



PICG ADVISORY UPDATE-10

February & March 2018

**GOVERNANCE, COMPLIANCE
& CORPORATE REPORTING**

The Update

Corporate governance refers to the way in which corporations are directed, administered, and controlled. It is concerned with both the relationship between internal and external stakeholders as well as the governance processes designed to help a corporation achieve its goals. Good corporate governance contributes to sustainable economic development by enhancing the performance of companies as well as striking a balance between both economic and social goals and between individual and communal goals.

Corporate reporting is evolving from mere financial reporting to include non-financial disclosures in order to address the needs of a wider stakeholder audience. Investors are looking for more data in annual reports to devise their investment and valuation strategies. Compliance with applicable laws and regulations is also fundamental to good governance.

PICG's Advisory Update, therefore, aims at keeping our members up to date with regards to the latest governance-related changes to regulations and practices, both local and international; and to ensure that they are aware of various compliance requirements of their business.

The update consists of a **Summary Table** with links to relevant information followed by a **Synopsis** of the changes.

A. Summary Table

Pakistan

Sr #	Issued by	Reference	Date (2017)	Topic / Update link
1. Regulations/ Rules issued				
i	SECP	SRO 556 (I) 2018	April 26, 2018	Companies (Manner and Selection of Independent Directors) Regulations, 2018
ii	SECP	SRO 436 (I)/2018	April 9, 2018	Draft Shariah Standards of Accounting and Auditing AAOIFI
iii	SECP	SRO 435 (I)/2018	April 9, 2018	Draft Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018
iv	SECP	SRO 407(I)/2018	March 26, 2018	Draft Limited Liability Partnership Regulations, 2018
v	SECP	SRO 306(I)/2018	March 7, 2018	Draft Securities and Exchange Commission of Pakistan (Search and Seizure) Rules, 2018
vi	SECP	SRO 273 (I)/2018	March 1, 2018	Draft Shariah Governance Regulations, 2018
vii	SECP	SRO 254(1)/2008	Feb 22, 2018	Companies (Postal Ballot) Regulations, 2018
viii	SECP	SRO 227 (I)/2018	Feb 13, 2018	Mediation and Conciliation Regulations 2018
ix	SECP	SRO 241(I)/2017	Feb 15, 2018	Shariah Standards of AAOIFI 17,18 & 23

Sr #	Issued by	Reference	Date (2017)	Topic / Update link
2. Guidelines				
i	SBP	BPRD Circular Letter No. 04 of 2018	April 19, 2018	Extension in implementation of Compliance Risk Management (CRM) guidelines
3. Amendments				
i	SECP	Press Release	April 12, 2018	Proposed amendments to Chartered Accountant Ordinance
ii	SECP	SRO 253(I)/ 2018	Feb 21, 2018	Securities and Futures Advisers (Licensing and Operations) Regulations, 2017
4. Others				
i	SBP	BPRD Circular No. 04 of 2018	April 13, 2018	Domestic Systemically Important Banks Framework
ii	SBP	BPRD Circular No. 03 of 2018	April 6, 2018	Prohibition of Dealing in Virtual Currencies/Tokens
iii	SBP	SRO 423(I)/ 2018	April 3, 2018	Disclosures in Statement of Material Facts
iv	SBP	Press release	March 16, 2018	Corporate Rehabilitation Act, 2018

International

Topic	Links
Launch of Institute of Directors-Vietnam	http://viod.vn/
Global Financial Development Report 2017/2018: Bankers without Borders ¹	https://openknowledge.worldbank.org/bitstream/handle/10986/28482/9781464811487.pdf

¹ World Bank. 2018. Global Financial Development Report 2017/2018: Bankers without Borders. Washington, DC: World Bank. doi:10.1596/978-1-4648-1148-7. License: Creative Commons Attribution CC BY 3.0 IGO

Synopsis of changes

Pakistan

1. Regulations/ Rules issued

Various Regulations/ Rules have been notified by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan to streamline procedures and improve governance structures of companies in Pakistan.

Following is a summary of such Regulations / Rules (both drafts issued for public comments and final versions) issued during the past couple of months as notifications, circulars, drafts, etc., which have been placed on their respective websites:

a. Final Regulations/ Rules issued

Sr. no	Name of Regulations / Rules	Effective date	Description
1	Companies (Manner and Selection of Independent Directors) Regulations, 2018	From periods starting after June 30, 2018	<p>These Regulations shall apply to:</p> <ul style="list-style-type: none"> any institute, body or association, notified by the Commission for maintaining and creating a databank of independent directors, and companies or entities that are required to select independent directors under any law, rules, regulations or code (unless any other mechanism is provided under their respective law for the time being in force). <p>See below for further details.</p>
2	Shariah Standards No 17, 18 and 23 of AAOIFI	Feb 16,2018	<p>The Standards pertain to:</p> <p>Shariah Standard No 17 - Investment Sukuk, Shariah Standard No 18 - Possession (Qabd) and Shariah Standard No 23 - Agency and the Act of an Un-Commissioned Agent (Fodooli)</p> <p>The standards are aimed at harmonizing business practices of Islamic financial institutions. Various Accounting and Shariah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) have been adopted as a benchmark for Islamic financial services while keeping in view the local business context.</p> <p>The Shariah Advisory Board of SECP approved the above Standards for adoption, following which the Islamic Finance Department (IFD) presented them to the Commission for approval, which has now been granted after a thorough consultative process and notified accordingly.</p>
3	Companies (Postal Ballot) Regulations, 2018	Feb 22,2018	<p>The right of voting through postal ballot shall be provided to members of:</p> <ol style="list-style-type: none"> every company, subject to the requirements of sections 143 and 144 of the Act (pertaining to demand for poll & poll for secret ballot); and a listed company in case of election of directors. <p>The regulations highlight the responsibility of companies and procedures for voting both through electronic medium and via ballot paper. It also discusses the responsibility of the Chairman towards the results of the polling.</p> <p>The 'Companies (E-Voting) Regulations, 2016' issued vide S.R.O 43 (I)/2016 dated January 22, 2016 stand repealed with the issuance of these regulations.</p>

4	Mediation and Conciliation Regulations 2018	Feb 9, 2018	<p>In order to resolve disputes of the corporate sector, SECP shall establish a panel of mediators or conciliators for resolution of disputes, claims or controversy arising among company's management, creditors, members or directors of companies. The mediator or conciliator shall follow the procedures laid down in the regulations to dispose off the referred matters.</p> <p>Certain matters that shall not to be referred to mediation or conciliation include cases involving serious fraud, fabrication of documents forgery, impersonation, etc; cases involving prosecution for criminal and non-compoundable offences and cases which involve public interest or interest of persons who are not parties before the Commission or the Appellate Bench.</p>
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Companies (Manner and Selection of Independent Directors) Regulations, 2018

The SECP has notified regulations specifying the manner and procedure for selection of independent directors from a databank, and we are pleased to announce that in January 2018 the SECP had notified that the Pakistan Institute of Corporate Governance (PICG) shall maintain such databank of independent directors. PICG is currently in the process of setting up the databank and compiling the necessary information in this regard. The regulations shall come into force for periods starting after June 30, 2018 and till then, companies shall continue with their respective current practices for appointment.

Section 166 of the Companies Act, 2017, defines the criteria to qualify as an independent director and requires that such directors be chosen from a databank maintained by an institute/body authorized by the SECP. The qualification criteria specified through the said regulations aims at encouraging new professionally qualified entrants along with experienced individuals.

Salient matters covered in the regulations include:

- i. **Databank** - minimum details required to be maintained with respect to persons included therein (eg. name, NIC & NTN number, educational and professional qualifications and experience, details of directors training program attended, etc).

Furthermore, it is stated that the Institute shall allow access to the databank to companies for appointment of independent directors, subject to the provisions of a reasonable fee.

- ii. **Eligibility criteria** - this portion specifies the educational and other requirements of persons desirous of including his/her name on the databank. This includes both professional qualification and experience criteria.

Within 12 months of appointment as an independent director on a board, individuals are required to complete a Directors' Training Program (DTP) or avail exemption from the Commission as per the requirements of Regulation 20 of the Listed Companies (Code of Corporate Governance) Regulations, 2017.

The due diligence of selection of independent directors, as envisaged in the new law, continues to rest with the company.

- iii. **Procedure and manner for including names of persons** - any eligible person desirous of including his/ her name on the databank shall make an application to the institute along with all the relevant information. Factors that shall disqualify an individual from being included in the databank have also been stated.

Every approved director training institute/organization shall provide specified details to PICG within 15days of an individual completing the DTP.

b. Draft Regulations/ Rules

Sr. no	Name of Regulations / Rules	Public comment deadline	Description
1	Draft Shariah Standards 21,27,30,44,45, 46,53 of 'Accounting and Auditing Organization of Islamic Financial Institutions' (AAOIFI) -	April 24, 2018	<p>The SECP has notified the following 7 draft Shariah standards for public consultation, to bring about harmonization and standardization in the business practices of Islamic financial institutions:</p> <p>Shariah Standard No. 21 - Financial Papers (Shares & Bonds), Shariah Standard No. 27 - Indices, Shariah Standard No. 30 - Monetization (Tawarruq), Shariah Standard No. 44 - Obtaining and Deploying Liquidity, Shariah Standard No. 45 - Protection of Capital and Investments, Shariah Standard No. 46 - Al-Wakalah Bi Al-Istithmar (Investment Agency), Shariah Standard No. 53 - Arboun (Earnest Money).</p> <p>The SECP is gradually adopting accounting and Shariah standards issued by the AAOIFI as a benchmark for the Islamic financial services industry. SECP earlier notified:</p> <p>IFAS 1- Morabahah - 2005 IFAS 2- Ijarah- 2007 IFAS 3- Profit and Loss Sharing on Deposits- 2013</p> <p><u>In 2016:</u> Shariah Standard No. 3- Default in Payment by a Debtor Shariah Standard No. 8-Murabahah to the Purchase Orderer Shariah Standard No. 9- Ijarah and Ijarah Muntahia Bittamleek Shariah Standard No. 13- Mudarabah</p> <p><u>In February 2018 (refer 'final regulations' table above)</u> Shariah Standard No. 17-Investment Sukuk Shariah Standard No. 18- Possession (Qabd) Shariah Standard No. 23 - Agency and the Act of an un-commissioned agent (Fodooli)</p> <p>The SECP's Shariah Advisory Board approved the adoption of the draft 7 additional Shariah standards in April 2018, and consequently, the Commission approved publication for public consultation.</p>
2	Draft Employees Contributory Funds (Investment in Listed Securities) Regulations, 2018.	April 23, 2018	<p>The draft regulations specify limits for investments in listed securities and reporting requirements for investments made.</p> <p>The regulations shall apply to all provident funds, contributory pension funds or any other contributory retirement funds constituted by a company or where a trust has been created by a company to manage such funds in respect of all the investments made by a company or trust in bonds, redeemable capital, debt securities or instruments issued by a statutory body, units of collective investment schemes registered as notified entities with the Commission, and in listed securities including shares of companies, bonds, redeemable capital, debt securities and equity securities. However, these Regulations shall not apply to a company governed under Voluntary Pension Systems Rules, 2005.</p> <p>Within 1 year from the date of commencement of notification of these Regulations, all investments from the above mentioned funds shall be brought in conformity with the provisions of these Regulations; and the</p>

			<p>fund/ trust shall obtain a 'one time written permission' from employees allowing the fund/trust to make any investment out of their contributory fund/ trust under these Regulations.</p> <p>On application of the regulations, the SECP will repeal the Employees' Provident Fund (Investment in Listed Securities) Rules, 1996, Employees' Provident Fund (Investment in Listed Securities) Rules, 2016, notification No SRO 261(I)/2002 dated May 10, 2002 and notification No SRO 537(I)/2004.</p>
3	Draft Limited Liability Partnership Regulations, 2018	April 9, 2018	<p>Limited Liability Partnership(LLP) is an alternative form of business establishment, which has the flexibility of a general partnership and may avail all the advantages of a limited liability company.</p> <p>The proposed regulations specify the form and manner of registration of LLP, fitness and propriety of designated partners, accounts and audit requirement and conversion of existing firms and private limited companies to LLP.</p> <p>New LLP's intending to get registered with the SECP would not be allowed to use names suggesting association with any political personality, international bodies, foreign government and donor agencies, etc. (Provided that the Commission may allow any of the above names under special circumstances on the request of any government or authority as the case may be).</p>
4	Draft Securities and Exchange Commission of Pakistan (Search and Seizure) Rules, 2018	April 6, 2018	<p>Draft rules for search and seizure have been issued to define procedures to investigate registered corporate entities in suspicious transactions and illegal activities.</p> <p>The SECP has decided to enhance powers of its investigation officers (IOs) for raiding/forcible entry at business places for seizing documents, digital evidence, electronic devices, objects, articles, material or things seized during search operation to prepare an inventory of all documents, etc, required by the investigation.</p> <p>Under section 30 of the SECP Act, 1997, powers of investigating officers to enter any place or building have been specified (ie. an investigating officer, only after the written order of the Commission signed by a commissioner or an officer authorized in this behalf, may enter any place or building to inspect and make copies of or take extracts from any book, minute book, register or document and where he has reason to believe that an offence has been committed and any administered legislation or other law in respect of which the Commission has power to make investigation or inspection, to search for, seize, take possession of and detain any object, article, material, thing, accounts book or other document, including any travel or other personal document which may be used as evidence).</p> <p>Under section 31 of the said Act, the SECP has also given powers to its officials for forcible entry. An investigating officer of the Commission may enter any place or building by force, if necessary, in such a form and manner as may be prescribed by the federal government.</p> <p>The investigating officer shall prepare a seizure memo as per required form and must carry with him all necessary tools or things required for preparing seizure memo at the spot.</p> <p>Further, the investigating officer shall meet all requirements of the Act and any administered legislation under which investigation is authorized.</p>

5	Draft Shariah Governance Regulations, 2018	March 14, 2018	<p>Regulations for governance of Shariah-compliant companies and entities, Shariah-compliant securities and Islamic financial institutions under SECP's jurisdiction in order to bring harmonization, standardization and transparency in the practices of these Shariah compliant businesses.</p> <p>The concept of a Shariah-compliant company and security was introduced through provisions incorporated in the Companies Act, 2017, empowering SECP to implement the scheme of certification of Shariah-compliant companies and Shariah-compliant securities to regulate almost every aspect of Shariah-compliant products, services and businesses.</p> <p>The SECP's Islamic Finance Department (IFD) drafted the regulations to cover areas such as certification of Shariah compliant companies and securities, Shariah screening criteria, functions and responsibilities of Shariah advisor, external and internal Shariah audit, Shariah compliance, disclosure requirements, systems and controls, and accounting, auditing and governance standards.</p>
6	Draft Corporate Restructuring Companies Rules 2018	Feb 17, 2018	<p>BPRD Circular Letter No. 34 of 2016 issued by the SBP allowed the establishment of corporate restructuring companies, via The Corporate Restructuring Companies Act, 2016, defining such companies as:</p> <p>A public limited company licensed by the SECP to carry out the business of:</p> <ol style="list-style-type: none"> acquisition, management restructuring and resolution of non-performing assets of financial institutions; and restructuring, reorganisation, revival and liquidation of commercially or financially distressed companies and their businesses. <p>In this regard, draft Rules have now been issued requiring companies to obtain licenses to act as corporate restructuring companies along with details on the process to obtain the same from SECP. Required forms, documents and renewal procedures have also been mentioned in the draft Rules.</p> <p>Those currently providing services as a corporate restructuring companies' shall also be required to obtain approval and license from the SECP within 6 months from the date of notification of these Rules.</p>

2. Guidelines

a) Extension in implementation of Compliance Risk Management (CRM) guidelines

The SBP developed guidelines on 'compliance risk management', issued vide BPRD Circular No. 07 dated August 09, 2017, in line with best international practices to provide the banking industry with a uniform and systematic approach to identification, assessment and management of compliance risk.

The guidelines supplement the role and responsibilities of the compliance function as already prescribed in Para-D of Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking, and take into consideration fairness to customers, financial stability and compliance with applicable laws and regulations that expose banks to significant challenges.

Banks were advised to bring their compliance functions, policies and procedures in line with requirements of the guidelines by December 31, 2017, however, based on the feedback received from financial institutions (FI), the deadline for implementation of Compliance Risk Management (CRM) guidelines has been extended to June 30, 2018. Consequently, the timelines for putting in place an automated compliance system is also being extended from June 30, 2018 to September 30, 2018.

Further, the role & responsibilities of the Chief Compliance Officer as mentioned in section 4 (C) of the guidelines, has been enhanced to include responsibility for :- informing SBP, on immediate basis, of any information regarding the FI that is of some regulatory interest, including but not limited to resignation of key executive(s), any rumors about FI on social media, major frauds, major litigation matters, any investigation(s) by law enforcement agency(ies) etc.

3. Amendments

a) Draft Chartered Accountant (Amendment) Bill, 2018

SECP approved the draft Chartered Accountant (Amendment) Bill, 2018 to update and meet the current requirements of the profession of Chartered Accountants. The previous draft, the Chartered Accountants (Amendments) Bill, 2012, that was introduced in the National Assembly in April 2012, lapsed after dissolution of the National Assembly in March 2013.

Some of the amendments proposed in the draft Bill 2018, include:

- The provision for a forum of appeal against disciplinary actions taken.
- Necessary definitions and amendments consequent to the creation of the Audit Oversight Board.
- Creation of the office of CEO to facilitate operational matters of the Institute of Chartered Accountants of Pakistan.
- Broadening the scope of the ordinance to enable chartered accountants to operate through a limited liability partnership through the LLP Act, 2017.
- The Council has been empowered to prescribe rights, entitlements and privileges to the associate members.
- Provisions to ensure that only person holding certificate of practice or otherwise allowed under the Companies Act, 2017, is allowed to provide any audit, assurance or review services.
- Proposal to ensure that only qualified members are able to hold themselves out as chartered accountants.
- Omission of various redundant provisions.
- Provisions for registration and training of chartered accountants.
- Amendments regarding composition, role and functions of the Council and its elections.
- Establishment of Accounting Standards Board and Board of Discipline along with the Appellate Authority and incidental provisions relating to its procedures.
- Penalties revised.

The proposed amendments forwarded to the Ministry of Law through the Ministry of Finance shall form legislation if approved.

b) Securities and Futures Advisers (Licensing and Operations) Regulations, 2017

To make the 'advisory regulatory regime' more practicable and conducive, the mandatory advisory licensing requirement for securities brokers have been withdrawn and securities brokers have been allowed to provide securities advisory to their brokerage customers, being incidental to the conduct of their business without receiving any separate compensation thereof.

Further, securities brokers have been allowed to distribute units of mutual funds and voluntary pension funds of multiple Assets Management Companies(AMCs).

The advisory regime has been segregated into 2 segments:

- i. Advisory with portfolio management to be governed under the Non-Bank Finance Companies (NBFC) regime, whereas
- ii. Advisory with distribution of units of mutual funds and voluntary pension funds of multiple AMCs to be dealt under the amended Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

SECP shall grant licenses only to corporate entities for undertaking any regulated activity in the capital markets and not to any individuals, and banks have been allowed to distribute units of mutual funds and voluntary pension funds of multiple AMCs, subject to certain regulatory requirements.

To facilitate existing distributors, the deadline to obtain license has been extended to June 30, 2018.

4. Others

a) Corporate Rehabilitation Act, 2018

The Senate passed the Corporate Rehabilitation Bill, 2018 to provide for the rehabilitation and re-organisation of distressed corporate entities and their business so as to encourage economic growth and development. The President assented to the Bill on March 13, 2018.

Its salient features are:

- Specification of High Court for rehabilitation of distressed companies,
- Extensive plan of rehabilitation in relation to debtor and statement of affairs of debtor to be filed in court,
- Petition can be filed by qualified creditors and debtors for order of mediation,
- Appointment of insolvency experts to mediation through sole mediators or joint mediators appointed by the court,
- Confirmation and implementation of rehabilitation plan, etc.

The first part of the legislation the “Corporate Restructuring Companies Act, 2016” was already enacted on July 1, 2016. In January 2018, the National Assembly passed it with certain amendments and, therefore, it was re-introduced in the Senate on February 15, 2018 and referred to the Standing Committee on Finance, Revenue, Economic Affairs and Narcotics Control, who then approved the amendments made by the National Assembly resulting in the new law.

b) Framework for Domestic-Systemically Important Banks (D-SIBs)

In November 2011, as a result of the effects of the Global Financial Crisis of 2007-08, the Basel Committee on Banking Supervision (BCBS) issued a ‘Global Systemically Important Financial Institutions (G-SIFIs) framework’ for enhancing the resilience of large financial institutions, active internationally. Later, in October 2012, the framework was extended to **Domestic** Systemically Important Banks (D-SIBs) with the realization that some banks might not be big enough to cause disruptions in the global economy but owing to their significant size and nature of business for domestic economy, their failure may jeopardize the overall financial stability of a country.

Taking this into consideration, the State Bank of Pakistan (SBP) has developed a framework for designation and supervision of D-SIBs in line with emerging best practices, particularly the indicator based approach of the BCBS, to enhance resilience of such banks in Pakistan through strengthening the prevailing regulatory and supervisory regime for these banks

The D-SIBs framework specifies the methodology for identification and designation of D-SIBs, enhanced regulatory and supervisory regime and implementation guidelines. Under the framework,

SBP would identify the sample of D-SIBs and announce designation by the end of June each year. The designated D-SIBs shall be required to meet both higher loss absorbency requirements and enhanced supervisory requirements. Remaining banks in the sample of D-SIBs shall only meet the enhanced supervisory requirements.

The framework shall apply to all banks regulated by the SBP. The first designation of D-SIBs shall be made by end June 2018 and the designated banks shall meet the enhanced regulatory and supervisory requirements by end March 2019.

c) Prohibition of Dealing in Virtual Currencies/Tokens

SBP issued a clarification via a BPRD Circular, stating that Virtual Currencies (VCs) like Bitcoin, Litecoin, Pakcoin, OneCoin, DasCoin, Pay Diamond etc. or Initial Coin Offerings (ICO) tokens **are not legal tender**, issued or guaranteed by the Government of Pakistan. Further, SBP has not authorized or licensed any individual or entity for the issuance, sale, purchase, exchange or investment in any such Virtual Currencies/Coins/Tokens in Pakistan.

Consequently, all Banks/ DFIs/ Microfinance Banks and Payment System Operators (PSOs)/Payment Service Providers (PSPs) are to refrain from processing, using, trading, holding, transferring value, promoting and investing in Virtual Currencies/Tokens.

Further, banks/DFIs/Microfinance Banks and PSOs/PSPs will not facilitate their customers/account holders to transact in VCs/ICO Tokens. Any transaction in this regard shall immediately be reported to the Financial Monitoring Unit (FMU) as a suspicious transaction.

d) Disclosures in Statement of Material Facts

The SECP has directed the corporate sector to provide detailed information to the Commission while issuing notices about a) general meetings where special business is to be carried out, or b) special/ordinary resolutions in respect of business required. The notification specifies details of the material facts to be disclosed for matters pertaining to the following sections/ requirements of the Companies Act, 2017:

A. Where special resolution of members is required for:

- Change of name by a company (section 12)
- Change in registered office of company (section 21)
- Alteration of memorandum with respect to principal line of business (section 32(b))
- Alteration of memorandum - Other (section 32)
- Alteration of articles (section 38)
- Conversion of public company into private company and vice-versa (section 46)
- Conversion of status of private company into a single-member company (section 47)
- Conversion of status of unlimited company as limited company and vice-versa (section 48)
- Conversion of a company limited by guarantee to a company limited by shares and vice-versa (section 49)
- Altering authorised share capital (section 85)
- Reduction of share capital (section 89)
- Making liability of directors unlimited in case of a limited company (section 99)
- Removal of chief executive by special resolution (section 190)
- Removal of auditor (section 246 (5))
- Passing special resolution for investigation of company's affairs (section 257)
- Passing special resolution for winding up of a company by court (clause (a) of section 301)
- Passing special resolution that a company may be wound up voluntarily (clause (b) of section 347)

- B. Where ordinary resolution in respect of special business is required for:
- Determining director's remuneration for performing extra services (section 170)
 - Determining terms of appointment of chief executive by the company in a general meeting (section 188)
 - Seeking sanction of the general meeting for office of profit of a director (section 171 (1)(c)(i))
 - Approval of loans, guarantees etc. to directors of a company, of a holding company or any of his relative (section 182)
 - Special business relating to members' approval for sale, lease or disposal of the undertaking or sizeable part thereof or sale/disposal of subsidiary that is to be transacted under clause (a) or (b) of sub-section (3) of section 183 of the Act.
 - Approval of arrangement for non-cash transactions involving directors or persons connected with them (section 211)
 - Authorizing representative by a holding company for inspecting books of accounts of subsidiary companies (section 230)
 - Passing resolution that the company may be wound up voluntarily (clause (a) of section 347)
- C. In respect of all businesses to be transacted at the general meeting
- Listed companies shall simultaneously dispatch a copy of the notice of the general meeting in which a special business is to be transacted along with the statement of material facts to the SECP on the same day it is dispatched to the members
 - In respect of all the special businesses mentioned hereinabove, companies shall disclose the nature and extent of interest, if any, therein of every director, whether directly or indirectly
 - Companies shall, in addition to the minimum information specified in the notification and that required by the Act or rules or regulations made thereunder, provide in the notice all the material information relevant to the special business to be transacted in the meeting that is necessary for the members to make a well-informed decision.

**The speed of decision making is
the essence of good governance.**

Piyush Goyal

1. Vietnam Launches Institute of Directors

The Vietnam Institute of Directors (VIOD) was launched in Hanoi with support from the Internal Finance Corporation (IFC) - a member of the World Bank Group. It is the first independent, private sector-led organization to promote corporate governance standards and best practices in the country.

The organization has been established as a result of the Vietnam Corporate Governance Initiative — founded by IFC, the Ho Chi Minh Stock Exchange, and the Hanoi Stock Exchange, with strong support from the State Securities Commission of Vietnam and Switzerland’s State Secretariat for Economic Affairs SECO — to enhance corporate governance practices in the business sector through improved competence of board directors. As a social enterprise, VIOD aims to advance board professionalism, promote business ethics and transparency, create a pool of independent directors, build a network to connect corporate leaders and stakeholders, and help companies inspire investor confidence. VIOD will deliver workshops and board events on important governance topics to the market mainly through its flagship Governance Excellence Programs.

The institute’s board of directors encompasses a diverse group of business leaders and advocates of good corporate governance in Vietnam, including senior dignitaries from investment funds, well-known international legal and accounting firms, and independent board members of prominent companies in the market.

2. Global Financial Development Report 2017/2018: Bankers without Borders

The World Bank’s Report, being the fourth in the series, provides figures on recent trends, emerging patterns since the global crisis, and evidence on the economic impact of international banking. The Report aims to synthesize evidence and data to contribute to the policy debate on international banking and bring new evidence on the benefits and costs of international banks, particularly for developing countries, and provides evidence-based policy guidance on a range of issues that developing countries face.

The Report emphasizes on international bank lending as an important source of finance for developing countries and that policy makers must focus on getting the right policy mix — through institutional reforms and strong regulation and supervision — maximizing the benefits of international banking while minimizing the costs. Successful international integration has underpinned most experiences of rapid growth, shared prosperity, and reduced poverty.

Further, the report states that international banking may contribute to faster growth in two important ways: first, by making available much-needed capital, expertise, and new technologies, which make domestic financial systems more competitive; and second, by enabling risk-sharing and diversification. However, the global financial crisis vividly demonstrated how international banks can transmit shocks across the globe.

The main messages from the report are as follows:

- Following a decade of increased globalization, international banking suffered a setback after the global financial crisis.
- Remaining open is important for countries to continue to benefit from global flows of funds, knowledge, and opportunity.
- There is an important role for policy in maximizing the benefits and minimizing the costs of international banking.
- Encouraging the right type of foreign bank presence or forms of capital flows without causing distortions is challenging.
- Regulation and supervision of international banking is complex and should involve extensive cross-border coordination.

The proposition that boards should understand and manage their own performance has become a global trend now. Boards continually need to monitor and improve their performance. This can be achieved through board evaluation, which provides a powerful and valuable feedback mechanism for improving board effectiveness, maximizing strengths and highlighting areas for further development. The evaluation process should aim to be objective and rigorous.

Performance management and measurement are integral to a board's success. The board should be prepared to act on its findings whenever performance is not considered to be as good as it should be. It is the responsibility of the Chairman to deal with poor board performance.

External facilitation can add value by introducing a fresh perspective and new ways of thinking. Pakistan Institute of Corporate Governance has been engaged in the Board evaluations of company boards since the past 6 years. We ensure our approach is outcome-focused- so that board members not only focuses on the problems/hindrances etc. but what the board needs to do in order to enhance its performance and effectiveness.

Spend less time gathering data and more time paying attention to high impact, low performance areas via online questionnaire, the results would then help develop solutions that support management to achieve the desired strategic objectives.

Get your board evaluated by PICG

in collaboration with The Corporate L.I.F.E Centre International Inc. (CLCI – a consulting firm based in North America),

Areas of board performance covered:

- Board Composition
- Strategic Planning
- Board & CEO Effectiveness
- Board Information
- Board Committees
- Board Procedures
- Board Interaction
- Board & CEO Compensation

Take action before there is a crisis

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