

## Procedure for Buy Back of Shares

### **Background**

Section 95A of the Companies Ordinance – 1984 *read with* “The Companies (Buy-Back of Shares) Rules, 1999” (“Rules”) allows the **listed companies** to buy-back their own shares with the condition (as per sub-section 10 of section 95A) that such shares shall not be resold (or retained as a treasury stock) and shall be cancelled forthwith

The purchase shall be authorized by a special resolution placing before the shareholders all material facts in justification of purchase. Thereafter, subject to the approval of shareholder; the company can purchase / buy-back its own shares.

Consequently, the company’s paid-up capital shall be diminished (reduced) accordingly due to cancellation of shares purchased.

### **Applicability**

These procedures are applicable on CDS eligible securities buying back their own shares under Section 95A of the Companies Ordinance, 1984.

### **Detailed Procedure**

The following is the procedure to cater the transaction pertaining to buy-back of shares:

1. In order to receive the book entry securities to be bought by the company under section 95A of the Companies Ordinance, 1984, the company is first required to open a separate sub-account or investor account in Central Depository System, as per the following title of Account.

#### **“Company Name - buy back of shares”**

At the time of account opening with CDS, the Issuer shall be required to submit the documents as defined in paragraphs 2.1 and 2.2 below.

2. Upon completion of time allowed for transfer of securities as mentioned in acceptance letter, the following documents are required to be submitted to CDC.
  - 2.1 Certified true copy of Special Resolution along with scheme of buy back of shares under section 95A of the Companies Ordinance 1984, approved by shareholders in General Meeting.
  - 2.2 Certified true copy of SECP approval, applicable only, where prescribed ratios are not met.
  - 2.3 Request for cancellation of securities duly signed by the authorized signatory(ies) as per standard format (**Annexure A**) along with “statutory auditor’s certificate”

3. Upon receipt of above-mentioned documents, CDC will perform necessary verification formalities & forthwith cancel the holding reflecting in said Sub-Account or IAS Account.
4. Thereafter, paid-up capital of the Issuer will be reduced accordingly.

### **Notes**

**Note 1:** The certificate required in point 2.3 above should be provided *in original* & must confirm the following as a minimum requirement:

- Payment made by the company to the shareholders w.r.t. purchase of shares.
- That the Company meets the financial ratios as prescribed under the relevant Rules. In case the company does not meet these ratios, the auditor certificate should specifically state this.
- Paid-up capital position **before** cancellation.
- Number of shares registered in the name of CDC in Issuer's books that were cancelled.
- Revised Paid-up-capital **after** cancellation.

**Note 2:** Where buy-back results in delisting of the security from the stock exchange(s), the Issuer shall be required to intimate this fact to CDC.

ON COMPANY'S LETTER HEAD)

Annexure A

AGM Operations  
Central Depository Company of  
Pakistan Limited  
CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal,  
Karachi

Dear Sir,

**BUY-BACK OF SHARES UNDER SECTION 95A OF THE COMPANIES ORDINANCE 1984 – Cancellation of entry in respect of ----- [Company Name] shares in Sub Account / Investor Account No. ----- of [Title of Account] with CDC**

We write to confirm that we have bought back ----- shares of our Company under Section 95A of the Companies Ordinance, 1984 read with the Companies (Buy-Back of Shares) Rules, 1999.

The shares of this Company in Central Depository System (CDS) and bought back by us, numbering ----- shares, were transferred to our Sub Account / Investor Account No. ----- with Central Depository Company of Pakistan Limited (CDC). All such shares appearing in the said Sub Account / Investor Account have been cancelled pursuant to Sub-section 10 of Section 95A of the Companies Ordinance 1984.

**As a consequence of the cancellation as above, the following position appears:**

Total number of [Company name] shares in CDS before the cancellation of the shares. ----- shares

**Less:** Number of shares that need to be cancelled. ----- shares

Total number of [Company name] shares in CDS after the cancellation of the shares. ----- shares

As a consequence of the cancellation of the said shares, the shares registered in the name of CDC in our Members Register have been reduced to the above figure of \_\_\_\_\_ shares.

It is, therefore, imperative that the entry in respect of ----- shares of [Company name] appearing in our Sub Account / Investor Account No. ----- be cancelled to reconcile the number of [Company name] shares in CDS with the number of [Company name] shares registered in the name of CDC in our Members Register.

We hereby request and irrevocably authorize you to cancel the entry in respect of ----- shares of [Company name] appearing in our Sub Account / Investor Account No. ----- After which, the shares of [Company account] appearing in Central Depository Register (CDR) and the shares of [Company name] registered in the name of CDC in our Members Register will stand reconciled.

We also confirm that an amount of Rs. \_\_\_\_\_/- in respect of \_\_\_\_\_ shares cancelled in CDS has been paid by us via Cheque # \_\_\_\_\_ against Invoice # \_\_\_\_\_ and as of today, no payment to CDC is pending at our end.

Yours sincerely,

(Authorized Signatory (ies))