

The Corporate Form of Business and the Company Registration Procedure

Orientation Session for the students of
Pakistan Institute of Developments Economics

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Content outline

(Page 1 of 2)

- 1) Forms of business: Sole proprietorship; Partnership; Company: Relative Nature – A Quick Review
- 2) Why is Company Form Preferable to Other Alternatives - A Quick Review
- 3) Corporatization Statistics
- 4) Cost of making a company
- 5) Time period for registration of a company
- 6) Applicable Legal Framework
- 7) The Role of Company Registration Offices
- 8) Company Registration Process: A Pictorial Glimpse



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- 9) Company Registration Process: Two Fundamental Stages
- 10) Other Corporate Forms: Associations-Not-For-Profit and Foreign Companies
- 11) Convenient procedure to close an inactive Company
- 12) Glories accomplished over recent years
- 13) Another Standout Initiative in hands: The Concept of “One-Stop-Shop”
- 14) Corporate consultancy: An under-tapped profession
- 15) Thanks.



Forms of business: Sole proprietorship; Partnership; Company: Relative Nature – A Quick Review

(Page 1 of 2)

► Sole proprietorship

- A one man business concern.
- Natural person with unlimited liability
- Small scale of operations and rigid clientele
- Difficulty in obtaining financing from banks

► Partnership

- A minimum Bi-Partner business concern.
- Natural persons with unlimited liability
- Small scale of operations with generally rigid clientele
- Financing from banks on unfriendly terms



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Forms of business: Sole proprietorship; Partnership; Company

(Page 2 of 2)

► Company

- Multi-member business concern: From one to unlimited number, depending up the nature of company
- Artificial person with limited liability
- Suitable for medium to large scale operations
- Open to a wide variety of clientele
- Relative convenience in obtaining financing from banks



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Why is Company Form Preferable to Other Alternatives - A Quick Review (Page 1 of 2)

- Artificial person means the corporate name can execute business contracts
- Limited liability brings the peace of mind for the members and directors that banks and creditors can not require their personal assets to be liquidated if the entity suffers losses
- Sufficiency of funds as banks prefer loaning to companies
- General public trusts the Company form over other forms of business
- Eligibility to offer tender to Government Departments as well as a number of other companies which deal with corporates



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Why is Company Form Preferable to Other Alternatives - A Quick Review (Page 2 of 2)

- Luxury to think out of the box as the volume of operations can be quickly expanded to grab on new opportunities, through leveraging available on relatively convenient terms
- Consistent with economy documentation objectives
- Specialist statute in place which provides standard guidance on every area.



Corporatization Statistics: April 30, 2015

Nature of Company	Number
Private Companies	60,000
Public Companies - Listed	560
Public Companies – Unlisted	2,300
Other Companies	4,140
Total Register as on April 30, 2015 (approx.)	67,000



Cost of making a Company: Online and Offline Application (Rs.)

Nature of Company	Minimum Cost: Online incorporation	Minimum Cost: Offline incorporation
Private Limited	Rs. 4,500	Rs. 10,000
Public Limited	Rs. 5,700	Rs. 13,000

**The fee structure varies for application made under Fast Track Registration Service, and for other certain specific types of companies (a Section 42 Company, a Foreign Company, a guarantee limited company etc.)*



Time period for registration of a company

Incorporation application under	Time period required for issuance of incorporation certificate
Fast Track Registration Service	4 working hours
Normal mode	3 working days



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Applicable Legal Framework for and after Company Incorporation

- ▶ Companies Ordinance, 1984
- ▶ Companies (General Provisions and Forms) Rules, 1985
- ▶ Companies (Registration Office) Regulations, 2003
- ▶ Single Member Companies Rules, 2003



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Company Registration Process: A Pictorial Glimpse

Application for availability
of company name

Application for
incorporation of company

Certificate of company
registration

Company Registration Process: Two Fundamental Stages

13

▶ **FIRST STAGE:** Availability of Name

▶ **SECOND STAGE:** Documentation

▶ **PUBLIC COMPANIES:**

- ✓ Memorandum and Articles of Association.
- ✓ Form – I (Declaration of compliance with the requirements of the Companies Ordinance, 1984)
- ✓ Form – 21 (Notice of situation of registered office or of any change therein)
- ✓ Form – 29 (Particulars of directors or any change therein).
- ✓ Form -27 (list of directors consenting as directors).
- ✓ Form -28 (Consent of directors).
- ✓ Copies of CNIC (in case of foreigners, copies of Passport) of promoters and witness to Form 1 and M& AOA.
- ✓ Fee Challan

▶ **PRIVATE COMPANIES:**

- ✓ As for public companies except Form-27 & Form-28

▶ **SINGLE MEMBER COMPANIES:**

Additional Form

- ✓ Form - S1(Appointment of nominee director)



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The Role of Company Registration Offices (CROs):

- The CROs are the public face of the Securities and Exchange Commission
- Frequent & routine interaction with general public, their consultants, Government offices and other stakeholders.
- The functions performed by CROs include:-
 - Incorporation of companies
 - Maintaining database of statutory documents of a Company
 - Review and appraisal of the fitness of statutory document for recording
 - Recording the statutory documents
 - Affording inspection of company files – available to all
 - Issuance of certified copies of statutory documents
 - Interaction with court, Government Departments and other stakeholders



Other Corporate Forms:

Associations Not-For-Profit

- ❑ These companies are meant to promote commerce, art, science, religion, sports, social services, charity and other useful objects.
- ❑ These companies obtain license from SECP under Section 42 of the Ordinance subject to payment of prescribed fee.
- ❑ **Incorporation requirements.**
 - ✓ As for public company.



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Other Corporate Forms: Foreign Companies

16

- ✓ Companies incorporated or formed outside Pakistan which establish a place of business within Pakistan
- ✓ Prior approval of Board of Investment is required
- ✓ Relevant Provisions:
 - ✓ Part XIV of the Companies Ordinance, 1984 (Sections 451- 460)
 - ✓ The Companies (General Provisions and Forms) Rules, 1985



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Commencement of Business

17

- ▶ Private company can commence business after obtaining certificate of incorporation.
- ▶ Public company shall obtain a commencement of business certificate from the registrar after fulfilling some laid down requirements.



How to close a Company:

Convenience offered by CEER 2014

- ▶ A dormant company can now be closed under Company Easy Exit Regulations, 2014 (CEER, 2014), provided that it has no loan and meets some other conditions.
- ▶ The requirements are easy to comply with.
- ▶ Registrar, if satisfied, would proceed under Section 439(3) for gazette notification of name of the company for striking off
- ▶ Finally, name would be struck off the register under Section 439(5).

**Company, conventionally can be wound up by court, voluntarily by members or under the supervision of court.*



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Glories accomplished over recent years

19

Auto-population on On-line incorporation forms

Fast Track Registration Services

eServices

Co. Registration & Compliance System

Another Standout Initiative on the verge of being launched: The “One-Stop-Shop” Concept

- ▶ Once implemented, business registration, tax registration and the EOBI registration will be carried out through single web portal
- ▶ More than 50 countries globally have launched this concept
- ▶ Reduction in turn-around time
- ▶ Process efficiency



Corporate Consultancy: A Seriously Formidable Profession:

21

- ▶ Economic corridor: With multi-billion dollar investment a rush for corporatization is expected.
- ▶ 67,000 companies vis-à-vis 2 million businesses.
- ▶ The field as a profession is novel and under-tapped.
- ▶ Professionally competent commerce people would be a convenient success.
- ▶ The graph of revenues is expected to rise as the corporatization number enhances.



THANKS



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