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## **SECP approves changes in Companies Act 2017**

One such requirement was to disclose information of related parties, irrespective of any transactions with such related parties. The disclosures were required based on very broad definition of related parties, as provided in the new law by including directors, managers, key managerial personnel, their relatives, spouse, siblings, lineal ascendants and descendants.

“This posed practical difficulties for the companies to compile and present such non-financial information in the financial statements,” the commission said. Moreover, the schedules contained requirements for disclosing beneficial ownership of foreign shareholders, other than natural persons, in the companies.

Stakeholders complained such disclosures should be part of the prescribed pattern of shareholding of the companies instead of the financial statements. SECP said now the companies have to follow the requirements of the applicable financial reporting framework for disclosures in the financial statements.

“Therefore, it appears cogent to apply the definition of related party prescribed in the respective financial reporting frameworks for accounting and financial disclosures,” it added. “In this context, an explanation has been added through the notification to this effect. In order to comply with legal requirements of section 208 of the Act, i.e. for entering into related party transactions or arrangements, approvals and record keeping, the definition given in the said section shall prevail.”

The commission said the criteria of related party in terms of the financial reporting framework will, however, be applied for financial disclosures. “This will address one of the major concerns of stakeholders,” it added. Furthermore, related party

disclosures would now be required only if there are transactions or arrangements with related parties.

Likewise, the requirements for disclosing beneficial ownership of the companies held by foreign shareholders, other than natural persons, will now be made part of the pattern of shareholding instead of financial disclosures.