-section (1) is given shall comply therewith in such manner, if any, and within such time as may be specified therein.

CHAPTER V

ENQUIRIES, PENALTIES, ORDERS AND APPEALS

21. *Enquiry.* [(1) The Federal Government may, on its own motion or on representation of not less than one-fifth in number of the members of the Stock Exchange or, in the case of the business or any transaction mentioned in clause (b), on the representation of the Stock Exchange or any person interested in or affected by such business or transaction, at any time by order in writing, cause an enquiry to be made by any person appointed in this behalf into--

- (a) the affairs of, or dealings in, any Stock Exchange; or
- (b) the dealings, business or any transaction in securities by any broker, member, director or officer of a Stock Exchange.

(2) Where any enquiry under sub-section (1) has been undertaken every past or present member, director, manager or other officer of the Stock Exchange to which the enquiry relates, and every other person who has had any dealing in the course of his business with such Stock Exchange or with director, manager or officer thereof, shall furnish such information and documents in his custody or power or within his knowledge relating to or having a bearing on the subject-matter of the enquiry as the person conducting the enquiry may require.]

(3) The person conducting any enquiry under sub-section (1) may, for the purpose of such enquiry, enter into any premises belonging to or in the occupation of the Stock Exchange or the issuer or of the person to whom the enquiry relates, and call for and inspect and seize books of accounts or documents in the possession of any such Stock Exchange, issuer or person.

1. Subsections (1) & (2) subs. by Ord., 47 of 1984, Sch. 8.

(4) The person holding an enquiry under sub-section (1) shall, for the purpose of such enquiry have the same powers as are vested in a Court under the Code of Civil Procedure, 1908 (Act V of 1908), when trying a suit, in respect of the following matters, namely:--

- (a) enforcing the attendance of a person and examining him on oath or affirmation;
- (b) compelling the production of documents;
- (c) issuing commissions for the examination of witnesses;

and any proceedings before such person shall be deemed to be "judicial proceedings" within the meaning of sections 193 and 228 of the Pakistan Penal Code (Act XLV of 1860).

1. **Scope.** Where Enquiry Officer as a result of an enquiry pointed out glaring facts about mismanagement, particularly in financial affairs of the Company. Even before enquiry was started material on record suggested that accrual of loss to company was intriguing and needed to be thoroughly investigated. Sufficient material for the start of proceedings against company thus existed and there was no illegality in the same.²

Allegations in show-cause notice not proved. Where specific contraventions were pointed out in show-cause notice but they were not provided before Corporate Law Authority, proceedings for show-cause notice were dropped.³

22. *Penalty for certain refusal or failure.* (1) If any person--

- (a) refuses or fails to furnish any document, paper or information which he is required to furnish by or under this Ordinance; or
- (b) refuses or fails to comply with any order or direction of the '[Federal Government]' made or issued under this Ordinance; or
- (c) contravenes or otherwise fails to comply with the provisions of this Ordinance;

the '[Federal Government]' may, if it is satisfied after giving the person an opportunity of being heard that the refusal, failure or contravention was wilful, by order direct that such person shall pay to the '[Federal Government]' by way of penalty such sum not exceeding '[Thirty]' thousand rupees as may be specified in the order and in the

2. 1991 CLC 494.

3. 1991 CLC 494.

4. Subs. by P.O. 4 of 1975.

5. Subs. for "ten", by Ord., 27 of 1980, S. 7.

case of a continuing default, a further sum calculated at the rate of one thousand rupees for every day after the issue of such order during which the refusal, failure or contravention continues.

(2) Any sum directed to be paid under sub-section (1) shall be recoverable as an arrear of land revenue.

(3) No prosecution for an offence against this Ordinance shall be instituted in respect of the same facts on which a penalty has been imposed under this section.

23. *Civil liabilities.* (1) Every contract made in contravention of any provision of this Ordinance or any rule made thereunder shall be voidable as regards the rights of any party to the contract contravening such provision or any person not being a party to the contract who acquires any right under the contract with actual knowledge of the fact by reason of which its making or performance was in such contravention and any person affected by such contract not being himself a party to the contravention may sue to rescind any such contract to the extent it has been consummated, or for damages when rescission is not possible.

(2) Any person who makes or causes to be made, in any application, report, or document filed with the [Federal Government] or a Stock Exchange pursuant to this Ordinance or any rule made thereunder any statement which was false or misleading with respect to any material fact, at the time and in the light of the circumstances under which it was made, shall be liable to any person who has purchased or sold a security in reliance on such statement for damages caused by such reliance, without regard to the presence or absence of any contractual relationship between the two, unless the person who made or caused to be made the application report or document proves that he acted in good faith and had no knowledge or reasonable ground to believe that the statement was false or misleading.

(3) Any person who participates in any act or transaction in contravention of section 17 shall be liable to any person who has purchased or sold a security in reliance on such act or transaction for damages caused by such reliance, without regard to the presence or absence of any contractual relationship between the two, unless the person so contravening proves that he acted in good faith and had no

knowledge or reasonable ground to believe that there was any fraud, untruth or omission.

(4) Every person who directly or indirectly exercises the control over the affairs of any person liable under this section shall also be liable to the same extent as the person whose affairs are so controlled, unless he proves that he acted in good faith and did not directly or indirectly induce the act or acts giving rise to the cause of action.

(5) Liability under this section shall be joint and several, and every person who becomes liable may recover contribution as in cases of contract from any person who, if joined in the original suit, would have been liable to make the same payment, unless the plaintiff was, and the defendant was not, guilty of fraudulent misrepresentation.

(6) No suit for the enforcement of any right or remedy provided for in this section shall lie after the expiry of three years from the date of the accrual of the cause of action.

(7) The rights and remedies provided by this Ordinance shall be in addition to any other rights and remedies available under any other law for the time being in force.

24. *Penalty.* (1) Whoever contravenes the provisions of section 17 shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to [thirty] thousand rupees, or with both.

(2) Where the person guilty of an offence referred to in subsection (1) is a company or other body corporate, every director, manager or other officer responsible for the conduct of its affairs shall, unless he proves that the offence was committed without his knowledge or that he exercised all diligence to prevent its commission, be deemed to be guilty of the offence.

25. *Cognizance of offence.* No Court shall take cognizance of any offence punishable under this Ordinance except on a report in writing of the facts constituting the offence by an officer authorised in this behalf by the [Federal Government] and no Court inferior to that of a Court of session shall try any such offence.

7. Subs. for "ten", by Ord., 27 of 1980, S. 8.

8. Subs. by P.O. 4 of 1975.

26. *Revision and review.* (1) Any order passed or made under this Ordinance by an officer or authority subordinate to ⁷[Federal Government] or exercising powers of the ⁸[Federal Government] in pursuance of direction under section 28 shall be subject to revision by the ⁹[Federal Government] upon application being made by any aggrieved person within ninety days from the date of such order; and the ⁹[Federal Government's] order in revision shall be final.

(2) The ⁸[Federal Government] may, upon an application being made to it within a period of six months from the date of any order passed by it otherwise than in revision under sub-section (1) or on its own motion, review such order; and the ⁹[Federal Government's] order in review shall be final.

1. *Scope.* The Chairman, Corporate Law Authority has also been delegated, under section 28 of the Ordinance, all powers and functions of the Federal Government under sections 26, 27 and 29 of the Ordinance. The Chairman, as a delegate could, therefore, exercise the powers of the Government where an Order was passed by an authority subordinate to the Government. But in order to make the exercise of remedies of revision and review meaningful and purposive, it was necessary that applicant was communicated, in proper form and promptly, the result of his application containing the reasons for refusal.¹⁰

CHAPTER VI MISCELLANEOUS

27. *Advisory Committee.* The ¹¹[Federal Government] may, for the purpose of obtaining advice/assistance in carrying out the purposes of this Ordinance, constitute an Advisory Committee consisting of such persons representing interests affected by this Ordinance or having special knowledge of the subject-matter thereof as it may think fit.

1. *Scope.* The Chairman, Corporate Law Authority has power to constitute an advisory committee.¹²

28. *Delegation of power.* ¹³[(1)] The ¹⁴[Federal Government] may, by notification in the official Gazette, direct that all or any of its powers and functions under this Ordinance may, subject to such limitations, restrictions or conditions, if any, as it may from time to

9. Subs. by P.O. 4 of 1975.

10. PLD 1990 SC 1092=PLJ 1990 SC 543= NLR 1991 SCJ 94=1990 PSC 1122.

11. Subs. by P.O. 4 of 1975.

12. PLD 1990 SC 1092=PLJ 1990 SC 543= NLR 1991 SCJ 94=1990 PSC 1122.

13. Section 28 re-numbered as subsection (1) by Ord., 47 of 1984, Sch. 8.

14. Subs. by P.O. 4 of 1975.

time impose, be exercised or performed also by any officer or authority subordinate to it or specially appointed for the purpose.

¹⁵[(2) Where the Federal Government has, under sub-section (1), directed that any of its powers and functions shall be exercised or performed also by any specified authority, such authority may, by notification in the official Gazette, direct that any of the said powers and functions may, subject to such limitations, restrictions or conditions if any, as it may from time to time impose, be exercised or performed by any officer of the authority specified by it.]

1. *Scope.* In order delegating powers under Notification No. SRO 1024(1)/81, dated 10.9.1981. Use of the word "also" made both Federal Government and Member Corporate Law Authority concurrently empowered to exercise the power. Delegation did not have the effect of making the delegate the sole repository of power nor could the delegate be said to have surrendered his own power by reserving the decision in a particular case for the delegator. Delegator did not by such delegation denude himself of such power nor the failure to exercise the power in a particular case by a delegate amounted to abdication or surrender, such as to vitiate the exercise of the power. Exercise of power by both the delegator and the delegatee was not possible and exercise of it by either exhausted the power.¹⁶

29. *Exemption.* The ¹⁴[Federal Government] may, by notification in the official Gazette, exempt any person or class of persons or any security or class of securities or any transaction or class of transactions from the operation of all or any of the provisions of this Ordinance.

1. *Scope.* Chairman Corporate Law Authority has power to grant by notification in the official Gazette exemption to person or class of persons or any security or class of securities or any transaction or class of transactions from the operation of all or any of the provisions of the Ordinance.¹⁷

Exemptions under the section. The Federal Government has exempted the National Investment (Unit) Trust from the operation of the provisions of sections 12 and 14 of the said Ordinance in so far as they relate to securities other than the securities of an issuer of which an officer, representative or nominee of the National Investment Trust Limited is a director.¹⁸ It has also exempted the Investment Corporation of Pakistan from the operation of the provisions of section 11 of the said Ordinance in so far as the said provisions require an issuer to transmit the profit and loss account and balance sheet referred to in Rule 13 of Securities and Exchange Rules, 1971.¹⁹

15. Added by Ord., 47 of 1984, Sch. 8.

16. PLD 1990 SC 1092=PLJ 1990 SC 543= NLR 1991 SCJ 94=1990 PSC 1122.

17. PLD 1990 SC 1092=PLJ 1990 SC 543= NLR 1991 SCJ 94=1990 PSC 1122.

18. S.R.O. 137(1)/72 dated 6.3.1972.

19. S.R.O. 94(1)/80 dated 21.1.1980.

30. *Indemnity.* No suit, prosecution or other legal proceedings shall lie against the ²⁰[Federal Government] or an officer or authority subordinate to it or specially appointed for the purpose of this Ordinance for anything which is in good faith done or intended to be done under this Ordinance or any rules or orders made thereunder.

31. *Securities acquired in good faith.* (1) A person who, without fraud and for a lawful consideration, becomes the possessor of a certificate of an equity, security, scrip, debenture, debenture stock or bond and who is without notice that the title of the person from whom he derived his own title was defective shall hold such certificate all rights attached thereto free from any defect of title of prior parties and free from defences available to prior parties among themselves.

(2) A Stock Exchange may regulate the documentation, procedures and guarantees required to transfer property in securities and the effects thereof on the respective rights and liabilities of the parties and such regulations, if approved by the ¹[Federal Government], shall constitute binding and enforceable terms and conditions of contracts effected on the exchange, shall govern the rights and liabilities of the parties thereto, and shall govern the rights and liabilities with respect to transfers of shares on its books of the issuer of listed securities notwithstanding any provisions to the contrary contained in the Contract Act, 1872 (IX of 1872), the Negotiable Instruments Act, 1881 (XXVI of 1881), the Transfer of Property Act, 1882 (IV of 1882) or the Companies Act, 1913, or any other law for the time being in force.

³[32. *Regulation of business of asset management companies, investment advisers and investment companies.* The business of asset management companies, investment advisers and investment companies shall be regulated in such manner as may be prescribed.]

³[32A. *Regulation of central depository companies.* (1) No company shall function as a central depository company unless it is incorporated under the Companies Ordinance, 1984 (XLVII of 1984), and is registered with the Authority in the manner and on payment of such fee as may be prescribed.

20. Subs. by P.O. 4 of 1975.

1. Subs. by P.O. 4 of 1975.

2. Subs. by Act. 7 of 1994, S. 3.

3. Sections 32A and 32B inserted by Act. 7 of 1994, S. 4.

(2) A certificate of registration granted under this section shall be valid for one year and shall be renewable on payment of such fee as may be prescribed.

(3) No application for registration shall be refused except after giving the applicant an opportunity of being heard.

(4) Where the Authority is of the opinion that a central depository company has contravened any provision, or has otherwise neglected or failed to comply with any requirement of this Ordinance or the rules, the Authority may suspend the registration for a specific period or cancel the registration of such company:

Provided that the registration shall not be suspended or cancelled except after giving the central depository company a notice to show cause.

32B. *Registration of credit rating companies.* (1) No company shall function as a credit rating company unless it is incorporated under the Companies Ordinance, 1984 (XLVII of 1984), and is registered with the Authority in the manner and on payment of such fee as may be prescribed.

(2) A certificate of registration granted under this section shall be valid for one year and shall be renewable on payment of such fee as may be prescribed.

(3) No application for registration shall be refused except after giving the applicant an opportunity of being heard.

(4) Where the Authority is of the opinion that a credit rating company has contravened any provision, or has otherwise neglected or failed to comply with any requirement of this Ordinance or the rules, the Authority may suspend the registration for a specified period or cancel the registration of such company:

Provided that the registration shall not be suspended or cancelled except after giving the credit rating company a notice to show cause.]

33. *Power to make rules.* (1) The [Federal Government] may, by notification in the official Gazette, make rules for carrying out the purposes of this Ordinance.

(2) In particular and without prejudice to the generality of the foregoing power, such rules may provide for--

4. Subs. by P.O. 4 of 1975.

- (a) any of the matters which are to be or may be prescribed for the purposes of clause (d) of section 2 and sections 4, 5, 6, 9, 11, 12, 15, 16 and 32; and
- (b) any of the matters with respect to which a Stock Exchange may make regulations.

34. *Power to make regulations.* (1) A Stock Exchange may, subject to the previous approval of the [Federal Government], make regulations not inconsistent with the rules to carry out the purposes of this Ordinance.

(2) In particular and without prejudice to the generality of the foregoing power, such regulations may provide for all or any of the following matters, namely:--

- (i) constitution, powers and functions of the governing body of the Stock Exchange;
- (ii) qualifications for membership of the Stock Exchange; admission, suspension and expulsion of members; disciplinary matters, including punishment of the members;
- (iii) classification of members into categories with regard to--
 - (a) whether they are or are not active in dealings on the Stock Exchange,
 - (b) whether they have or have not a place of business in the city where the Stock Exchange is located, and
 - (c) whether a substantial part of their business is in listed or unlisted securities;
- (iv) a member's financial responsibility whether by way of minimum capital or a ratio between net capital or aggregate indebtedness, or both;
- (v) regulation of dealing by members for their own account; method of soliciting business by members; manner of maintaining books of accounts and financial reports by members;
- (vi) methods of selection of officers and committees to ensure a fair representation of the membership;
- (vii) qualifications and functions of the director, officers and other functionaries of the Stock Exchange; disciplinary

matters, including punishment of the directors, officers and functionaries;

- (viii) listing and delisting of securities;
- (ix) the procedure for registration of an issuer and particulars to be furnished for the purpose;
- (x) regulation of days and hours of trading in securities, suspension of trading;
- (xi) types of contracts and settlements in the Stock Exchange and regulation of contracts generally, including the consequences of default or insolvency; confirmation of contracts;
- (xii) regulation of forward trading, *badlas* and carry-over facilities in relation to transactions and securities;
- (xiii) manner of making and publishing quotations, fixing of trade units and differentials and publications of transaction both individually and by volume;
- (xiv) setting up of a clearing house in relation to transaction in securities;
- (xv) regulation of fictitious and numbered accounts; blank transfers short sales, options, odd lots and margins, in relation to transactions and securities;
- (xvi) lending and ⁵[pledging] of customers' securities;
- (xvii) regulation of brokerage and other charges, including fixation of minimum commission;
- (xviii) separation of the function of broker and jobber;
- (xix) procedure for the settlement of claims or disputes, including arbitration; and
- (xx) any other matter for which a regulation is required to be or may be made.

(3) All regulations made under this section shall be published in the official Gazette and shall take effect upon such publication.

(4) Where the ⁶[Federal Government] considers it expedient so to do, it may, by order in writing, direct a Stock Exchange to make any

5. Subs. for "hypothecation", by Ord., 27 of 1980, S. 9.

6. Subs. by P.O. 4 of 1975.

regulation, or to amend or rescind any regulation already made, within such period as it may specify in this behalf.

(5) If a Stock Exchange fails or neglects to comply with any direction under sub-section (4) within the specified period, the [Federal Government] may make or amend, with or without modifications, or rescind, any regulation directed to be made, amended or rescinded, and a regulation so made, amended or rescinded by the [Federal Government] shall be deemed to have been made, amended or rescinded by the Stock Exchange in accordance with the provisions of this section and shall have effect accordingly.

1. **Temporary injunction.** Injunction may not be granted where general allegations by plaintiff were not sufficient to establish prima facie case. Plaintiff's case was not one of irreparable loss, for same was assessable in terms of money and plaintiff had specific remedy to have recourse under provisions of Securities and Exchange Ordinance, 1969 before Corporate Law Authority. Thus where injunction was not granted where plaintiff had challenged notice for recovery of specified amount served by defendant upon plaintiff by filing suit for declaration wherein he also claimed interim injunction restraining defendant from declaring him defaulter or taking any action of expelling or suspending him or taking any other action against him for recovery of outstanding amount against him or attempting to recover the same. It was held that defendant had placed on record documents in respect of its claim against plaintiff which were not only relevant but fully made out case of default against plaintiff. Such entries contained in books of account, regularly kept in course of business were relevant and presumption of truth was attached to the same. Plaintiff had not produced any evidence/document to contradict such entries. As squaring process was in progress when plaintiff instituted suit only after the completion of the process parties could proceed, beyond the scope of squaring up in accordance with rules and bye-laws, therefore, interference at such juncture amounted to interference in internal working of defendant. Plaintiff, if aggrieved would have alternate remedies under Securities and Exchange Ordinance, 1979 and Corporate Law Authority Rules, 1984. Plaintiff, thus, had no prima facie case for grant of temporary injunction.⁷

Appeal against injunction order. Where in an appeal against non-grant of interim injunction, Appellate Court failed to appreciate that earlier appeal of defendant against interim stay order was partially accepted by its predecessor Court. Such order having attained finality, Appellate Court had no jurisdiction to sit in appeal against the order of its predecessor Court of equivalent jurisdiction. Impugned order of Appellate Court was set aside.⁸

35. **Savings.** (1) A Stock Exchange which, immediately before the commencement of this Ordinance, was functioning shall be deemed to have been registered under this Ordinance.

7. PLD 1996 Lah. 602 = 1996 Law Notes (Lah) 937.

8. PLD 1996 Lah. 602 = 1996 Law Notes (Lah) 937.

(2) Any security which immediately before the commencement of this Ordinance, stood listed on any Stock Exchange shall be deemed to have been listed under this Ordinance.

(3) Any rule, regulation, bye-law or order made or issued by a Stock Exchange which, immediately before the commencement of this Ordinance, was in force, shall, in so far as it is not inconsistent with the provisions of this Ordinance, continue in force as if made or issued under this Ordinance.

SECURITIES AND EXCHANGE RULES, 1971

[Gazette of Pakistan, Extraordinary, 19th March, 1971]

S.R.O. 92(1)/71. In exercise of the powers conferred by Section 33 of the Securities and Exchange Ordinance, 1969 (XVII of 1969), read with the Ministry of Finance Notification No. S.R.O. 261(1)/70, dated the 26th October 1970, the Securities and Exchange Authority of Pakistan is pleased to make the following rules, namely:--

1. **Short title and commencement.** (1) These rules may be called the Securities and Exchange Rules, 1971.

(2) They shall come into force at once.

2. **Definitions.** In these rules unless the context otherwise requires,--

(a) "Authority" means the [Corporate Law Authority] of Pakistan;

(b) "Chartered accountant" means a person who is a chartered accountant within the meaning of the Chartered Accountants Ordinance, 1961 (X of 1961);

(c) "form" means a form set out in the First Schedule;

(d) "net capital" in relation to a member of a stock exchange, means an amount by which the current assets, namely, cash in hand or in bank, money receivable within a period of twelve months from the date of the balance-sheet and such other assets, not being the value of the membership card of the stock exchange, as are so classified under generally accepted accounting principles, exceed the current liabilities, namely, money payable within a period of twelve months from the date of the Balance Sheet and such other liabilities as are so classified under generally accepted accounting principles;

(e) "officer" in relation to an issuer includes managing agents, manager, secretary or accountant of the issuer and any other person who by virtue of his office may be in possession of any material information with regard to the affairs of the issuer;

(f) "Ordinance" means the Securities and Exchange Ordinance, 1969 (XVII of 1969);

(g) "section" means section of the Ordinance.

3. **Qualifications for stock exchange membership, etc.** The regulations of a stock exchange relating to qualifications for membership of, and admission into, the stock exchange shall, among other matters, provide that--

(a) No person shall be eligible to be a member of a stock exchange if--

(i) he is less than twenty-one years of age;

- (ii) he is not a citizen of Pakistan;
- (iii) he is a lunatic or a person of unsound mind;
- (iv) he has been convicted of an offence involving fraud or breach of trust;
- (v) he has been adjudicated an insolvent or has suspended payment or has compounded with his creditors;
- (vi) he has not had experience in the business of securities for a period of not less than two years:

Provided that the regulations of a stock exchange may authorise the governing body thereof to waive compliance with the foregoing condition relating to experience in the business of securities if such person is, in respect of means, integrity and background, considered by the governing body to be otherwise qualified for membership;

(b) A member shall at all times maintain a net capital balance in the capital account of an amount which is--

- (i) in the case of a stock exchange which in the previous calendar year, had on the cash counter a turnover of securities, other than bonus vouchers, exceeding one crore in number--not less than ²[seventy-five] thousand rupees; and
- (ii) in any other case--not less than fifteen thousand rupees:

Provided that a member who is also the member of any other stock exchange shall maintain a net capital balance of not less than fifty thousand rupees:

Provided further that, in the case of a firm, the amount of the net capital balance to be maintained shall be the amount obtained by multiplying fifteen thousand rupees or fifty thousand rupees, as the case may be, by the number of such partners of the firm as are members of the stock exchange;

(c) A member shall cease to be a member if, at any time,--

- (i) he ceases to be a citizen of Pakistan:

Provided that, in the case of a stock exchange functioning immediately before the commencement of these rules, the membership of a member thereof who is not a citizen of Pakistan shall become suspended on such commencement and shall remain so suspended until he becomes a citizen of Pakistan; or

- (ii) he is declared a lunatic or a person of unsound mind; or
- (iii) he is convicted of an offence involving fraud or breach of trust; or
- (iv) he has been adjudicated an insolvent or has suspended payment or has compounded with his creditors;

- (d) The membership of a member or members who are partners in a firm and who are in active business shall become suspended as soon as the net capital balance falls short of the amount specified in clause (b) and shall remain so suspended until the net capital balance is increased so as not to fall short of that amount;
- (e) Every member shall report to the stock exchange weekly that he or the firm of which he is a partner had, at all times during the week to which the report relates, a net capital balance of an amount not less than that specified in clause (b) and shall forthwith inform the stock exchange if, at any time, such balance falls short of that amount.

4. **Manner of transaction of member's business.** (1) All orders to buy or sell securities which a member may receive shall be entered, in the chronological order, in a register to be maintained by him in a form which shows the name and address of the person who placed the order, the name and number of the securities to be bought or sold, the nature of the transaction and the limitation, if any, as to the price of the securities or the period for which the order is to be valid.

- 2. (a) A member who has an "at best" order from a customer to buy a security shall not, while such order remains unexecuted, buy the same security on the stock exchange for his own account or for the account of the firm of which he is a partner or for the account of any of the partners therein or for any account in which he, such firm or partner, directly or indirectly, has an interest.
 - (b) A member who has an "at best" order from a customer to sell a security shall not, while such order remains unexecuted, sell the same security on the stock exchange for his own account or for the account of the firm of which he is a partner or for the account of any of the partners therein or for any account in which he, such firm or partner, directly or indirectly, has an interest.
 - (c) A member who has a limited order from a customer to buy a security shall not while such order remains unexecuted, buy the same security at or below the limit price on the stock exchange for his own account or for the account of the firm of which he is a partner or for the account of any of the partners therein or for any account in which he, such firm or partner, directly or indirectly, has an interest.
 - (d) A member who has a limit order from a customer to sell a security shall not, while such order remains unexecuted, sell the same security at or above the limit price on the stock exchange for his own account or for the account of the firm of which he is a partner or for the account of any of the partners therein or for any account in which he, such firm or partner, directly or indirectly has an interest.
- (3) A member who has an order to buy or to sell a security shall not fill such order by selling or buying for his own account or for the account of the firm of which he is a partner or for the account of any of the partners therein or for any

account in which he, such firm or partner, directly or indirectly, has an interest, except when--

- (a) the order is a limit order; or
- (b) (i) he sells the security at a price not exceeding the price at which the transaction immediately preceding the receipt of the order by him actually took place; or
- (ii) he buys the security at a price which is not less than the price at which the transaction immediately preceding the receipt of the order by him actually took place.

(4) A member executing an order of a customer shall, within twenty-four hours of the execution of the order, transmit to the customer a confirmation, which shall include the following information, namely:--

- (a) date on which the order is executed;
- (b) name and number of the securities;
- (c) nature of transaction (spot, ready or forward and also whether bought or sold);
- (d) price;
- (e) commission, if the member is acting as a broker;
- (f) whether the order is executed for the member's own account or from the market.

5. Maintenance of accounts and audit. (1) Every member shall prepare once every year a balance-sheet and a statement of income and expenditure.

(2) A member shall have his accounts audited by an auditor who is a chartered accountant to be appointed by the Authority whenever such audit is required by the Authority in the public interest.

(3) The auditor shall furnish his report to the Authority within such time as the Authority may specify.

6. Form of application for registration. An application for the registration of a stock exchange under section 5 shall be made to the Authority in Form I.

7. Maintenance of books of account and other documents by stock exchanges. (1) Every stock exchange shall prepare and maintain, as required by sub-section (1) of section 6, such books of account and other documents as will accurately disclose a true and fair picture of the state of affairs of the exchange at any point of time.

(2) The books of account and other documents referred to in sub-rule (1) shall include--

- (a) journals (or other comparable record), cash book and any other records of original entry forming the basis of entries into any ledger;

- (b) ledgers (or other comparable record) reflecting asset, liability, reserve, capital, income and expense;
- (c) ledgers (or other comparable record) showing the position in respect of each member as on the settlement day of the securities which the member had bought or sold since the last preceding settlement day and which had been transferred through a Clearing House maintained by the stock exchange;
- (d) daily record of quotations and transactions on the stock exchange showing the time at which each transaction took place;
- (e) record of transactions with banks;
- (f) record of security deposits;
- (g) register of members;
- (h) register of authorised clerks; and
- (i) minute books of the meetings of--
 - (i) members;
 - (ii) governing body; -
 - (iii) any committee of the general body of members or of the governing body.

(3) The books of accounts and documents referred to in sub-rule (1) shall be preserved for a period of not less than five years.

8. Maintenance of books of account, etc. by members. (1) Every member shall prepare and maintain, as required by sub-section (1) of S. 6, the following books of account and other documents in a manner that will disclose a true, accurate and up-to-date position of his business, namely:--

- (a) journal (or other comparable record), cash books and any other books of original entry forming the basis of entries into any ledger, the books of original entry being such as contain a daily record of all orders for purchase or sale of securities, all purchases and sales of securities, all receipts and deliveries of securities and all other debts and credits;
- (b) ledgers (or other comparable records) reflecting assets, liability, reserve, capital, income and expense accounts;
- (c) ledgers (or other comparable records) reflecting securities in transfer, securities borrowed and securities loaned and securities bought or sold of which the delivery is delayed;
- (d) record of all balance of all ledger accounts in the form of trial balances to be prepared at least once at the end of the six months of every year of account;
- (e) record of transactions with the banks;

- (f) contract books showing details of all contracts entered into by a member with other members of the exchange or counterfoils or duplicates of memos, of confirmation issued to such other members; and
- (g) duplicates or counterfoils of memos, of confirmation issued to customers.

(2) The books of accounts and other documents referred to in sub-rule (1) shall be preserved for a period of not less than five years.

9. **Submission of periodical returns by stock exchange.** The periodical return relating to the affairs of a stock exchange, as required by sub-section (2) of section 6, shall be submitted to the Authority monthly in Form II within fifteen days of the close of the month to which it relates.

10. **Submission of annual report by Stock Exchange.** (1) The annual report relating to the affairs of a stock exchange, as required by sub-section (2) of section 6, shall be submitted to the Authority not less than fourteen days before the meeting of the share-holders of the stock exchange before which it is to be laid.

(2) Every such report shall be accompanied by a copy of the balance-sheet and profit and loss account of such year audited by an auditor who is a chartered accountant.

11. ³[Listing of a security on stock exchange, etc. An application under sub-section (1) of section 9 for listing of a security on a stock exchange shall be made in Form III.

11-A. **Limitation for petitions to Federal Government under section 9.** A petition to the Federal Government under sub-section (3) or sub-section (6) of section 9 shall be made within thirty days of the stock exchange refusing to list or, as the case may be delist the security].

12. **Submission of annual report by issuers.** (1) The annual report required by section 11 to be furnished by an issuer of a listed security shall include a balance-sheet ⁴[,] profit and loss account, ⁵[changes of financial position statement or sources and application of funds statement and pattern of share holding statement].

(2) The balance-sheet and profit and loss account included in the annual report shall, except in the case of an issuer which is required to prepare a balance-sheet and profit and loss account in a form prescribed by the Banking Companies Ordinance, 1962 (LVII of 1962), or the Insurance Act, 1938 (IV of 1938), be prepared in accordance with the requirements laid down in the Second Schedule ⁶[* * * * *].

⁷[(2-A) The pattern of shareholding statement included in the annual report shall be in Form 'A'].

3. Rules 11 and 11A subs. by S.R.O. 1274(1)/80, dated 20.12.1980.

4. Subs. by S.R.O. 669(1)/82, dated 10.7.1982.

5. Added by S.R.O. 669(1)/82, dated 10.7.1982.

6. Omitted by S.R.O. 669(1)/82, dated 10.7.1982.

7. Sub-rule (2-A) added by S.R.O. 669(1)/82, dated 10.7.1982.

(3) The balance-sheet and profit and loss account shall be audited by an auditor who is a chartered accountant and the report of the auditor shall be in Form 'B' annexed to the Second Schedule.

(4) Every issuer shall furnish the annual report, together with the balance-sheet and the profit and loss account referred to in sub-rule (1), to the ⁷[security holders] at least fourteen days before the general meeting of the share-holders of the issuer at which the report is to be laid before them and shall simultaneously furnish a copy of such report to the stock exchange or exchange on which its securities are listed and to the Authority.

(5) Notwithstanding anything contained in sub-rule (4), the first annual report to be furnished by an issuer shall be in respect of the year of account of the issuer ending after the commencement of these rules.

(6) An issuer shall, within three months of the general meeting referred to in sub-rule (4), submit to the Authority a list of the members of the issuer stating the facts as they stood on the date of that general meeting.

(7) The list required to be submitted under sub-rule (6) shall be the list required by section 32 of the Companies Act, 1913 (VII of 1913), to be submitted to the registrar.

⁸[13. Submission of periodical report by issuers. Every issuer shall, within ⁹[two months] of the close of the first half-year of its year of account, prepare and transmit by registered post to the Stock Exchange or Exchanges on which its securities are listed and to the Authority and under postal certificate to its security-holders a profit and loss account for, and a balance-sheet as at the end of, that half-year, whether audited or otherwise].

¹⁰[14. Submission of return to beneficial owners of listed equity securities:
(1) *Omitted by Notification No. S.R.O. 669(1)/82, dated 10th July, 1982.*

(2) Every person who, being the beneficial owner of any class of the listed equity securities of an issuer, becomes a Director or officer of the issuer or who becomes the beneficial owner, directly or indirectly, of more than ten per cent of any class of such securities shall file with the Authority a return in Form IV within fifteen days of his becoming such Director, officer or beneficial owner.

(3) Every Director or officer of an issuer who is the beneficial owner of any class of its equity securities which come to be listed on a Stock Exchange, and every person who becomes the beneficial owner, directly or indirectly, of more than ten per cent of any class of such securities which come to be so listed, shall file with the Authority a return in Form IV within fifteen days of the securities coming to be so listed.

(4) Whenever a change in the beneficial ownership takes place in a security in respect of which a return has been filed under ¹¹[] sub-rule (2), the

8. Rule 13 subs. by Notification No. S.R.O. 1238(1)/72, dated 19th December, 1972.

9. Subs for "one month" by Notification No. S.R.O. 859(1)/83, dated 29th August, 1983.

10. Rule 14 Subs. by Notification No. S.R.O. 1238(1)/72, dated 19th December, 1972.

11. The words "sub-rule (1) or" omitted by Noti. No. SRO 669(1)/82, dated 10th July, 1982.

particulars of such change shall be filed with the Authority in Form IV-A within fifteen days of such change]; and

¹²(5) Every person required to file the return under sub-rule (1) or sub-rule (2) shall also be required to file a return as and when the Authority by order in writing so requires, within such time, as may be specified therein.

15. Calculation of amount to be tendered to an issuer by certain beneficial owners, etc. (1) For calculating the amount required by section 14 to be reported and tendered to an issuer, the person by whom the amount is to be so reported and tendered may deduct from the amount of gain referred to in that section the amount of brokerage, stamp duty and other expenditure actually paid or incurred in making that gain.

(2) Any deduction made under sub-rule (1) shall be supported by documentary evidence acceptable to the issuer as proof of the brokerage, stamp duty and other expenditure having been actually paid or incurred.

(3) Any loss arising out of any transaction in any security shall not, for the purposes of sub-rule (1), be deemed to be expenditure paid or incurred in making gain out of a transaction in that security.

16. Mode of filing or submission of returns, etc. Any person required by the Ordinance or any of these rules to furnish any document, statement, return or report to the Authority shall furnish it, either in person or through an agent, to the Authority at its headquarters at Islamabad or send it to the Authority by registered post.

THE FIRST SCHEDULE

[See rule 2(c)]

FORM I

(See rule 6)

**FORM OF APPLICATION FOR REGISTRATION OF A STOCK
EXCHANGE UNDER SECTION 5 OF THE SECURITIES AND
EXCHANGE ORDINANCE, 1969**

To

¹³[The Corporate Law Authority,
Government of Pakistan,
Islamabad].

Dear Sir,

We/I hereby apply for registration of

(Name of the Stock Exchange)

12. Sub-rule (5) added by Noti No. SRO 669(I)/82, dated 10th July, 1982.

13. Subs. by S.R.O. 669(I)/82, dated 10.7.1982.

under Section 5 of the Securities and Exchange Ordinance, 1969.

2. Four spare copies of the Memorandum and Articles of Association of and four copies of the rules and/or bye-laws (Name of the Stock Exchange)

relating to listing of securities and transactions on the Exchange are enclosed.

3. Necessary information required in the annex to this form is furnished.

Yours faithfully,

.....
Signature of the applicant

ANNEX TO FORM I

PART I

GENERAL

1. Name of the applicant Stock Exchange
2. Address
3. Date of establishment.
4. Is your Exchange a joint stock company registered under the Companies Act, 1913? If so, state whether public or private. If not, the basis of organization may be stated.
5. Give details of your capital structure

PART II

MEMBERSHIP

6. What is the proposed number of members?
7. Is there a ceiling to the maximum number of members that you would take?
8. Give details of the minimum qualifications and/or experience for membership
9. If you have different classes of members, give details
10. State the security deposit required from each member, admission fee and the rate of annual subscription

11. Do you insist on your members or partners of firms who are members to divest themselves of other activities either as principals or as employees?
12. Do your rules permit firms to become members? State the conditions under which new partners can be admitted?
13. If your rules do not permit firms becoming members, do you permit individual members to form a partnership?
14. Do your rules permit members to work in partnership with non-members? If so, give necessary details

PART III

GOVERNING BODY

15. What will be the strength of your governing body? Give details of the constitution, powers of management, elections and tenure of office of the members of the governing body and the manner in which its business is transacted.
16. Are trade or commercial interests represented on the governing body? If so, give details
17. Do you propose to associate shareholders or investors' associations with the management of your Exchange? If so, give details.
18. Give details of any other committee or sub-committee that can be constituted under the bye-laws of your Stock Exchange alongwith the functions of each
19. Give the designations, powers and duties of principal office-bearers of your Exchange.

PART IV

TRADING

20. Give details of the manner in which trading will be carried on