PRESS RELEASE

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SECP Mandates Book-Entry Shares for newly incorporated unlisted Companies

Islamabad, Feb 7: The Securities and Exchange Commission of Pakistan (SECP) has decided to introduce mandatory requirement for new unlisted companies to issue & maintain shares in Book Entry Form only.

In a move aimed towards enhancing corporate governance and promoting digitalization, the mandatory requirement is being introduced for newly incorporated companies to issue and maintain shares in book-entry form as mandated by Section 72 of the Companies Act, 2017 with effect from March 03, 2025. This transition aims to address key challenges associated with physical shares, including shareholder disputes, inefficiencies in managing shareholder record and security risks.

To facilitate this transition, SECP has collaborated with the Central Depository to implement an induction process of shares for newly incorporated companies and necessary amendments have also been made by CDC in relevant regulations. Effective from March 3, 2025, all newly incorporated companies having share capital must issue and maintain shares exclusively in book-entry form. Subscribers will enter into an agreement digitally with the Central Depository for direct crediting of shares in the Central Depository System (CDS) at the time of incorporation. Upon incorporation of a company, SECP will transmit company and shareholders' details to Central Depositary via API integration enabling seamless setup of the company and its securities in the Central Depository System (CDS) while automatically opening Simplified Investor Accounts (IAS) for subscribers. Once the shares are credited to their respective CDS accounts, subscribers will be notified via eAlerts.

To further streamline the process, SECP has introduced automated fee collection, consent acquisition from the subscribers at the time of incorporation and online document submission through eZfile portal. This initiative marks a significant step in modernizing Pakistan's corporate sector, ensuring greater transparency, security and efficiency in maintaining shareholding record.

The dematerialization of securities offers several key advantages, including elimination of shareholders' disputes as well as risks associated with lost, stolen, or damaged physical shares, abolishes the cumbersome, paper-based share transfer process etc. This initiative aligns with SECP's ongoing commitment to fostering transparency, use of technology to digitalize processes, security and ease of doing business in Pakistan's corporate sector ensuring a secure and automated framework for shareholding management.