

GUIDE

ON

**TRANSFER & TRANSMISSION OF
SHARES AND DEBENTURES**



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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Introduction

This guide is designed to explain the relevant laws and procedure governing the transfer and transmission of shares and debentures in a company. It sets out the requirements, time period, procedure and documents/format required for transferring the shares and debentures in light of the relevant provisions of the Companies Ordinance, 1984 (the Ordinance). It includes information about the following:-

- ⊗ Concept of transfer & transmission of shares;
- ⊗ Relevant provisions of the Ordinance relating to transfer of shares/debentures;
- ⊗ Limitation on transfer of shares and debentures;
- ⊗ Stepwise procedure for transfer of shares and debentures;
- ⊗ Stepwise procedure for transmission of shares;
- ⊗ Reporting of Transfer of Shares and Debentures by the Company to the registrar;
- ⊗ Transfer Agent;
- ⊗ Issuance of Duplicate Certificate;
- ⊗ Transfer Deed lost, destroyed or mutilated;
- ⊗ Directors not to refuse transfer of shares;
- ⊗ Notice of Refusal to transfer of shares; and
- ⊗ Appeal against refusal of transfer of shares or debentures.

Concept of Transfer/Transmission of Shares & Debentures

- The word 'transfer' is an act of the parties by which title to property is transferred from one person to another. (Person also includes legal person e.g. company, body corporate, etc.)
- The word 'transmission' is referred to transfer of title to parties by operation of law.
- Transfer of shares means a voluntary passing of property in certain shares from one person to another by presenting to the company a duly stamped and executed instrument of transfer, by or on behalf of the transferor and transferee containing their names, addresses and occupations along with the share certificates relating to the shares to be transferred, whereas transmission on the other hand, involves the passing of the property in shares by operation of law on the happening of such events such as death, insolvency or lunacy of a shareholder/debentureholder, etc.
- A share or debenture transfer is a procedure by which an existing shareholder or debenture holder transfers his/her share(s) or/and debenture(s) to an existing shareholder(s), or to any one else depending upon the transaction and circumstances of the case.
- Under the law anyone has a right to transfer his / her share(s) or / and debenture(s) to any existing one or anyone else; however a private company may by its articles of association (AOA) restrict the right to transfer the

company's shares provided that all the relevant provisions of the Ordinance and AOA of the company are complied with and due procedure is followed.

Provisions of Law Relating To Transfer & Transmission of Shares or/and Debentures

Sections 74 to 81 of the Ordinance deal with issues governing the transfer and transmission of shares or / and debentures.

Limitation on Transfer of Shares and Debentures

- Every company has to transfer the shares, debentures or debentures stock within forty five days of application
- The company shall within 30 days or where the transferee is a central depository company within five days from the date on which the instrument of transfer is lodged with the company, will notify the defect or invalidity to the transferee who shall after removing the identified defect shall re-lodge the transfer deed with the company.
- These conditions, in relation to a private limited company shall be subject to such limitations and restrictions as imposed by its AOA, if any.
- The company shall not register transfer of shares or debentures unless proper instrument of transfer duly stamped and executed by the transferor and the transferee has been delivered to the company.

Stepwise Procedure For Transfer of Shares

Following procedure shall be adopted for transfer of shares:-

- **Lodgement of Transfer Deed.** An application for transfer of shares along with duly filled in transfer deed and share certificate in original is lodged at registered office of the company or the share registrar office by the transferee, or the transferor. Normally, a receipt is issued.
Note:- In case transfer deed or share certificate is lost, necessary affidavit and any other evidence supporting the fact is provided to the company.
- **Checking and Verification:-** The company checks and verifies the transfer deed and share certificate. The company is required to register a transfer of shares or debentures only in case proper instrument of transfer duly stamped in accordance with the Stamp Act, witnessed, executed by the transferor and the transferee and is delivered along with the certificate(s).
- **Notice:-** In case the articles of the company provided any other condition or there are any shortcomings/deficiencies as provided in the law and AOA of the company, the company issues a notice to the presenter regarding such transfer for further verification.
- **Approval:-** Approval for transfer of shares is sought from the board of directors or committee of directors as the case may be.

- **Register of members:-** Necessary entries are made for entering the name of transferor in the register and recording transfer against the name of transferor.
- **Share Certificate:-** Entry is made in the 'Memorandum of Transfer' column on the reverse of the share certificate thereby making the transferee as shareholder.
- **Delivery of Share Certificate:-** Share certificate is sent to the transferee through registered post or well reputed courier service and acknowledgement of receipt is kept on record.

Stepwise Procedure For Transmission of Shares

Following procedure shall be adopted for transmission of shares:-

- **Intimation:-** As soon as intimation of death, lunacy, insolvency of a member or any direction/order of the court is received, the fact is required to be recorded in the relevant register of the company.
- **Death Certificate:-** In case of death, the legal heir(s) is required to produce death certificate issued by relevant authorities.
- **Application for transmission of shares:** The legal heir(s) or successors are required to make application to the company for transmission of shares duly supported with the documentary evidence showing nomination or lawful award of applied property to him.
- **Approval:-** Approval for transmission of shares is sought from the board of directors or committee of directors as the case may be.
- **Register of Members:-** Necessary entries are made for entering the name of successors in the register and recording transfer against the name of deceased.
- **Share Certificate:-** Entry is made in the 'Memorandum of Transfer' column on the reverse of the share certificate thereby making the successor as shareholder.
- **Delivery of Share Certificate:-** Share Certificate is sent to the successor and acknowledgement of receipt is kept on record.

Reporting of Transfer of Shares and Debentures by the Company to the Registrar

A company has to report transfer of shares and debentures to the registrar on annual basis vide Form A/B. Transferee can obtain a copy of Form A/B from the registrar to check the effect of its transfer otherwise he can inspect the register of members (specimen provided as annexure) maintain at the registered office address of the company to see the effect of its transfer. The shareholders may also apply for the copies of the said register in terms of section 150 of the Ordinance.

Transfer Agent

For transferring of shares or debentures of a public limited company, a financial institution duly approved by the Commission may be appointed as the transfer agent on its behalf. However, it is mandatory for listed public limited company to appoint an independent Share Registrar.

Issuance of Duplicate Certificate:-

A company shall issue duplicate share certificate within 45 days of application, if the original;

- is proved to have been lost or destroyed;
- having been defected or mutilated or torn is surrendered to the company.

If the company for any reasonable cause is unable to issue duplicate certificate, it shall notify the fact alongwith reasons within 30 days from the date of the application, to the applicant.

Transfer Deed lost, destroyed or mutilated:-

- In case a transfer deed is lost, destroyed or mutilated before it is lodged, the company has power to register the transfer of shares or debentures subject to the following conditions:
 - an application is made by the transferee;
 - such application bears the stamps required to be on the instrument of transfer, as prescribed in the Stamp Act;
 - the transferee proves to the satisfaction of the directors of the company that the transfer deed duly executed has been lost, destroyed or mutilated, and indemnity bond has been provided before registering the transfer of shares or debentures as demanded by the company.

Directors not to Refuse Transfer of Shares

Directors of a company cannot refuse the transfer of any shares or debentures. However, they can refuse the transfer, if the transfer deed is for any reason, defective or invalid or conditions imposed under the law or Articles of Association of a company have not been fulfilled.

Notice of Refusal to Transfer

If a company refuses to register the transfer of shares or debentures, it shall, within thirty days and in case the transferee is a central depository company, within five days after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal indicating the reasons for such refusal.

Appeal Against Refusal of Transfer of Shares or Debentures

The transferor or transferee, if aggrieved by refusal of transfer of shares or debentures by the company or any failure thereof, he or she may prefer an appeal to the Commission within two months of the receipt of notice of refusal.

Form for Transfer of Shares as provided in 1st Schedule to the Ordinance

I..... of.....in consideration of the sum of rupees paid to me by.....of.....(hereinafter called "the transferee"), do hereby transfer to the said transferee.....the share (or shares) numbered ...to.....inclusive, in the.....limited, to hold unto the said transferee, his executors, administrators and assigns, subject to the several conditions on which I held the same at the time of the execution hereof, and I, the said transferee, do hereby agree to take the said share (or shares) subject to the conditions aforesaid.

As witness our hands this.....day of.....

Witness

Signature.....
Dated.....
[Name,
CNIC Number
And Full Address]

Signature.....
Transferor

Witness

Signature.....
Dated.....
[Name,
CNIC Number
And Full Address]

Signature.....
[CNIC Number (in case of
Witness Foreigner, Passport
Number)]
Transferee
Full Name, Father's /
Husband's Name
Nationality
Occupation and Address of
transferee.

MEMBER 'S REGISTER

Folio No	Name (in case of company, name of company)	CNIC NO.	Father's/ Husband's Name (in case of company, name of chief executive	Address	Nationality (Nationality of origin if present nationality is other than Nationality of origin)	Occupation (directorship Of company if any)	Shares or interest transferred	Date of Transfer	Shares Held (with distinctive Nos) or percentage of interest held	Amount paid	Date of Becoming member	Date of ceasing to be member	Reason for ceasing to be member
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DISCLAIMER

This guide has been developed, merely, with intent to create awareness of the concept of the relevant matters. If the reader is in doubt in dealing with any specific condition, it is suggested to refer to the Ordinance and allied laws and consult a professional consultant for seeking advice. The Commission gives no guarantee and assumes no liability for any error or omissions of the information and no one can use the information for any claim, demand or cause of action.

LOCATION AND CONTACT DETAILS OF COMPANY REGISTRATION OFFICES

Company Registration Office, Islamabad
State Life Building, 7-Blue Area, Islamabad.
Phone No.: 051-9208740 Fax No: 051-9208740

Company Registration Office, Karachi
4th Floor, SLIC Building No.2,
Wallace Road, Karachi.
Phone No: 021-99213272 Fax No. 021-99213278

Company Registration Office, Lahore
3rd & 4th Floor, Associated House,
7-Egerton Road, Lahore
Phone No. 042-99204962 - 6 Fax No: 042-99202044

Company Registration Office, Multan
63-A, 2nd Floor,
Nawa-e-Waqt Building,
Abdali Road, Multan.
Phone No: 061-9200530/9200920 Fax No: 061-9200920

Company Registration Office, Faisalabad
2nd Floor, Faisalabad Chamber & Commerce Building,
East Canal Road No. 1, Faisalabad.
Phone No: 041-9220284, 041-9230264 Fax No: 041-9220152

Company Registration Office, Peshawar
1st Floor, State Life Building, The Mall,
Peshawar Cantt.
Phone No: 091-9213178, Fax No: 091-9213686

Company Registration Office, Quetta
382/3, (IDBP House), Shahrah-e-Hali,
Quetta Cantt.
Phone No: 081-2844136 Fax No: 081-2899134

Company Registration Office, Sukkur
28 - D , Hamdard Housing Society,
Airport Road, Sukkur,
Phone No: 071-5630517 Fax No: 071-5633757