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Associations with Charitable and Not for Profit Objects (Licensing and Corporate Governance) Regulations, 2017

Government of Pakistan SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad the 7th June, 2017

NOTIFICATION

S.R.O. 450(I)/2017.- The following draft Associations with Charitable and Not For Profit Objects (Licensing and Corporate Governance) Regulations, 2017 proposed to be made by the Securities and Exchange Commission of Pakistan in exercise of the powers conferred by sub-section (1) of section 512 read with section 42 of the Companies Act, 2017 (XIX of 2017), are hereby published for the information of all the persons likely to be affected thereby and notice is hereby given that comments, if any, received within fourteen days of the date of this notification will be taken into consideration, namely-

DRAFT REGULATIONS

CHAPTER I PRELIMINARY

1. Short title, commencement and application. (1) These Regulations shall be called the "Associations with Charitable and Not for Profit Objects (Licensing and Corporate Governance) Regulations, 2017.

(2) They shall come into force at once.

2. Definitions.—(1) In these Regulations, unless there is anything repugnant in the subject or context,-

(i) "Act" means the Companies Act, 2017 (XIX of 2017);

(ii) "Annexure" means a form attached to these Regulations;

(iii) "association" means group of persons united for a common object and are desirous of or licensed under section 42 of the company law;

(iv) "benefits" for the purposes of these regulations shall mean and include all monetary and non-monetary favors of any kind received from the company directly or indirectly including but not limited to company maintained car, medical plan, house rent, loans and advances but does not include official travelling reimbursements, boarding and lodging expenses incurred on attending official meetings or expenses incurred in attending office as per entitlement;

(v) "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);

(vi) "connected person" includes,-

(a) an existing member of the company; or

(b) a past member of the company who has ceased to be a member within the period of last five years; or

(c) a person who has donated any movable or immovable property to the company; or

(d) any promoter, director, officer, agent or employee of the company; or

(e) spouse, lineal ascendants or decedents, relatives, partner, employee or nominee of any person falling within any of sub-clauses (a) to (d); or

(f) any legal person in which any person falling within any of sub-clauses (a) to (d) has an interest: or

(g) associated companies and associated undertakings of the company; or

(h) any other person who has a conflict of interest with the company.

(vii) "donation" includes contribution whether in cash or in kind, in the form of charity, grant, aid.

contribution, gift, assistance, subsidy or any other form, received directly or indirectly, from whichever source whether local or foreign, for the purpose of achieving the objects of the company;

(viii) "promoter" means a person named as subscriber to the Memorandum and Articles of Association or member of Association who has applied for the grant of a license under section 42;

(ix) "remuneration" for the purposes of these regulations shall mean and include a reward for employment in the form of pay, salary or wage including all other perquisites and non-cash incentives but does not include reimbursement for boarding/lodging for attending board meetings;

(2) Words and expressions used but not defined in these Regulations shall have the same meaning as assigned to them in the Act, Securities and Exchange Commission of Pakistan Act, 1997 and the rules made thereunder.

3. Compliance by existing companies.- (1) All companies licensed under section 42 of the company law at the time or coming into force of these regulations, shall comply with all the requirements of these regulations within a period of six months from the date of notification of these regulations in the Official Gazette.

(2) The provisions of these regulations shall have effect notwithstanding anything contained in the memorandum or articles of a company, or in any contract or agreement executed by it, or in any resolution passed by the company in general meeting or by its directors, whether the same be registered, executed or passed, as the case may be, before or after coming into force of the said provisions and any provision contained in the memorandum, articles, agreement or resolution aforesaid shall, to the extent to which it is repugnant to the aforesaid provisions of these regulations, become or be void, as the case may be.

CHAPTER II LICENSE

4. Application and procedure for grant of a license.- (1) An association desirous of obtaining a license under section 42 of the Act shall make an application to the Commission as per Annexure-I along with all the supporting documents specified hereunder through an authorized promoter or authorized intermediary on its behalf-

(i) names of promoters, proposed directors and chief executive officer;

(ii) copy of computerized national identity card (CMC)/ valid passport (in case of foreigner) of each promoter and proposed chief executive officer;

(iii) Curriculum Vitae of each promoter and proposed chief executive officer as per Annexure-II;

(iv) an affidavit by each promoter and proposed chief executive officer as per Annexure-III;

(v) the approximate future annual income and expenditure, specifying the expected sources of income and objects for its expenditure along with detailed breakup of the estimates as per Annexure-IV;

(vi) a brief statement of charitable or other useful work if already undertaken and projects proposed to be undertaken in foreseeable future as per Annexure-V;

(vii) a copy of the draft memorandum and articles of association of the proposed company;

(viii) the names of the companies, associations and other institutions in which the promoters, proposed director and chief executive officer hold any office or position, with descriptions of offices and positions so held;

(ix) a power of attorney made by all the promoters in favor of either one of them or an authorized intermediary to present the application before the Commission on their behalf, and to make other amendments, additions, corrections etc., in the documents and also to collect license as per Annexure-VI;

(x) Copy of availability of name letter issued by Company Registration Office indicating that the proposed name is available; and

(xi) original bank challan as evidence of payment of fee specified in seventh schedule of the Act.

(2) An association may apply for the promotion of single or multiple objects as provided in section 42 of the Act or as may be directed by the Commission.

(3) Where an association applies for a license for the promotion of multiple objects, it shall have at least one promoter or director each of whom possesses sufficient educational background, skill and expertise in at least one field of the proposed objects so that all the promoters collectively have sufficient educational background, skill and expertise related to all of the objects and in case it applies for license for the promotion of a single object, majority of the promoters or directors shall be so qualified.

(4) Where an association registered under any other law for the time being in force, make an application for the grant of license under section 42. It shall, in addition to the documents required to be furnished under sub-regulation (1), be accompanied with the following further information and documents, -

- (i) a brief statement of charitable or other useful work undertaken, if any;
- (ii) a copy of the audited balance-sheet, income and expenditure account and the annual report on the working of the association for the financial year immediately preceding the date of the application;
- (iii) statement of reasons for conversion of status of the existing entity into section 42 company with the Commission;
- (iv) attested copy of certificate of registration or any document evidencing registration under any other law;
- (v) resolution of all existing members for the proposed change of status;
- (vi) attested list of members of the existing entity; and
- (vii) attested copy of memorandum and articles of association, charter, or statute under which it was previously registered.

(5) Where an existing public limited company is desirous of obtaining license under section 42, it shall make an application to the Commission as per Annexure-I along with all the supporting documents specified hereunder through an authorized officer or authorized intermediary,-

- (i) copy of computerized national identity card (CNIC)/ valid passport in case of foreigner) of each promoter, director and chief executive officer;
- (ii) Curriculum Vitae of each promoter, director and chief executive officer as per Annexure-II;
- (iii) an affidavit by each promoter, director and chief executive officer as per Annexure-III;
- (iv) the approximate future annual income and expenditure, specifying the expected sources of income and objects for its expenditure along with detailed breakup of the estimates as per Annexure-IV;
- (v) a brief statement of charitable or other useful work if already undertaken and projects proposed to be undertaken in foreseeable future as per Annexure-V;
- (vi) the names of the companies, associations and other institutions in which the promoters, directors and chief executive officer hold any office or position, with descriptions of offices and positions so held;
- (vii) a copy of the audited balance-sheet, income and expenditure account for the financial year immediately preceding the date of the application;
- (viii) statement of reasons for conversion of status of the company into section 42 company;
- (ix) list of members of the company;
- (x) copy of special resolution for the proposed change of status; and
- (xi) original bank challan as evidence of payment of fee specified in seventh schedule of the Act.

5. Grant of license.- (1) The Commission, while considering the application for grant of license under sub-regulation (1) of regulation 4, may make such enquiry and obtain such other information or clarification as it may deem necessary.

(2) The Commission may, on being satisfied that the promoters, proposed directors and chief executive officer complies with the fit and proper criteria specified in regulation 10 and all other requirements for the grant of a license have been fulfilled and that it shall be in the public interest so to do, may grant a license under section 42 of the Act to the association as per Annexure-VTT, subject to such conditions as it may deem fit to impose and may direct such association to be registered as a company with the Commission in accordance of the provisions of the Act.

(3) The license shall be issued for a period of three (3) years unless it is revoked earlier by the Commission.

(4) In case of refusal of grant of license, the Commission shall issue an order of refusal. An appeal can be made by the aggrieved person before the Appellate Bench within the time period specified in the Securities and Exchange Commission of Pakistan Act, 1997:

Provided that the Commission before refusal under this regulation shall provide an opportunity of being heard to the applicant.

6. Incorporation of association.- (1) The association which has been granted a license by the Commission under regulation (5) shall apply for its incorporation as a company under the provisions of the Act within a period of 30 days of the date of issuance of such license:

Provided that the Commission may, under special circumstances, on an application made by the promoters, extend such time as deemed fit and proper in the circumstances.

(2) The license granted to an association under section 42 may be revoked if the association does not apply for its incorporation as a company under provisions of the Act within the time period as provided in these regulations or such time as extended by the Commission:

Provided that before a license is so revoked, the Commission shall give to the association an opportunity of submitting a representation in opposition to the revocation.

7. Conditions applicable to section 42 companies.- (1) In particular and without prejudice to the generality of the power of the Commission under section 42 of the Act and Regulation 5, a license may be granted to associations, subject to the following conditions, namely:-

(i) the company shall be formed as a public limited company;

(ii) the company shall utilize all its money, property, donations or income or any part thereof solely for promoting its objects:

Provided that any surplus or money not exceeding twenty five percent of total income of the year may be invested in government securities, National Savings Schemes issued by the Central Directorate of National - Savings, a collective investment scheme registered under the Non-Banking Finance Companies and Notified entities Regulations, 2008, a Real Estate Investment Trust Scheme registered under the Real Estate Investment Trust Regulations, 2015 or scheduled banks.

(iii) there shall be at least three promoters or subscribers to its memorandum and articles of association or three directors if already registered as a company under the provisions of the company law;

(iv) the limit of liability for each of its members shall not be less than one hundred thousand rupees;

(v) each promoter shall undertake to donate a reasonable amount of not less than two hundred thousand rupees as start-up donation or as advised by the Commission in each case:

Provided that this requirement shall not be applicable in case of a promoter representing or nominated by government or an institution or authority or other statutory body of the Federal or Provincial Government(s) or any other entity. In such case, the startup donation shall be contributed by the said Government, institution, body or entity as the case may be:

(vi) the directors or the chief executive officer shall be entitled only for reimbursement or payment of actual expenses incurred by them for attending meetings;

(vii) payment or remuneration and other benefits shall be allowed only to the chief executive officer and directors who are non-members and are in the whole-time employment of the company;

(viii) payment of remuneration or other benefits by the company or its subsidiary entity for services or otherwise to members of the company or to their relatives whether holding an office in the company or its subsidiary or not, shall be prohibited:

Provided that the prohibition shall continue to apply for a period of two years after a member quits from the membership of the company.

(ix) no change in the memorandum and articles of association shall be made except with the prior approval of the Commission;

(x) patronage of any government or authority, express or implied, shall not be claimed unless such government or authority has signified its consent thereto in writing;

(xi) the company shall not engage in any activities to function as a trade organization;

(xii) the company shall not exploit or offend the religious susceptibilities of the people;

(xiii) the company shall not, directly or indirectly, participate in any political campaign for elective public office or other political activities akin to those of a political party or contribute any funds or resources to any political party or any individual or body for any political purpose:

(xiv) the promoters of the company shall continue to be the members of the company unless allowed by the Commission to quit as member of the company on an application to do so:

Provided that this condition shall not be applicable in case of death of a promoter or withdrawal of nomination of promoter by government or an institution or authority or other statutory body of the Federal or Provincial Government(s) or any other entity.

Provided further that a proposed new member in lieu thereof shall be appointed or opted by the company subject to fulfillment of fit and proper criteria as prescribed under these regulations and prior approval of the Commission on application of the company;

(xv) the company shall not enter the name of any new member (other than in lieu of the promoter where prior approval of Commission is required) in the register of members unless he meets the fit and proper criteria as prescribed under these regulations;

Provided that this condition shall not be applicable on members representing or nominated by government or an institution or authority or other statutory body of the Federal or Provincial Government(s) or any other entity.

(xvi) the company shall appoint all directors and chief executive officer with the prior approval of the Commission who meets the fit and proper criteria as prescribed under these regulations;

(xvii) the company shall only form a wholly owned subsidiary company to achieve objectives of the company with prior approval of the Commission. Any other form of company shall not be permitted;

(xviii) the company shall state with its name, the phrase "A company set up under section 42 of the Companies Act, 2017", in all its letterheads, documents, signboards, and all other modes of communication;

(xix) accounting and financial reporting standards as may be applicable or notified by the Commission shall be followed in preparation of financial statements;

(xx) the income and any profits of the company, shall be applied solely towards the promotion of objects of the company and no portion thereof shall be distributed, paid or transferred directly or indirectly by way of dividend, bonus or otherwise by way of profit to the members of the company or their family members;

(xxi) the company, on having multiple objects, shall maintain separate records of all the donations with respect to each object and all such donations shall be applied solely for the promotion of that particular object and no other object, if any, of the company;

(xxii) the company shall close its accounts on 30th of June each year;

(xxiii) the company shall except where the law permits make no loan to or investment with, whatsoever, with its connected persons;

(xxiv) notwithstanding anything stated in any object clause, the company shall obtain such other licenses, permissions, or approvals of the relevant public authorities as may be required under any relevant statutory regulations and laws for the time being in force, to carry out any specific object;

(xxv) the company shall not appeal, solicit, receive or accept donations from foreign sources except with the prior permission, clearance or approval from the relevant authorities as may be required under any law or specified by the Government;

(xxvi) the company shall receive all funds, grants, contribution and cash donations through proper banking channels and all accounts shall be maintained in a commercial bank in Pakistan:

Provided that amounts equivalent to or less than fifty thousand rupees can be received in cash for which proper entries in the books and record of donor shall be maintained and such amount shall be deposited in the bank account of the company; and

(xxvii) the company shall comply with any other condition(s) as may be imposed by the Commission at the time of grant of license or renewal thereof or from time to time subsequent to such grant or renewal of license.

8. Renewal of license.— (1) An association which was issued license under the company law shall, within a period of not earlier than six months and not later than three months before the expiration of validity period of the earlier issued license, make an application to the Commission through its authored officer or authorized intermediary- for renewal of the license.

(2) The application for renewal under sub-regulation (1) shall be made to the Commission as per Annexure-VIII along with all the supporting documents as specified therein along with original receipt evidencing payment of fee specified in seventh schedule of the Act:

Provided that till such time the license is renewed, the existing license shall be deemed valid for the purposes of these Regulations unless the company failed to apply as specified in sub-regulation (1) above and fulfill all the requirements to the satisfaction of the Commission for the renewal of license:

Provided further that if the company fails to apply within the specified time period and fails to fulfill all the requirements to the satisfaction of the Commission, and Commission may initiate further proceedings in terms of provisions of sub-section(S) of section 42 of the Act.

9. Refusal to renew license. - (1) The Commission may, after affording opportunity of hearing to the applicant, may refuse to renew the license if in the opinion of the Commission such applicant does not fulfill the requirements specified under the Act and these regulations and where the Commission, after taking into account the facts, is of the view that it is not in the public interest or in the interest of the corporate sector to renew a license.

(2) An appeal can be made by the aggrieved person before the Appellate Bench within time period specified in the Securities and Exchange Commission of Pakistan Act, 1997.

10. Fit and proper criteria for promoters, members, directors and chief executive officer. (1) Each of the promoters and proposed chief executive officer of a proposed company or promoters, members, directors and chief executive officer of an existing company, as the case may be, shall meet the fit and proper criteria as provided in these regulations in order to act as promoter, director or chief executive of the company.

(2) The fitness and propriety of a promoter, member, director or chief executive shall be assessed at the time of grant of license and renewal thereof, as the case may be, by taking into account all the relevant facts including but not limited to the following:

(i) Integrity and track record.- A person must fulfill the following requirements in order to act as promoter, member, director or chief executive officer of the company:-

(a) has not been found associated with any money laundering or terrorist financing activities, illegal banking business, illegal deposit taking or financial dealings: or

(b) he or the companies in which he is a director or major shareholder have not been declared by tax authorities as a tax defaulter; or

(c) he or the companies in which he was a promoter or is a director or major shareholder have not been found involved in any fraudulent activities; or

(d) has not been a sponsor, director or chief executive of a defaulting cooperative finance society or finance company; or

(e) has not been convicted of fraud or breach of trust or of an offence involving moral turpitude; or

(f) has not been removed or forced to resign from employment or has not been removed by any bank or Development Finance Institution (DFI), regulator or government body, for misconduct in the capacity of employee, director, chief executive, chairman or key executive of a company or any other position of trust; or

(g) has not been actively involved in the management of a company whose registration or license has been revoked or cancelled or which has gone into liquidation or other similar proceedings due to financial irregularities or malpractices; or

(h) is eligible, under the Act and company law or any other legislation to act as a director; or

(i) has not been convicted by the court of law for an offence involving moral turpitude; or

(j) has not been found involved in any undesirable or anti-state activities.

(ii) Solvency and financial soundness.- A person must fulfill the following requirements in order to act as promoter, director or chief executive officer of the company:

(a) there is no instance of overdue or past due payment to a financial institution, irrespective of amount, appearing in the overdue column of latest Consumer Credit Information Report (CCIR) report of the person and of the companies, firms, sole proprietorship etc. where the person is a chief executive, director (other than nominee director), owner or partner etc.

Provided that the Commission shall provide an opportunity of making representation to the person in case of overdue or past due payment:

Provided further that the following exceptions may be granted by the Commission for the purpose of this sub-clause in case where:-

(i) Amount overdue is under litigation and the same is also appearing as amount under litigation in the CCIR report; and

(ii) No overdue payment appearing in the overdue column in the subsequent latest CCIR report:

(b) neither applied to be adjudged as an insolvent nor his application is pending;

(c) is not an un-discharged insolvent or has not been adjudged an insolvent by a court of law.

(iii) Qualification and experience.- A person must fulfill the following requirements in order to act as director or chief executive officer of the company:

(a) should possess adequate educational qualification. Provided that in cases of famous philanthropists and social workers of national repute, this requirement may be relaxed;

(b) should have adequate experience to meet the objects of the company. Provided that the Commission may relax the requirement on case to case basis.

(iv) Conflict of Interest.- A person shall not be considered fit and proper to act as promoter, member, director or chief executive officer of the company, if:

(a) he or his family members are engaged in professional or commercial business, the operations of which can directly or indirectly draw benefit from the resources and network of the company or knowledge generated by the company or the position held by him in the company or there appear close integration prospects of charitable activities with such personal commercial interests or while striving for the promotion of charitable objects of the company it gives rise to occasion for promoting such commercial interests.

Explanation: For the purpose of this clause, the word "family means" spouse, siblings and lineal ascendants and descendants.

(4) The fit and proper criteria as set out hereinabove shall also apply to members in place of quilling promoters and directors being elected or appointed or opted on board of directors including chief executive officer of the company, prior approval of which shall be sought from the Commission on an application made as per Annexure-II by an authorized officer or authorized intermediary of the company accompanied inter alia with the following documents relating to the incumbent member/director:

(a) copy of CNIC or Passport (in case of a foreign national);

(b) curriculum vitae;

(c) affidavit as per Annexure-III;

(d) minutes of meeting in which the proposal for such admission of new member or appointment, opting, election of director/chief executive officer or quitting of promoter was discussed and approved; and

(e) attested copy of resignation of the quitting promoter or director or chief executive officer stating precise reasons for such decision to leave the company.

CHAPTER III REVOCATION OF LICENSE AND WINDING UP

11. Revocation of license.- (1) In addition to the grounds provided under sub-section (5) of section 42 for revocation of the license, where the promoters, directors or chief executive officer of the company licensed under section 42 of the Act and registered under the company law does not comply with any of the conditions imposed by these regulations or are disqualified under regulation 10 or fail to get the license renewed within the time period provided under these regulations or found in violation of any provisions of these regulations, the Commission may, after giving a notice in writing and an opportunity of being heard, revoke the license.

(2) If the Commission revokes the license granted under section 42, it shall send the revocation order to the company on its registered office. The Commission may also publish the revocation order in a newspaper of wide circulation in Pakistan.

(3) Upon revocation of the license by the Commission granted under section 42, the company shall cease to enjoy the exemptions and privileges conferred upon it by virtue of licensing under section 42 of the Act.

(4) The board of directors of the company shall within a period of ten days of revocation of license shortlist the names of companies licensed under section 42 of the Act preferably having similar or identical objects to those of the company to whom the assets of the company may be transferred.

(5) The chief executive officer of the company shall sign memorandum of understanding (MoU) with the short listed companies for transfer of assets of the company within ten days of approval of board of directors in terms of sub-regulation (4).

(6) The members of the Company shall decide one company from amongst the companies with whom the MoUs have been signed in their general meeting by a special resolution.

(7) Subsequent to the approval of the members, the chief executive officer shall proceed to transfer all the

assets of the company after satisfaction of all debts and liabilities to another company licensed under section 42 and approved by the members in accordance with the Board approved policy within time frame specified in the Act.

12. Surrender of License.- (1) The Company may apply to the Commission for voluntary surrender of license and the Commission may revoke the license if it deems it expedient.

(2) Upon revocation of license, the company shall follow the procedure specified in sub-regulation (3),(4), (5),(6) and (7) of regulation 11 and provisions of section 43 of the Act.

CHAPTER IV CORPORATE GOVERNANCE

13. Responsibilities, powers and functions of the Board.-(1) The Board shall exercise its powers and carry out its fiduciary duties with a sense of objective judgment and independence in the best interests of the company.

(2) The Board shall ensure that:

(i) the conditions applicable on the company for grant of license under section 42 of the Act are being complied with in letter and spirit;

(it) professional standards and corporate values are put in place that promote integrity for the board, senior management and other employees in the form of a code of conduct;

(iii) adequate systems and controls are in place for identification and redressal of grievances;

(iv) a vision, mission and strategy statement for the company is prepared and adopted and these shall also be placed on company's website. It shall further ensure that significant policies have been formulated and are in place;

Explanation- The significant policies for this purpose may include:

- (a) governance and compliance;
- (b) human resource management;
- (c) procurement of goods and services;
- (d) capital expenditure, planning and control;
- (e) investments and disinvestment of funds;
- (f) borrowing of moneys;
- (g) determination and delegation of financial powers;
- (h) transactions or contracts with connected persons;
- (i) health, safety and environment; and
- (j) the whistleblower policy.

A complete record of particulars of the significant policies along with the dates on which they were approved or amended by the Board shall be maintained for record.

(v) a system of sound internal control is established, which is effectively implemented and maintained at all levels within the company;

(vi) a clear division of responsibilities at the head of the company between the running of the board and the running of the company's business;

(vii) board committees are established in order to allow a more effective discharge of duties:

(viii) a comprehensive Board approved plan is in place for transfer of assets of the company if case of revocation of license, to another company licensed under section 42, preferably having similar or identical objects to those of the company.

(3) The chairman shall be elected from among the directors of the company. The chairman shall be responsible for leadership of the board and shall ensure that the board plays an effective role in fulfilling all its responsibilities.

(4) The Board shall clearly define the respective roles and responsibilities of the chairman and the chief executive of the company.

14. Significant issues to be placed for decision of Board.-(1) In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the Board and/or its committees, including, inter-alia, the following;

(i) the chief executive shall immediately bring before the board, as soon as it is foreseen that the company will not be in a position of meeting its obligations on any loans including penalties on late payments and

other dues, to a creditor, bank or financial institution or default on any debt instrument, full details of the company's failure to meet obligations shall be provided in the company's annual audited financial statements;

(ii) annual operations plan, cash flow projections, forecasts and strategic plan;

(iii) budgets including capital, manpower and overhead budgets, along with variance analysis;

(iv) analysis of utilization of the funds received from the donors for specific purposes in accordance with the terms of agreement entered into with them;

(v) matters recommended and/or reported by the committees of the board;

(vi) internal audit reports, including cases of non-compliances, fraud, bribery, corruption, or irregularities of a material nature;

(vii) management letter issued by the statutory auditors;

(viii) details of joint venture or collaboration agreements or agreements with donors, donees, partners in projects and stakeholders;

(ix) promulgation or amendment to a law, rule, regulation or condition of licence, enforcement of an accounting standard or guideline and such other matters as may affect the company:

(x) status and implications of any law suit or proceedings of material nature, filed by or against the company;

(xi) any show cause, demand, prosecution or court notice received from revenue, regulatory authorities or any court of law;

(xii) failure to recover material amounts of loans, advances, and deposits made by the company;

(xiii) any significant occurrences and instances having impact on the projects undertaken by the company;

(xiv) significant financial or other claims made or likely to be made against the company, including any adverse judgment or order made on the conduct of the company or of another company that may have an impact on the company;

(xv) report on governance, compliance and whistle blower protection mechanism; and

(xvi) review of annual performance of plans and projects being undertaken by the company during the preceding year.

15. Directors' Orientation Courses. All companies shall make appropriate arrangements to carry out orientation courses for their directors to acquaint them with these Regulations, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the company.

16. Company Secretary- appointment and removal.- (1) The company licensed under section 42 of the company law must have a company secretary.

(2) The appointment, removal, remuneration and terms and conditions of employment of the company secretary shall be determined by the chief executive officer with the approval of the board of directors.

17. Qualification of company secretary. The qualification of the company secretary shall be as prescribed in the Companies (Compliance and Reporting Obligations) Regulations. 2017.

18. Corporate and financial reporting framework.—(1) Without prejudice to the requirements of filing of documents with the registrar under the Act, the following information shall also be annexed to the Directors' Reports of the companies:

(i) if the company is not considered to be a going concern, the fact along with the reasons shall be disclosed:

(ii) significant deviations from forecasted annual plan of the company. Specifically highlighting reasons for non-utilization of donations;

(iii) significant operational plans for the future;

(iv) a statement as to the sources of donations received and their application.

(2) The company shall separately maintain the following registers in addition to the books of account as required under the Act:

(i) register of donors and donations received in cash or in kind along with their complete names, addresses, the amounts received from them, mode of receipt with instrument of receipt's full particulars and the purpose of donation;

(ii) register of donees and beneficiaries of the funds disbursed in cash or in kind with their complete names, addresses, the amounts received by them and the purpose of disbursement;

(iii) register of connected persons of the company who have received any disbursement in cash or in kind from the company or made any transaction or contract with the company; and

(iv) register of each projects showing all revenues received and generated for a particular project and expenditures incurred for each of such project.

19. Financial Statements.- (1) The company shall ensure that its income and expenditure account clearly exhibits a statement of all funds, grants, contributions, donations received from a local and foreign source separately.

20. Monthly Reporting.- (1) The company shall submit monthly statement of money received from a local and foreign source equivalent to or in excess of live million rupees as per Annexure-IX.

21. Statutory Auditors.- (1) The statutory auditors of the company shall be appointed from amongst the audit firms having satisfactory rating under the Quality Control Review.

(2) The statutory auditor or the engagement partner of the statutory auditor shall not be a close relative, i.e. spouse, siblings, lineal ascendants and descendants of the directors, members or officers of the company.

CHAPTER V MISCELLANEOUS

22. Website of the Company.- (1) The company shall maintain a functional and updated website containing information related to-

(i) a vision, mission and strategy statement:

(ii) objects;

(iii) licensing conditions;

(iv) Contact details including registered address, email, telephone and fax numbers;

(v) individual profiles of the directors including chief executive;

(vi) audited financial statements:

(vii) current projects and operations as well as summary of projects and work done at least during the last preceding three years;

(viii) description of major donors with their addresses;

(ix) beneficiaries of the charitable work; and

(x) other information as may be required by the Commission from time to time.

23. Electronic Documents.- (1) The Commission may provide e-Services for the electronic filing or lodging of the application, document or report to be filed under any provision of the Act, or these regulations.

(2) A copy of or an extract from any document electronically filed or lodged with the Commission or the registrar under these regulations or supplied or issued by the Commission or the registrar and certified to be a true copy thereof or extract therefrom under the hand and seal of an officer of the Commission or the registrar, shall be admissible in evidence in any proceedings as of equal validity as the original document.

(3) Where a document is electronically filed or lodged with the Commission or the registrar, the Commission or the registrar shall not be liable for any loss or damage suffered by any person by reason of any error or omission or whatever nature arising or appearing in any document obtained by any person under the e-service referred under these regulations, if such error or omission was made in good faith and in the ordinary course of the discharge of the duties of the Commission or the registrar or occurred or arose as a result of any defect or breakdown in the service or in the equipment used for the provisions of the e-service.

24. Filing Procedure. -(1) The company filing any application, document or report under any provision of the Act, or these regulations shall be delivered in the following manner to the Commission or the Registrar, as the case may be:

(i) by authorized officer or authorized intermediary against receipt or by registered post:

(ii) accompanied by the fee payment online or through credit card or original bank challan evidencing payment of applicable fee as mentioned in seventh schedule of the Act;

(iii) signed and verified by the authorized officer or authorized intermediary;

(iv) in case of manual application, it shall be in printed form setting out precisely the facts, grounds and claims or relief applied for and specifying the relevant provisions of the Act under which action or relief is

applied for along with documents referred to in the application;

(v) in ease of an appeal, it shall be accompanied by a certified copy of such order or decision:

25. Penalties.— Any contravention or violation of these regulations shall be punishable in accordance with section 44 of the Act.

ANNEXURE I

Association with charitable and not for profit objects (Licensing and Corporate Governance) Regulations, 2017

[See Regulation 4]

APPLICATION FOR GRANT OF LICENSE UNDER SECTION 42 OF THE ACT [WHERE APPLICANT IS AN EXISTING PUBLIC LIMITED COMPANY]

PART-I

(To be complete by applicant in block letters)

1.1 CUIIN (Incorporation Number)

1.2 Name of the Company

1.3 Fee Payment Details

1.3.2 Challan

Amount

1.3.1 Challan No.

PART-II

Section - A - Proposed Company information

2.1 Object(s) of the Company

Brief

object(s)

2.2. Particulars of promoters / director / CEO

Name	Father/ Husband Name	CNIC or Passport No (in case of foreign national)	Nationality	Occupation	Residential address	No of shares subscribed, only in case of company having share capital (for promoter)

2.3 Details of start-up donation by promoter

Name of Promoter	Nature of Donation (cash or in kind)	Amount of Cash donation (Rs.)	Description of in-kind donation	Value of in- kind donation

2.4 Declaration

I do solemnly mid sincerely declare that:

a) I have been authorized as declarant by the promoters:
b) all the requirements of the Companies Act, 2017, and Associations With Charitable and Not For Profit Objects (Licensing and Corporate Governance) Regulations, 2017 have been complied with;

c) I make this solemn declaration conscientiously believing the same to be true

PART-III**3.1 Signature**

**3.2 Name of Authorize Officer/
Authorized Intermediary**

3.4 Date

D	D	M	M	Y	Y	Y	Y
---	---	---	---	---	---	---	---

Enclosures:

- i. names of promoters, directors and chief executive officer;
- ii. copy of computerized national identity card (CNIC) of each promoter, director and chief executive officer and where the promoter is a foreigner, a copy of valid passport;
- iii. curriculum vitae of each Promoter, directors and chief executive officer as per Annexure-II;
- iv. an affidavit by each Promoter, director and chief executive officer as per Annexure-III;
- v. the approximate future annual income and expenditure, specifying the expected sources of income and objects for its expenditure along with detailed breakup of the estimates as per Annexure-IV;
- vi. a brief statement of charitable or other useful work if already undertaken and projects proposed to be undertaken in foreseeable future as per Annexure-V;
- vii. the names of the companies, associations and other institutions in which the promoters, directors and chief executive officer hold any office or position, with descriptions of offices and positions so held;
- viii. a power of attorney made by the Board in favour authorized officer or an authorized intermediary to present the application before the Commission on their behalf, and to make other amendments, additions, corrections etc., in the documents and also to collect license as per Annexure-VI; and
- ix. original bank challan as evidence of payment of specified fee.

ANNEXURE II

**Association with charitable and not for profit objects
(Licensing and Corporate Governance) Regulations, 2017
[See Regulation 4]**

Information to be provided by promoters, members in lieu of quitting promoters, proposed directors, proposed chief executive officer of the Company

PART-I**1.1 Profile**

Name:	
Father's-Husband's Name	
Nationality	
CNIC No/Passport No:	
Date of Birth	
Contact details:	
(i) Residential Address	
(ii) Business Address	
(iii) Telephone Number	
(iv) Mobile Number	
(v) Fax Number	
(vi) Email address	
Educational Qualifications:	
Designation	Promoter ☐ Member in lieu of promoter ☐
	Director ☐ Chief Executive Officer ☐

Experience Detail:

1.2 Current Position (describing office held presently with the name of the company/ /association/Institution/ business entity, etc., and work responsibilities related to such office held indicating length of period of such experience with reference dates}:

- i. _____
- ii. _____
- iii. _____

1.3 Previous experience in other offices including related to main objects of the association now being formed

- i. _____
- ii. _____
- iii. _____

1.4 Other experience details:

- i. _____
- ii. _____
- iii. _____

[Note: If needed, separate extra sheets can be used for each item]

2.1 Signature

2.2 Name of Authorized
Promoter/Authorized
Intermediary/Authorized Officer

2.3 Registration Number of
Authorized Intermediary, Where
applicable

2.4 Date

D	D	M	M	Y	Y	Y	Y
---	---	---	---	---	---	---	---

ANNEXURE III

Association with charitable and not for profit objects
(Licensing and Corporate Governance) Regulations, 2017
[See Regulation 4 and regulation 8]

AFFIDAVIT / UNDERTAKING

1. (name or promoter/director/proposed chief executive officer/chief executive officer) son/daughter/wife (father/husband name), resident of _____ and holding CNIC/Passport No. _____ do hereby state on solemn affirmation as under that I:-

(a) Am eligible to act as _____ according to fit and proper criteria specified in the Regulations;

(b) have sufficient skills, expertise and resources for the attainment of object of the company/proposed company:

(c) shall contribute a reasonable amount but not less than Rs. _____ /- as startup donation to the proposed company/company. The same shall be deposited in the company's account within a period of six months of its incorporation/grant of license [in case of existing companies] which shall be used for the attainment of its object(s) and shall not be refundable to the subscribers, directly or indirectly; {this clause is applicable only promoters in case of application for grant of license under regulation 4}

(d) have not been associated with any money laundering or terrorist financing activities and neither have approved receipt of nor received such monies and likewise neither have approved disbursement of nor disbursed such monies in any manner for money laundering or terrorist financing purposes;

(e) have not been associated with any illegal banking business, deposit taking or financial dealings:

(I) I and the companies in which I am director or major shareholder have no overdue loans or installments outstanding towards banks or other financial institutions, or have not been declared tax defaulter by tax authorities;

(g) neither I nor companies in which I am a director or major shareholder have defaulted in paying taxes as on the date of application;

(h) have not been a sponsor, director or chief executive of a defaulting cooperative finance society or finance company;

(i) have never been convicted of fraud or breach of trust or of an offence involving moral turpitude or removed from services for misconduct;

(i) have neither been adjudged an insolvent nor have defaulted in making payments to my creditors;

(k) the funds raised shall be spent for objects of the proposed company and for other lawful purposes:

(l) am fully aware of the affairs of the proposed company/company particularly the application under section 42 of the Companies Act, 2017; and

(m) Whatsoever stated in the application and accompanied documents is true and nothing has been concealed in the application.

DEPONENT

The Deponent is identified by me

Signature _____

ADVOCATE (Name and Seal)

Solemnly affirmed before me on this _____ day of _____ at _____ by the above named Deponent who is identified to me by _____, Advocate.

Signature

OATH COMMISSIONER FOR TAKING AFFIDAVIT

(Name and Seal)

ANNEXURE IV

Association with charitable and not for profit objects (Licensing and Corporate Governance) Regulations, 2017 [See Regulation 4]

STATEMENT OF ESTIMATED FUTURE ANNUAL INCOME AND EXPENDITURE

PART-I

INCOME	Notes	Year 1	Year 2	Year 3
Donations and Grants - Local	1			
Donations and Grants - Foreign	2			
Members' donations Start-up				
Members' donations - Other	3			
Other sources, specify, if any	4			
Previous year's surplus(deficit) B/F				
Total funds available for the year				
EXPENDITURE		Year 1	Year 2	Year3
Registration and Legal fee				
Expenditures on object related projects:				

Project 1 (specify)	5			
Project 2 (specify), if any	6			
Project 3 (specify), if any, etc.	7			
Administrative and operational expenditures	8			
Total Expenditures				
Income over Expenditures: Surplus (Deficit), if any				

PART-II

2.1 Signature

2.2 Name of Authorized
Promoter/Authorized
Intermediary/Authorized Officer

2.3 Registration Number of
Authorized Intermediary, Where
applicable

2.4 Date

D	D	M	M	Y	Y	Y	Y
---	---	---	---	---	---	---	---

Enclosure: Notes to statements of estimates

Note 1: Donations and Grants - Local

		Year 1	Year 2	Year 3
Source 1 (Specify)	1.1	0,000,000	0,000,000	0,000,000
Source 1 (Specify), if any		0,000,000	0,000,000	0,000,000
Source 1 (Specify), if any	1.2	0,000,000	0	0
Total		0,000,000	0,000,000	0,000,000

1.1 There can be further descriptive/break up notes to elaborate the item.

1.2 Inters of consent/ letters of intent can be attached to support the above statement.

Note 2: Donations and Grants Foreign

		Year 1	Year 2	Year 3
Source 1 (Specify)	2.1	0,000,000	0,000,000	0,000,000
Source 1 (Specify), if any		0,000,000	0,000,000	0,000,000
Total		0,000,000	0,000,000	0,000,000

2.1: There can be further descriptive/breakup notes to elaborate the item.

2.2: Letters of consent/letters of intent shall be attached to support the above statement

ANNEXURE-V

**Association with charitable and not for profit objects
(Licensing and Corporate Governance) Regulations, 2017
[See Regulation 4]**

**BRIEF STATEMENT OF THK WORK ALREADY DONE BY THE ASSOCIATION/COMPANY OR
PROPOSED TO BE DONE AFTER GRANT OF LICENCE UNDER SECTION 42 OF THE COMPANIES ACT,
2017**

PART-I

Work already done (salient features), if any:

- 1.
- 2.
- 3.

Work Proposed to be done (outlining salient features and the mechanism to achieve the object):

- 1.
- 2.
- 3.

[Note: If needed, separate extra sheets can be used for each item]

PART-II

2.1 Signature

2.2 Name of Authorized
Promoter/Authorized
Intermediary/Authorized Officer

2.3 Registration Number of
Authorized Intermediary, Where
applicable

2.4 Date

D	D	M	M	Y	Y	Y	Y
---	---	---	---	---	---	---	---

ANNEXURE-VI

Association with charitable and not for profit objects
(Licensing and Corporate Governance) Regulations, 2017
[See Regulation 4]

LETTER OF AUTHORITY

We, the undersigned promoters/Board of Directors of the proposed company/company M/S <.....>, do hereby authorize <.....> one of promoter of the proposed Company: or <.....> a registered intermediary; or <.....> officer of the company [applicable only in case of existing public limited company]

whose specimen signature is appended herein below to present us before the Securities and change Commission of Pakistan to submit application.' papers for grant of license under section 42 of the Companies Act. 2017. and to make necessary amendments required by the SECP, to collect license, and to sign and give necessary explanation on our behalf in relation to the above and the allied mailers.

Name and signature of Promoter-1/Director

Name and signature of Promoter -2/Director

Name and signature of Promoter -3/Director

Name and signature

Seal and signature of Notary Public

ANNEXURE VII

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN LICENCE UNDER SECTION 42 OF THE COMPANIES ACT, 2017

Whereas it has been proved to the satisfaction of the Securities and Exchange Commission of Pakistan (the "Commission") that an association to be named //a company named as- <Name of Association/Company> capable of being formed as a public limited company under the Companies Act, 2017/formed as a public limited company, is being formed/formed with the primary object '_____' and other objects contained in its Memorandum of Association and it intends to (a) apply its profits and income towards those objects and (b) prohibit the payment of any dividend or profit to

its members.

2. Now, therefore, in pursuance of section 42 of the Companies Act, 2017, the Commission is pleased to grant this licence to the said Association/Company and direct that it may be registered as a public company with limited liability and not having a share capital without addition of the words "(Guarantee) Limited/Limited" to its name- it may not add the words "Guarantee) Limited/Limited" to its name.

2. This licence is granted subject to the conditions as mentioned overleaf.

3. Given under my hand at Islamabad this _____ day of May, 2017.

Commissioner (CCD-CLD)

Licence No.

ANNEXURE-VIII

Association with charitable and not for profit objects
(Licensing and Corporate Governance) Regulations, 2017
[See Regulation 8]

APPLICATION FOR RENEWAL OF LICENSE

PART-I

(Please complete in typescript or in bold block capitals.)

(To be complete by applicant in block letters)

1.1 CUIN (Incorporation Number)

1.2 Name of the Company

1.3 Fee Payment Details

1.3.2 Challan
Amount

1.3.1 Challan No.

PART-II

2.1 Declaration by the applicant

I do hereby solemnly, sincerely declare that the information provided in the form is true, and correct to the best of my knowledge and nothing has been concealed.

PART-III

3.1 Signature

3.2 Name of Authorized
officer/Authorized Intermediary

3.3 Registration No. of
Authorized Intermediary

3.4 Date

D	D	M	M	Y	Y	Y	Y
---	---	---	---	---	---	---	---

Enclosure:

1. Original copy of paid bank challan evidencing payment of fee;
2. A brief statement of the work undertaken in last three years and proposed to be done in next three years
3. Updated Curriculum Vitae of directors and chief executive officer
4. Affidavits from the directors and chief executive officer as per Annexure-II
5. List of existing members with their occupations, residential addresses, contact, numbers and copies of CNICs in case of any change in the list of members as stated in the last Annual Return filed by the company with the concerned registrar (Company Registration Office)

ANNEXURE-VIII

**Association with charitable and not for profit objects
(Licensing and Corporate Governance) Regulations, 2017
[See Regulation 21]**

Details of Funding

Registration No. _____
Company Name _____
For the Month of _____

Details of Funding

Registration No. _____
Company Name _____
For the Month of _____

S.No.	Donor Name	Donor Address	Transaction Date	Amount Received	Bank Branch Name where funds are received	Bank Account No. where funds are received		
				In foreign currency, if any US \$	In Pak Rupees equivalent in Pak Rupees			

(Uzma Hayat)
Secretary to the Commission