



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN
COMPANY LAW DIVISION
CORPORATIZATION AND COMPLIANCE DEPARTMENT

No. CLD/RD/CO-42/17/2005- 5324

Islamabad, the 16th December, 2015

CIRCULAR NO. 45/2015

Subject: CONDITIONS FOR GRANT OF LICENCE TO ASSOCIATIONS NOT FOR PROFIT UNDER SECTION 42 OF THE COMPANIES ORDINANCE, 1984 OR RENEWAL THEREOF

The provisions of Section 42 of the Companies Ordinance, 1984 (the 'Ordinance') and Rule 6 of the Companies (General Provisions and Forms) Rules, 1985 (the 'Rules') provide the legal framework for licencing of Not-For-Profit Associations according to which the Commission may grant licence on such conditions and subject to such regulations as it thinks fit and those conditions and regulations are binding on the association and are inserted in the licence and Memorandum and Articles of Association respectively.

2. Within the above framework of law, the Commission granted licence or renewal thereof under Section 42 of the Ordinance on certain conditions including *inter alia* the following:

- (a) Payment of remuneration for services or otherwise to its members, whether holding an office in the company or not, shall be prohibited.
- (b) The subscribers to the Memorandum and Articles of Association of the company shall continue to be the members of the company unless allowed by the Commission on application to quit as members.

3. The above conditions have been revised along with incidental requirements and a further condition imposed in line with Section 197 of the Ordinance, for grant or renewal of licence under Section 42 of the Ordinance which shall also apply to all companies already licenced under the said Section 42, in the following manner:-

- (i) For the existing condition mentioned at Para 2 (a) above, the following shall be read:

Payment of remuneration by the company or its subsidiary entity for services or otherwise to members of the company or to their family members 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 five years after a member quits from his membership of the company.

- (ii) For the existing condition mentioned at Para 2 (b) above, the following shall be read:

The subscribers to the Memorandum and Articles of Association of the Company shall continue to be the members of the Company unless allowed by the Commission on application to quit as members provided that a proposed new director in lieu thereof shall not be appointed or opted unless allowed by the Commission on application to appoint or opt him/her as director.

(iii) While allowing the existing subscriber members to quit from the company, the propriety of the incumbent member/director shall meet the requirements already prescribed by various Circulars for evaluating promoters of new associations for grant of licence and directors/chief executive of the existing associations at the time of renewal of licence. For the purpose, application shall be made in terms of Rule 30 of the Rules accompanied *inter alia* with the following documents relating to the incumbent director:

- (a) Copy of CNIC or Passport (if a foreign national);
- (b) Resume along with affidavit by the incumbent member/ director affirming that he/she has sufficient skills, expertise and resources for attainment of objects of the Company; has not been associated with money laundering or terrorist financing activities; and is not defaulter of loans, etc.; and
- (d) Minutes of meeting in which the proposal to appoint/opt the new director was approved.

(iv) The following further condition has been imposed by the Commission:

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.

4. Accordingly, all the associations set up in pursuance of licence granted under Section 42 of the Ordinance and registered with the Commission, are hereby directed to comply with the above conditions and requirements in letter and spirit.



(Mubasher Saeed Saddozai)
Director (CCD)

Distribution:

1. Chief Executives of all Associations licenced under Section 42 of the Ordinance ,
2. The Institute of Chartered Accountants of Pakistan, Karachi ,
3. The Institute of Cost and Management Accountants of Pakistan, Karachi ,
4. The Institute of Corporate Secretaries of Pakistan,
5. All CROs ,
6. Office copy .

✉ 6th Floor, NIC Building, Jinnah Avenue, Islamabad

☎ Tel: 92-51- 9100445 Fax: 051- 9100448

✉ e-Mail: mubasher.saeed@secp.gov.pk website: www.secp.gov.pk