



**Securities and Exchange Commission of Pakistan**  
**Securities Market Division**  
**Policy, Regulation and Development Department**

No. SMD/PRDD/Comp/(108)/2023

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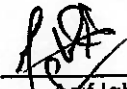
Circular No. 4 of 2024

**GUIDANCE ON TRANSFER BETWEEN REVENUE AND CAPITAL RESERVES**

The Securities and Exchange Commission of Pakistan in exercise of the powers conferred under section 510 of the Companies Act, 2017 (the "Act"), hereby clarifies that except otherwise provided in the applicable legal framework, board of directors of the company in accordance with and to the extent permitted in the articles of association:

- i) may transfer amount from 'revenue reserve' to 'capital reserve', being a reserve not regarded free for distribution by way of dividend, as per the guidance provided in clause 73 of Table A, First Schedule to the Act;
- ii) the amount so transferred in the capital reserve may be utilized for issuance of bonus shares;
- iii) in rare circumstances, when such capital reserve is no longer required, the amount may be transferred back to revenue reserve.

The Company, in each year of transfer to or from 'revenue reserve' and 'capital reserve', must disclose in its annual audited financial statements complete information about the reserves, including but not limited to (i) amount transferred during the year, (ii) background and rationale of the transfer including brief of any strategy or plan approved by the board of directors.

  
Asif Iqbal  
Director, PRDD-SMD

**Distribution:**

- Chief Executive of all listed companies,
- Chief Executive of Pakistan Stock Exchange,
- The President, Institute of Chartered Accountants of Pakistan,
- The President, institute of Cost and Management Accountants of Pakistan,
- Placement on Commission's website.