

Appointment of Directors/Chief Executive

April 19, 1999

Circular No. 9

Reference No. (21)Misc.&CLMA/POL/99

In view of the nature of business of leasing companies, certain eligibility conditions for the appointment of the chief executive and the directors of such companies have been prescribed in rule 5 of the Leasing Companies (Establishment and Regulation) Rules, 1986. These include -

- (i) That chief executive of the leasing company does not hold such office in any bank or Non-Banking Financial Institution or insurance company;
- (ii) that chief executive and at least one of the directors have senior management level experience in finance for at least five years;
- (iii) that not more than twenty five per cent of its directors are from the same family, including spouse, dependent lineal ascendants and descendents and dependent brothers and sisters; and
- (iv) that it has appointed as its chief accounting officer who is a chartered accountant or cost and management accountant or a person having Master's Degree in Commerce or Business Administration with at least five years experience.

For obtaining a licence, the chief executive and directors have to give an undertaking that no change in the Memorandum of Association and in the directors shall be made without prior written authorisation of the Commission and that all conditions of registration shall be complied with.

2. It has been noticed that some of the leasing companies change their directors and the chief executive, violating conditions of the licence granted under rules 5 & 6 of the Leasing Companies (Establishment and Regulation) Rules, 1996. Such a violation of law, apart from any other penal action, likely to be taken against the management, may result in cancellation of the licence leading to winding up of the companies.

3. All the leasing companies are, therefore, cautioned to abide by the aforesaid Rules in letter and spirit; and may not go for any change in the directors/chief executive without prior approval of this Commission. The applications seeking necessary approval may be made well in time and may contain full particulars of the persons to be appointed as new directors and the chief executive duly supported by documentary evidence.

(Atta Muhammad Khan)
Registrar of Companies (Reg.)