

[AS PASSED BY THE SENATE]

Session 26
LHJ04

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BILL

Further to amend the Companies Ordinance, 1984

WHEREAS it is expedient further to amend the Companies Ordinance, 1984 (XLVII of 1984), to provide for the listed companies to buy back their shares and retain the repurchased shares as treasury shares and reissue them at appropriate time and matters arising out of or connected therewith;

It is hereby enacted as follows:-

1. Short title and commencement:- (1) This Act may be called the Companies (Amendment) Act, 2015.

(2) It shall come into force at once.

2. Substitution of section 95A, Ordinance XLVII of 1984:- In the said Ordinance, for section 95A, the following shall be substituted, namely:-

"95A Power of a company to purchase its own shares.- (1) Notwithstanding anything contained in this Ordinance or any other law, for the time being in force, or the memorandum and articles, a listed company may, subject to the provisions of this section and the regulations prescribed by the Commission in this behalf, purchase its own shares.

(2) The shares purchased by the company may, in accordance with the provisions of this section and the regulations, either be cancelled or held as treasury shares.

(3) The shares held by the company as treasury shares shall, as long as they are so held, in addition to any other conditions as may be prescribed, be subject to the following conditions, namely:-

- (a) the voting rights of these shares shall remain suspended; and
- (b) no cash dividend shall be paid and no other distribution, whether in cash or otherwise of the company's assets, including any distribution of assets to members on a winding up shall be made to the company in respect of these shares:

Provided that nothing in this sub-section shall prevent-

- (i) an allotment of shares as fully paid bonus shares in respect of the treasury shares; and

(ii) the payment of any amount payable on the redemption of the treasury shares, if they are redeemable.

(4) The board of directors shall recommend to the members purchase of the shares. The decision of the board of directors shall clearly specify the number of shares proposed to be purchased, purpose of the purchase i.e. cancellation or holding the shares as treasury shares, the purchase price, period within which the purchase shall be made, source of funds, justification for the purchase and effect on the financial position of the company.

(5) The purchase of shares shall be made only under authority of a special resolution.

(6) The purchase of shares shall be made within a period as specified in the regulations.

(7) The proposal of the board of directors to purchase shares shall, on conclusion of the board's meeting, be communicated to the Commission and to the stock exchange on which shares of the company are listed.

(8) The purchase of shares shall always be made in cash and shall be out of the distributable profits or reserves specifically maintained for the purpose.

(9) The purchase of shares shall be made either through a tender offer or through stock exchange as prescribed by regulations.

(10) The company may dispose of the treasury shares as prescribed by regulations.

(11) Where a purchase of shares has been made under this section, the company shall maintain a register of shares so purchased and enter therein the following particulars namely:-

- (a) number of shares purchased;
- (b) consideration paid for the shares purchased;
- (c) mode of the purchase;

- (d) the date of cancellation or re-issuance of such shares;
- (e) number of bonus shares issued in respect of treasury shares;
and
- (f) number and amount of treasury shares redeemed, if redeemable.

(12) Whosoever contravenes any provision, of this section or any regulations made hereunder which may be specified by notification in the official gazette in this behalf, shall be punishable with a fine which may extend to thirty million rupees and shall also be individually and severally liable for any or all losses or damages arising out of such contravention."

STATEMENT OF OBJECTS AND REASONS

This Bill namely "Companies (Amendment) Bill, 2015" seeks to provide for the listed companies to either cancel the repurchased shares or retain them as treasury shares. Listed Companies, which feel that their shares are undervalued on the stock market, may buy back/repurchase their shares which may improve the earning per share of such companies and bring stability in the market price of such shares.

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(MOHAMMAD ISHAQ DAR)
Minister for Finance, Revenue, Statistics,
Economic Affairs and Privatization

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