

## **SENATE SECRETARIAT**

### **REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE, ECONOMIC AFFAIRS, STATISTICS AND PRIVATIZATION ON THE COMPANIES (APPOINTMENT OF LEGAL ADVISERS) (AMENDMENT) BILL, 2016**

I, Senator Saleem Mandviwalla, Chairman Standing Committee on Finance, Revenue, Economic Affairs, Statistics and Privatization, have the honour to submit, on behalf of the Committee, this report on the Bill further to amend the Companies (Appointment of Legal Advisors) Act, 1974 [The Companies (Appointment of Legal Advisors) (Amendment) Bill, 2016] as passed by the National Assembly, and referred to the Committee on 7<sup>th</sup> October, 2016, for consideration and report.

2. The composition of the Standing Committee is given as under: -

(1)	Senator Saleem Mandviwalla	Chairman
(2)	Senator Ilyas Ahmed Bilour	Member
(3)	Senator Muhammad Mohsin Khan Leghari	Member
(4)	Senator Muhammad Talha Mahmood	Member
(5)	Senator Nasreen Jalil	Member
(6)	Senator Kamil Ali Agha	Member
(7)	Senator Islamuddin Shaikh	Member
(8)	Senator Ms. Ayesha Raza Farooq	Member
(9)	Senator Sardar Fateh Muhammad Muhammad Hassani	Member
(10)	Senator Mushahid Ullah Khan	Member
(11)	Senator Saud Majeed	Member
(12)	Senator Mohsin Aziz	Member
(13)	Minister for Finance, Revenue, Economic Affairs, Statistics and Privatization	Ex-Officio Member

*M. J.*

Contd...p/2...



3. The Committee considered the said Bill in its meeting held on 26<sup>th</sup> October, 2016. The meeting was attended by the followings:-

(1)	Senator Saleem Mandviwalla	Chairman
(2)	Senator Muhammad Mohsin Khan Leghari	Member
(3)	Senator Nasreen Jalil	Member
(4)	Senator Kamil Ali Agha	Member
(5)	Senator Sardar Fateh Muhammad Muhammad Hassani	Member
(6)	Senator Mohsin Aziz	Member

4. After detailed deliberations, the Committee proposed the following amendment in the Bill :-

**CLAUSE 2**

that in clause 2 of the Bill, ,—

(i) in paragraph (ii), for the proposed clause (b), the following shall be substituted, namely:-

**"(b) "Company" means a company formed and registered under the Companies Ordinance, 1984 (XLVII of 1984), validated under Article 270 of the Constitution of the Islamic Republic of Pakistan and having paid up capital of more than 7.5 million rupees or a company limited by guarantee or an association registered under section 42 of the said Ordinance;"**; and

(ii) in paragraph (iv), for the new proposed clause (e), the following shall be substituted, namely:-

**"(e) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984), validated under Article 270 of the Constitution of the Islamic Republic of Pakistan; and."**

M. J.




5. The Committee unanimously recommends that the Bill, as reported by the Committee, may be passed by the Senate.

6. The Bill, as reported by the Committee, is at Annex-A and the Bill, as passed by the National Assembly, is at Annex-B. The Committee in its meeting held on 24th November, 2016, gave approval for presentation of this report to the House.



**(MUHAMMAD TAHIR KHAN)**  
**Secretary (Committee)**



**(SENATOR SALEEM MANDVIWALLA)**  
**Chairman (Committee)**

Islamabad, the  
24<sup>th</sup> November, 2016



[AS REPORTED BY THE COMMITTEE]

A

Bill

*further to amend the Companies (Appointment of Legal Advisors) Act, 1974*

**WHEREAS** it is expedient further to amend the Companies (Appointment of Legal Advisors), Act 1974 (X of 1974), for the purposes hereinafter appearing;

It is hereby enacted as follows:-

**1. Short title and commencement.** – (1) This Act may be called the Companies (Appointment of Legal Advisors) (Amendment) Act, 2016.

(2) It shall come into force at once.

**2. Amendment of section 2, Act X of 1974.**– In the Companies (Appointment of Legal Advisors) Act, 1974, hereinafter referred to the said Act, in section 2,-

(i) after clause (a), the following new clause shall be inserted, namely:-

“(aa) "Commission" means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);”;

(ii) for clause (b), the following shall be substituted, namely:-

**"(b) "Company" means a company formed and registered under the Companies Ordinance, 1984 (XLVII of 1984), validated under Article 270 of the Constitution of the Islamic Republic of Pakistan and having paid up capital of more than 7.5 million rupees or a company limited by guarantee or an association registered under section 42 of the said Ordinance;”;**



- (iii) in clause (c) the word "and " at the end, shall be omitted; and
- (iv) in clause (d), for the full stop at the end, a semicolon shall be substituted and thereafter the following new clause shall be added, namely:-

**"(e) "Ordinance" means the Companies Ordinance, 1984 (XLVII of 1984), validated under Article 270 of the Constitution of the Islamic Republic of Pakistan; and**

- (f) "Registrar" shall have the same meaning as are assigned to that expression in the Ordinance."

**3. Amendment of section 3, Act X of 1974.** — In the said Act, in section 3,-

- (i) in sub-section (1), after the words "in accordance with law" the words and comma "and in accordance with the terms and conditions of agreement entered into by and between the company and Legal Advisor or required by law or prescribed by any rules, regulations governing the company" shall be added; and
- (ii) in sub-section (2), for the word "an advocate" the words "advocate of High Court" shall be substituted.

**4. Substitution of section 4, Act X of 1974.**-In the said Act, for section 4, the following shall be substituted, namely:-

**"4. Retainer.-** Every legal Advisor appointed by a company shall be paid a retainer which shall not be less than five thousand rupees per mensem or such higher amount as may be notified by the Federal Government in the official Gazette."



**5. Substitution of section 7, Act X of 1974.**— In the said Act, for section 7, the following shall be substituted, namely:-

**"7. Penalty adjudication of offence and appeal.**— (1) Any person who contravenes any provision of this Act or rules or regulations made thereunder shall be guilty of an offence and shall be liable to a penalty to be imposed by the Commission as under:-

- (a) in the case of an individual including directors of the company, such sum which may extended to one hundred thousand rupees; and
- (b) in the case of company, such sum which may extend to two hundred thousand rupees.

(2) The amount of penalty imposed under sub-section (1) shall be payable to the Commission and may be recovered as provided under section 162 of the Securities Act, 2015 (III of 2015).

(3) Any person aggrieved by an order passed by the Commission or officer authorized in this behalf may prefer an appeal to Appellate Bench of the Commission under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997.

(4) The Commission, before adjudication of contravention of, or failure in complying with, any provision of this Act, rules or regulations, shall give show cause notice and reasonable opportunity of being heard to the company or person.

(5) From the date of coming into effect of this section all prosecutions filed under the substituted section 7, the respective courts shall continue with the pending proceedings and may impose penalty as provided under section 7 as substituted."

**6. Insertion of section 7A, Act X of 1974.**— In the said Act, after section 7, substituted as aforesaid, the following new section shall be inserted, namely:-

**"7A. Penalty for false statement.**— Whoever, in any return or document, required by or for the purposes of any of the provisions of this Act, willfully makes a statement false in any material particular, knowing it to be false, shall be punishable with imprisonment for a term which may extend to one year or fine which may extend to two hundred thousand rupees or both."



**STATEMENT OF OBJECTS AND REASONS**

The purpose of this Bill is to amend the Companies (Appointment of Legal Advisors) Act, 1974 to ensure compliance and better regulation of the law, The Commission shall be able to take timely cognizance of the violation of the provisions of the Act, rules or regulations made there under and impose penalty. Appeal process has also been provided. Besides, it will also give reprieve to small size companies from the mandatory requirement of appointing legal advisor.

**SENATOR MOHAMMAD ISHAQ DAR**

Minister for Finance, Revenue,  
Economic Affairs, Statistics and  
Privatization



[AS PASSED BY THE NATIONAL ASSEMBLY]

A

Bill

*further to amend the Companies (Appointment of Legal Advisors) Act, 1974*

**WHEREAS** it is expedient further to amend the Companies (Appointment of Legal Advisors), Act 1974 (X of 1974), for the purposes hereinafter appearing;

It is hereby enacted as follows:-

**1. Short title and commencement.** – (1) This Act may be called the Companies (Appointment of Legal Advisors) (Amendment) Act, 2016.

(2) It shall come into force at once.

**2. Amendment of section 2, Act X of 1974.** – In the Companies (Appointment of Legal Advisors) Act, 1974, hereinafter referred to the said Act, in section 2,-

(i) after clause (a), the following new clause shall be inserted, namely:-

“(aa) "Commission" means the Securities and Exchange Commission of Pakistan established under section 3 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);”;

(b) for clause (b), the following shall be substituted, namely:-

“(b) “Company” means a company formed and registered under the Companies Ordinance, 1984 (XLVII of 1984) and having paid up capital of more than 7.5 million rupees or such other higher or lower amount as may be specified by the Federal Government , by notification in the official Gazette, but does not include a company limited by guarantee or an association registered under section 42 of said Ordinance;”;



- (iii) in clause (c) the word "and " at the end, shall be omitted; and
- (iv) in clause (d), for the full stop at the end, a semicolon shall be substituted and thereafter the following new clause shall be added, namely:-

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

- (f) "Registrar" shall have the same meaning as are assigned to that expression in the Ordinance."

**3. Amendment of section 3, Act X of 1974.** – In the said Act, in section 3,-

- (i) in sub-section (1), after the words "in accordance with law" the words and comma "and in accordance with the terms and conditions of agreement entered into by and between the company and Legal Advisor or required by law or prescribed by any rules, regulations governing the company" shall be added; and
- (ii) in sub-section (2), for the word "an advocate" the words "advocate of High Court" shall be substituted.

**4. Substitution of section 4, Act X of 1974.** - In the said Act, for section 4, the following shall be substituted, namely:-

**"4. Retainer.-** Every legal Advisor appointed by a company shall be paid a retainer which shall not be less than five thousand rupees per mensem or such higher amount as may be notified by the Federal Government in the official Gazette."



**5. Substitution of section 7, Act X of 1974.-** In the said Act, for section 7, the following shall be substituted, namely:-

**"7. Penalty adjudication of offence and appeal.-** (1) Any person who contravenes any provision of this Act or rules or regulations made thereunder shall be guilty of an offence and shall be liable to a penalty to be imposed by the Commission as under:-

- (a) in the case of an individual including directors of the company, such sum which may extended to one hundred thousand rupees; and
- (b) in the case of company, such sum which may extend to two hundred thousand rupees.

(2) The amount of penalty imposed under sub-section (1) shall be payable to the Commission and may be recovered as provided under section 162 of the Securities Act, 2015 (III of 2015).

(3) Any person aggrieved by an order passed by the Commission or officer authorized in this behalf may prefer an appeal to Appellate Bench of the Commission under section 33 of the Securities and Exchange Commission of Pakistan Act, 1997.

(4) The Commission, before adjudication of contravention of, or failure in complying with, any provision of this Act, rules or regulations, shall give show cause notice and reasonable opportunity of being heard to the company or person.

(5) From the date of coming into effect of this section all prosecutions filed under the substituted section 7, the respective courts shall continue with the pending proceedings and may impose penalty as provided under section 7 as substituted."

**6. Insertion of section 7A, Act X of 1974.-** In the said Act, after section 7, substituted as aforesaid, the following new section shall be inserted, namely:-

**"7A. Penalty for false statement.-** Whoever, in any return or document, required by or for the purposes of any of the provisions of this Act, willfully makes a statement false in any material particular, knowing it to be false, shall be punishable with imprisonment for a term which may extend to one year or fine which may extend to two hundred thousand rupees or both."



## **STATEMENT OF OBJECTS AND REASONS**

The purpose of this Bill is to amend the Companies (Appointment of Legal Advisors) Act, 1974 to ensure compliance and better regulation of the law. The Commission shall be able to take timely cognizance of the violation of the provisions of the Act, rules or regulations made thereunder and impose penalty. Appeal process has also been provided. Besides, it will also give reprieve to small size companies from the mandatory requirement of appointing legal advisor.

**SENATOR MOHAMMAD ISHAQ DAR**

Minister for Finance, Revenue,  
Economic Affairs, Statistics and  
Privatization