



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

PRESS RELEASE

For immediate release

December 27, 2024

SECP Approves Stock Split Guidelines

ISLAMABAD, December 27: The Securities and Exchange Commission of Pakistan (SECP) has given approval to the Pakistan Stock Exchange Limited (PSX) to issue Guidelines for Stock Split by Listed Companies. The Guidelines are aimed at promoting stock splits as a viable financial strategy in Pakistan's capital market, especially for companies with high share prices.

The Guidelines include detailed information regarding the legal and procedural aspects of stock splits, overall process flow, real-world case studies, cost and tax implications and accounting treatments.

A stock split divides a company's existing shares into multiple new shares, reducing share price while increasing the number of outstanding shares. This improves liquidity, facilitates more accurate price discovery, and broadens access for retail investors. As shares become more affordable and better priced, it also becomes easier for a listed company to seek further investments through the capital market by way of secondary public offering or further issue of shares.

At present, PSX has a number of listed companies with low trading volumes due to high share prices. A few such companies have reported volumes in the range of only 10,000 to 20,000 shares during the entire year. Lack of liquidity in shares of companies has the potential to impede efficient price discovery and inhibit investor participation.

Globally, many developed stock exchanges have provided similar guidelines in order to encourage companies to consider stock splits when their share prices are high. Companies like Amazon, Apple, and Tesla have leveraged stock splits as a financial strategy to boost trading volumes and adjust market pricing.

In Pakistan, stock splits are allowed under Section 85(1)(c) of the Companies Act, 2017 whereby a company can subdivide its shares through a special resolution. While only three companies have executed stock splits in our market in the recent past, the resulting increase in trading volumes and increased investor participation in their shares underscores the need for more such transactions in our market.

The Guidelines have been finalized by SECP and PSX after extensive consultations with key stakeholders including CDC, ICAP and listed companies. In order to actively promote stock splits, SECP has also advised PSX to conduct awareness sessions and initiate a targeted campaign to educate listed companies about the benefits that stock splits can bring to the company and Pakistan's capital market.

