

Companies Act 2017

Significant Amendments made through The Companies (second amendment) Ordinance 2020 in July 2020



Foreword

President of Pakistan has promulgated the Companies (second amendment) Ordinance, 2020 on July 7, 2020.

This ordinance has withdrawn some amendments that were introduced in May 2020. You can also read our commentary on amendments introduced earlier in May 2020. The document can be downloaded from <https://www.crowe.com/pk/insights/companies-act-2017--significant-amendments-may-2020>

The significant amendments introduced by the companies (second amendment) ordinance 2020 are presented in this publication.

Disqualification Order

Sec. 172

Earlier in May 2020, SECP powers to disqualify a director in the following cases were taken away;

1. against a person who entered into plea bargain arrangements with NAB;
2. the affairs of the company of which he is a director have been conducted in a manner which has deprived the shareholders thereof of a reasonable return;
3. that it is expedient in the public interest so to do.

Now through second amendment ordinance 2020 in July 2020, SECP has again been empowered to disqualify a director in the following cases:

1. against a person who entered into plea bargain arrangements with NAB;
2. that it is expedient in the public interest so to do.

Protection to Independent and Non-Executive Directors

Sec. 181

Earlier in May 2020, protection available to independent and non-executive directors was removed.

Now through the second amendment ordinance 2020 in July 2020, this amendment has been withdrawn and original section restored.

Appointment of Chief Executive by Govt. in Public Sector Company

Sec. 186, 187

Earlier in May 2020, Government power to appoint first and subsequent CEO of the public sector company in a specified manner was withdrawn.

In July through the second amendment ordinance 2020, this amendment has been withdrawn and the original section restored.

Compromise with Creditors and Members

Sec. 279, 280

Earlier in May 2020, the powers relevant to compromise arrangement between the Company and its creditors were taken away from SECP and given to Court.

In July through the second amendment ordinance 2020, this amendment has been withdrawn and original sections restored.

Reconstruction and Amalgamation

Sec. 282, 283

Earlier in May 2020, the powers relevant to Reconstruction and Amalgamation arrangements were transferred to the court.

In July through the second amendment ordinance 2020, this amendment has been withdrawn and the original section restored.

Companies' Global Register of Beneficial Ownership

Sec. 452

Earlier in May 2020, this requirement was changed substantially and only those persons who have 10% or more shareholding in a foreign company were required to report this fact to the company.

In July through the second amendment ordinance 2020, this amendment has been withdrawn and the original section restored. Now there is no more minimum requirement of 10%.

Security Clearance of Shareholder and Director

Sec. 461

Earlier in May 2020, SECP power to require security clearance of any shareholder, director, or any other office-bearer of a company or class of companies was taken away.

In July through the second amendment ordinance 2020, this amendment has been withdrawn and the original section restored.

Validation of Actions etc. All actions taken, approval granted or notification issued on or after the 30th April, 2020 under the Companies Act, 2017 (XIX of 2017) shall be deemed to have been validly taken, granted or issued.

This document is based upon the amendments introduced through an amendments' ordinance. If Parliament approves these amendments with any modification, then we shall issue another document based on amendments introduced through an act of parliament.



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