

**CORPORATE LAWS & SECRETARIAL PRACTICES – STAGE-4****SECTION – "A"****Q.2 (a) (i) Company Limited by Shares:**

Company limited by shares means a company having the liability of its members limited by the memorandum to the amount, if any, unpaid on the shares respectively held by them.

**(ii) Company Limited by Guarantee:**

Company limited by guarantee means a company having the liability of its members limited by the memorandum to such amount as the members may respectively thereby undertake to contribute to the assets of the company in the event of its winding up.

**(iii) Prospectus:**

Prospectus means any document described or issued as prospectus, and includes any notice, circular, advertisement, or other communication, inviting offers from the public for the subscription or purchase of any shares in, or debentures of, a body corporate, or inviting deposits from the public, other than deposits invited by a banking company or a financial institution approved by the Federal Government, whether described as prospectus or otherwise.

**(iv) Security:**

Security means any share, scrip, debenture, participation term certificate, modaraba certificate, musharika certificate, term finance certificate, bond pre-organization certificate or such other instrument as the Federal Government may, by notification in the official Gazette, specify for the purpose.

**(v) Subsidiary and Holding Company:**

(1) For purposes of this Ordinance, a company or body corporate shall be deemed to be a subsidiary of another if:

- (a) that other company or body corporate directly or indirectly controls, beneficially owns or holds more than fifty per cent of its voting securities or otherwise has power to elect and appoint more than fifty per cent of its directors; or
- (b) the first mentioned company or body corporate is a subsidiary of any company or body corporate which is that other's subsidiary;

Provided that where a central depository holds more than fifty percent of the voting securities of a company, such company shall not be deemed to be a subsidiary of the central depository save where such voting securities are held beneficially by the central depository in its own behalf.

(2) For the purpose of this Ordinance, a company shall be deemed to be another's holding company if, but only if, that other is its subsidiary.

**(b) Memorandum of Company Limited by Guarantee:**

In the case of a company limited by guarantee whether or not the company has a share capital, the memorandum shall state:

- (i) the name of the company with the parenthesis and words "(Guarantee) Limited" as the last words of its name;

**CORPORATE LAWS & SECRETARIAL PRACTICES – STAGE-4**

- (ii) the province or the part of Pakistan not forming part of a Province, as the case may be in which the registered office of the company is to be situated;
- (iii) the objects of the company and except in the case of a trading corporation, the territories to which they extend;
- (iv) that the liability of the members is limited; and
- (v) that each member undertakes to contribute to the assets of the company in the event of its being wound up while he is a member or within one year afterwards, for payment of the debts and liabilities of the company contracted before he ceases to be a member, and of the costs, charges and expenses of winding up, and for adjustment of the rights of the contributories among themselves such amount as may be required, not exceeding a specified amount.

**(c) Issue of Duplicate Certificates:**

A duplicate of a certificate of shares, debentures or debenture stock issued shall be issued by the company within forty-five days from the date of application if the original:-

- (a) is proved to have been lost or destroyed, or
- (b) having been defaced or mutilated or torn is surrendered to the company.

**Q.3 (a) Books of Account to be kept by Company:**

Every company shall keep at its registered office proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company;
- (c) all assets of the company;
- (d) all liabilities of the company; and
- (e) in the case of a company engaged in production, processing, manufacturing or mining activities, such particulars relating to utilisation of material or labour or the other inputs or items of cost as may be prescribed, if such class of companies is required by the Commission by a general or special order to include such particulars in the books of accounts:

Provided that all or any of the books of account aforesaid may be kept at such other place in Pakistan as the directors may decide, and when the directors so decide, the company shall, within seven days of the decision, file with the registrar a notice in writing giving the full address of the other place.

**(b) Certain Restrictions on Declaration of Dividends:**

- (1) The company in general meeting may declare dividends; but no dividend shall exceed the amount recommended by the directors.
- (2) No dividend shall be declared or paid by a company for any financial year out of the profits of the company made from the sale or disposal of any immovable property or assets of a capital nature comprised in the undertaking or any of the undertaking of the company, unless the business of the company consists, whether wholly or partly, of selling and purchasing any such property or assets, except after such profits are set off or adjusted against losses arising from the sale of any such immovable property or assets of a capital nature.

Provided that no dividend shall be declared or paid out of unrealized gain on investment property credited to profit and loss account.

**CORPORATE LAWS & SECRETARIAL PRACTICES – STAGE-4****(c) Disqualification of Auditors: {Any five (5)}**

None of the following persons shall be appointed as auditor of a company, namely:

- (a) a person who is, or at any time during the preceding three years was, a director, other officer or employee of the company;
- (b) a person who is a partner of, or in the employment of, a director, officer or employee of the company;
- (c) the spouse of a director of the company;
- (d) a person who is indebted to the company;
- (e) a body corporate;
- (f) a person or his spouse or minor children, or in case of a firm, all partners of such firm who holds any shares of an audit client or any of its associated companies.

**(d) Statement of Affairs to be made to Official Liquidator:**

Where the Court has made a winding up order or appointed an official liquidator or provisional manager, there shall be made out and submitted to the official liquidator or provisional manager a statement as to the affairs of the company in the prescribed form, verified by an affidavit, and containing the following particulars, namely:-

- (a) the assets of the company, stating separately the cash balance in hand and at the bank, if any, and the negotiable securities, if any, held by the company;
- (b) the debts and liabilities of the company;
- (c) the names, residences and occupations of the creditors of the company, stating separately the amount of secured debts and unsecured debts, and, in the case of secured debts, particulars of the securities given, their value and the dates when they were given;
- (d) the debts due to the company and the names, residences and occupations of the persons from whom they are due and the amount likely to be realised therefrom;
- (e) where any property of the company is not in its custody or possession, the place where and the person in whose custody or possession such property is;
- (f) full address of the places where the business of the company was conducted during the six months preceding the relevant date and the names and particulars of the persons incharge of the same;
- (g) details of any pending suits or proceedings in which the company is a party; and
- (h) such other particulars as may be prescribed or as the Court may order or the official liquidator or provisional manager may require in writing, including any information relating to secret reserves and personal assets of directors.

**SECTION – B****Q.4 (a) (i) Associate:**

Associate means any partner, employee, officer or director of a member.

**(ii) Central Depository:**

Central depository means a company formed to established and operate a system for the central handling of securities, whether or not listed on an exchange, whereby such securities are deposited with and hold in custody by, or registered in the name

**CORPORATE LAWS & SECRETARIAL PRACTICES – STAGE-4**

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.

**(iii) Commodity:**

Commodity means:

- (a) agricultural, livestock, fishery, forestry, mining or energy goods, and any product that is manufactured or processed from any such goods; and
- (b) any other matter as may be notified by the Commission in the Official Gazette.

**(iv) Jobber:**

Jobber or dealer 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.

**(v) Sub-Underwriter:**

Sub-underwriter means a person who has made a contract with an underwriter to take up a part of the securities not fully subscribed by the public issue.

**Q.5 (a) Functions of the Commission: {Any five (5)}**

The Commission shall be responsible for the performance of the following functions:

- (a) regulating the issue of securities;
- (b) regulating the business in Stock Exchanges [Commodity Exchange] and any other securities markets;
- (c) supervising and monitoring the activities of any central depository and Stock Exchange clearing house;
- (d) registering and regulating the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with the securities markets in any manner;
- (e) proposing regulations for the registration and regulating the working of collective investment schemes, including unit trust schemes;
- (f) promoting and regulating self-regulatory organizations including securities industry and related organizations such as Stock Exchanges and associations of mutual funds, leasing companies and other NBFIs;
- (g) prohibiting fraudulent and unfair trade practices relating to securities markets;
- (h) promoting investors' education and training of intermediaries of securities markets;
- (ha) hearing and deciding investor complaints against persons involved in brokerage business for violations of securities laws, rules, regulations, directives, codes, etc;
- (i) conducting investigations in respect of matters related to this Act and the Ordinance and in particular for the purpose of investigating insider trading in securities and

**CORPORATE LAWS & SECRETARIAL PRACTICES – STAGE-4**

[initiating action against the] offenders;

- (j) regulating substantial acquisition of shares and the merger and take-over of companies;
- (ja) regulating professionals who provide services within the financial services markets;
- (jb) maintaining and issuing panels of auditors from which companies may appoint auditors, and approving audit firms for financial institutions, listed companies and NBFIs;
- (k) calling for information from and undertaking inspections, conducting inquiries and audits of the Stock Exchanges and intermediaries and self-regulatory organizations in the securities market;
- (l) considering and suggesting reforms of the law relating to companies and bodies corporate, securities markets, including changes to the constitution, rules and regulations of companies and bodies corporate, Stock Exchanges or clearing houses;
- (m) encouraging the organized development of the capital market and the corporate sector in Pakistan;
- (n) conducting research in respect of any of the matters set out in this sub-section;
- (o) performing such functions and exercising such powers of the Authority, including any powers of the Federal Government delegated to the Authority, (other than the power to make any rules or regulations) under the provisions of the Ordinance, the Securities and Exchange Ordinance, 1969 (XVII of 1969), the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and under any other law for the time being in force under which any function or power has been conferred on the Authority including, but not limited to, the functions and powers set out in the Schedule to this Act;
- (p) performing such functions and exercising such powers (other than the power to make any rules or regulations) under the Ordinance or any other law for the time being in force as may, after the commencement of this Act, be delegated to it by the Federal Government and exercising any power or performing any functions conferred on it by or under any other law for the time being in force;
- (q) proposing regulations in respect of all or any of the aforesaid matters for the consideration and approval of the Board;
- (r) exercising all powers, discharging all duties and performing all functions assigned to the Commission under, and generally administering, the Law of Insurance;
- (s) ensuring and monitoring compliance by insurers, insurance surveyors and insurance intermediaries of all laws, rules and regulations pertaining to insurance for the time being in force;
- (t) regulating professional organizations connected with the insurance business;
- (u) encouraging the organized development of the insurance market in Pakistan.
- (v) promoting and regulating development of Private Pension Schemes and Funds; and
- (w) promoting and regulating any scheme, fund, arrangement or undertaking (including but not limited to pension, superannuation gratuity and provident funds and schemes) established by or on behalf of companies and state owned corporations as employers, for entitlement of post employment benefits of their employees.

**CORPORATE LAWS & SECRETARIAL PRACTICES – STAGE-4****(b) (i) Assets:**

Assets means properties of all kinds tangible or intangible, including shares, units, certificates, securities, deposits, right and bonus shares, cash, bank balances, profits, dividends, fees, commissions, all receivables, claims, contracts, [derivatives contract], licences, privileges, accrued or accruing or accruing or contingent.

**(ii) Constitutive Documents:**

Constitutive documents means the trust deed, offering documents and other principal documents governing the formation of a closed-end scheme or an open-ended scheme including all related material agreements.

**(iii) Housing Finance Services:**

Housing finance services means the loan provided to individuals for the purchase of residential house or apartment or land including the facilities availed for the purpose of making improvements in house or apartment or land.

**SECTION – 7C****Q.6 (a) Quorum of a General Meeting:**

The quorum of a general meeting shall be:

- (a) in the case of a public [listed] company, unless the articles provide for a larger number, not less than [ten] members present personally, who represent not less than twenty-five per cent. of the total voting power, either of their own account or as proxies;
- (b) in the case of [any other company], unless the articles provide for a larger number, two members present personally who represent not less than twenty-five per cent. of the total voting power, either of their own account or as proxies; and
- (c) in the case of a single member company, single member present in person or by proxy.

Provided that, if within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved; in any other case, it shall stand adjourned to the same day in the next week at the same time and place, and, if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present, being not less than two, shall be a quorum, unless the articles provide otherwise.

**(b) Ineligibility of certain persons to become director: {Any seven (7)}**

No person shall be appointed as a director of a company if he:

- (a) is a minor;
- (b) is of unsound mind;
- (c) has applied to be adjudicated as an insolvent and his application is pending;
- (d) is an undischarged insolvent;
- (e) has been convicted by a court of law for an offence involving moral turpitude;
- (f) has been debarred from holding such office under any provision of this Ordinance;

**CORPORATE LAWS & SECRETARIAL PRACTICES – STAGE-4**

- (g) has betrayed lack of fiduciary behaviour and a declaration to this effect has been made by the Court under section 217 at any time during the preceding five years;
- (h) is not a member:  
 Provided that clause (h) shall not apply in the case of:-
- (i) a person representing the Government or an institution or [Commission] which is a member;
  - (ii) a whole-time director who is an employee of the company;
  - (iii) a chief executive; or
  - (iv) a person representing a creditor;
- (i) has been declared by a Court of competent jurisdiction as defaulter in repayment of loan to a financial institution, exceeding such amount as may be notified by the Commission from time to time; and
- (j) is engaged in the business of brokerage, or is a spouse of such [person or is a sponsor, director or officer of a corporate brokerage house]:

Provided that clauses (i) and (j) shall be applicable only in case of a listed company.

Provided further that the prohibition contained in clause (j) shall not apply where the company is a stock exchange.

(c)

**XYZ LIMITED**  
**Registered Office** \_\_\_\_\_  
 \_\_\_\_\_

Dated: \_\_\_\_\_

Notice is hereby given that an Extraordinary General Meeting of XYZ limited will be held at the Registered Office of the company at \_\_\_\_\_ on \_\_\_\_\_ the \_\_\_\_\_ day of \_\_\_\_\_ 2010 at \_\_\_\_\_ p.m for passing the following resolutions as special resolution.

***Special Resolution (i):***

<sup>m</sup>That Mr. \_\_\_\_\_ a director of the company be and is hereby appointed the Managing Director of the company with effect from January 01, 2011 on a monthly salary of Rs.300,000<sup>m</sup>.

***Special Resolution (ii):***

<sup>m</sup>That the capital of the Company be increased from Rs.14,000,000 to Rs.15,000,000 by issuing further 100,000 equity shares of Rs.10 each<sup>m</sup>.

By Order of the Board

\_\_\_\_\_  
**Secretary**

Place: \_\_\_\_\_

Date: \_\_\_\_\_

**THE END**