

Seminar on draft Companies Bill, 2016
Speech of Finance Minister
Senator Mohammad Ishaq Dar
5th September 2016

- Mr. Zafar Hijazi Chairman, SECP
- Mr Ashraf Mehmood Wathra, Governor SBP
- Mr. Masood Naqvi (Senior Partner, KPMG)
- Hafiz Muhammad Yusaf sahib (President, ICAP)
- Mr. Saeed Ahmed (Deputy Governor, State Bank)
- Fellow Professionals / Business Leaders
- Distinguished guests,
- Ladies and gentlemen,

Assalam Alaikum and very good afternoon,

It is indeed a pleasure to join you today at this seminar to consider the draft Companies Bill 2016. I am thankful to the Securities and Exchange Commission of Pakistan (SECP) for organizing this event. Chairman SECP has already termed today's seminar as historic. Other speakers also expressed similar sentiments about the new bill as well as today's seminar. I share your positive sentiments. Indeed a project of this scale and complexity takes much effort. All those who have worked on the draft bill deserve to be congratulated. Insha Allah, this new bill will play its due role in strengthening Pakistan's corporate sector and furthering our economic development.

Ladies and gentlemen,

I am a great believer in Pakistan. As a nation, we are not short of talent. Our nation is hardworking and determined with an ability of doing things in days and months, which would otherwise take years and decades. What is required is that we give our people the right leadership and direction and then we can achieve anything.

With this aim in mind, soon after assuming the office of Finance Minister, I gave the responsibility to Mr Zafar-ul-Haq Hijazi, Chairman SECP to jump start the unfinished business of corporate and capital market reforms which had been on backburner for almost a decade.

Ladies and gentlemen,

Legislative reform forms the cornerstone of the overall structural transformation process. The Companies Bill, 2016 is one of the most important milestone of a series of legislative reforms that have taken place in a short span of 3 years. The SECP, Ministry of Finance, Ministry of Law and Justice, the State Bank of Pakistan, the businessmen and brokers etc have all collaborated and cooperated to ensure that reforms are undertaken on fast track basis. My compliments to all who contributed in making these reforms materialize.

As a believer of one “Charter of Economy” for Pakistan, to be owned by all political parties, I have been trying to convince my colleagues in the Parliament that legislation relating to economic issues necessitates a nonpartisan approach. We have been very fortunate that considerable important legislation, having far reaching benefits, has been passed by the Parliament in the last one year, for which the role of the Parliamentarians is appreciated. The Securities Act 2015, the Futures Market Act 2016 which replaced the old law i.e. Securities and Exchange Ordinance 1969, the Securities and Exchange Commission of Pakistan (Amendment) Act 2016 coupled with other economic-issues related legislations have provided modern legal structure for our capital market and corporate market governance and are a testament of the success achieved in a short span of time.

Ladies and gentlemen,

The achievements of past last three years in the fields of capital markets and corporate governance have been phenomenal in every respect. In the light of a decade old resistance who could have thought that the dream of integration of Stock Exchanges in Pakistan could be realized? But where there is a will, there is a way. Now Pakistan Stock Exchange (PSX) is a reality. The integration will assist in reducing fragmentation, increasing efficiency and improving governance standards of the capital market. It will and has greatly facilitated in attracting foreign interest in Pakistan.

The divestment of the Exchange as envisaged in the Stock Exchange (Corporatization, Demutualization and Integration) Act 2012 was not possible without the integration of Lahore, Islamabad and Karachi into one consolidated Exchange of Pakistan. I am very glad to hear from the Chairman SECP in a briefing on last Saturday that many international investors have shown keen interest in the process of divestment of shares of Pakistan Stock Exchange. Hopefully this too will be realized soon and the longstanding requirement of law, which just a few years ago seemed elusive, will be fulfilled insha Allah. I fully support the endeavors of the SECP and PSX to complete the divestment process in the coming months expeditiously and transparently.

The above are just a few instances of the success of the overall government economic policies. The international investors are now eyeing Pakistan as key potential destination for investment and we have been able to break the shackles of economic isolation that our government had inherited back in 2013. The China-Pakistan Economic corridor (CPEC) which is a \$46 billion investment, of which \$36 billion is private sector investment in energy sector, will usher in a new era of development and progress in the country and has the potential to change the economic landscape of Pakistan. Here, I would like to mention that Pakistan’s re-entry after 8 years in the Emerging Markets (EM) on the Morgan Stanley Capital International’s (MSCI) Frontier Markets is no way a small achievement and is a matter of pride for all of us.

Furthermore, the government is committed in promoting with priority Islamic modes of investment. In Finance Bill 2016-17 the government announced 2% tax incentives for companies meeting Shariah criteria. Level playing field has been provided for offering sukuk with TFCs bonds through an Ordinance issued on 31 August 2016.

Ladies and gentlemen,

We have tried our best to make up for the lost decade plus to put the economy back on track. Economic indicators have been positive, GDP growth crossed 4% and moving towards 6%, inflation is decades-low, 60% increase in revenue collection in 3 years, interest rates are lowest in last 40 years, foreign remittances are at record high and foreign exchange reserves made new historic peak at \$23 billion including \$18 billion with SBP with stable rupee in forex market. Global recognition of Pakistan's macro-economic stability is there with improved ratings of Pakistan by international rating agencies. Insha Allah Pakistan is destined for even better achievements, progress, development and inclusive sustainable higher growth with jobs creation and poverty reduction.

Ladies and gentlemen,

Coming back to the draft Companies Bill, when I was first briefed about the draft bill in November 2015, I advised SECP to consider the following five points:

- i. provide for maximum facilitation to the corporate sector;
- ii. introduce maximum use of technology;
- iii. abolish unnecessary requirements;
- iv. introduce new concepts adopted by other jurisdictions; and
- v. provide a softer regime for the companies having no stake of the general public.

I am pleased to learn that SECP has taken measures to incorporate these points. I also emphasized to SECP that there should be an extensive consultation across the country through seminars, interactions and meetings with all the stakeholders. I am happy that SECP has already carried out numerous consultative sessions and meetings in different cities from Quetta to Peshawar. But to ensure that our professionals and businessmen felt fully included, I advised SECP to further extend the consultation process.

I also attended a seminar on the draft bill in the last week of March this year in which I had the opportunity to listen to the views of the stakeholders, particularly Chartered Accountants, Lawyers, Cost & Management Accountants, other professionals and the business community. Some excellent points were raised which have been included in the current draft bill.

Ladies and gentlemen,

As a professional, I remained in touch with the gradual progress made at different levels towards the finalization of the draft of the bill. The final draft Companies Bill has been received in Ministry of Finance in July and is under review before sending it to the Law Ministry for necessary legal vetting and legislative process.

However, in order to ensure maximum consensus on the draft, I advised the Chairman SECP last week to arrange a final session today in order to take into confidence all the stakeholders including the business community. Despite short notice, I am happy to see such an august gathering here today.

Ladies and gentlemen,

The new draft Companies Bill has many new concepts. Be that as it may, where as our focus has been to facilitate the corporate sector, I am equally convinced that it is time that we should also introduce enhanced corporate responsibility and transparency in our corporate sector.

The concept of Companies' Global Register of beneficial ownership is being introduced and enhanced disclosure requirement of investment in off-shore companies is envisaged in the new Companies Bill in order to ensure that companies should not become tools for illegal transmission of money. The CEOs and other key officers have an added duty to take all necessary measures to ensure that their companies are not used as a conduit for terrorist financing or money laundering and other crimes.

Our focus should not only be to incorporate more companies but at the same time it is necessary that economic progress is in conjunction with the development of a culture of corporate and social responsibility. This is essential if we have to give confidence to investors, both foreign and local. AlhamdoLillah we have achieved a lot in 3 years but we have long way to go to take this country to a much higher place it deserves in the comity of nations.

In the end, I assure the SECP team and all stakeholders that the Ministry of Finance is committed to playing its due role in making this bill into the new Companies Law at the earliest through due process insha Allah.

I thank you all.

Pakistan paindabad.