



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Specialized Companies Division
Islamabad Finance Department

PRESS RELEASE

SECP Policy Board approved amendments to the Modaraba Ordinance, 1980:

ISLAMABAD, February 28, 2025: The Policy Board of the Securities and Exchange Commission of Pakistan has approved the proposed amendments to the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (the "Modaraba Ordinance"). The proposed amendments were originally introduced in the National Assembly in July 2020 through the Modaraba Ordinance (Amendments) Bill, 2020 (the "2020 Bill"). They received approval from the Standing Committee on Finance and Revenue and were presented to the National Assembly for consideration. However, due to the expiration of the National Assembly's term in August 2023, the proposal lapsed.

The SECP has now completed a fresh review of the proposal by actively engaging the stakeholders for consultation. Consequently, a revised proposal has been finalised and approved by the Policy Board for submission to the Finance Division for further legislative action. The key reforms retained from the initial bill focus on promoting industry development, empowering investors, and enhancing regulatory alignment within the Modaraba sector.

The proposal includes the introduction of unlisted Modarabas to facilitate financial resource mobilisation and performance-based profit sharing. Additionally, it strengthens investor rights by aligning governance provisions with the Companies Act, enabling special resolutions for management changes, and improving investor protection through access to courts for winding-up proceedings.

Further amendments aim to streamline regulatory oversight by empowering the Commission in disciplinary proceedings, transforming certain criminal offences into civil matters for better enforcement, and dissolving the Modaraba Tribunal by transferring its responsibilities to High Courts and session courts. These changes are intended to modernise the sector, enhance transparency, and improve the ease of doing business.

The proposed amendments, now being submitted to the federal government for consideration and enactment, are expected to significantly contribute to the modernisation of the legal framework for Islamic financial institutions. This aligns with the government's commitment to transform the economy in light of the 26th constitutional amendment and the Federal Shariat Court's ruling to eliminate Riba from the economy.