



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Company Law Division  
Corporatization & Compliance Department

No. CLD/CCD/PR/11/2017-2018

September 30, 2020

## CIRCULAR NO. 29 OF 2020

Subject: **Clarification regarding Section 159 of the Companies Act, 2017**

The provisions of Section 159(5) of the Companies Act, 2017 (the "Act") stipulate that the directors of a company having a share capital shall, unless the number of persons who offer themselves to be elected is not more than the number of directors fixed under sub-section (1) of section 159, be elected by the members of the company in general meeting in the manner as stipulated therein.

2. Amongst the corporate sector, there is a contention that in case the number of persons who offer themselves to be elected is equal to or less than the number of directors fixed, the requirement to call and hold a general meeting for the purpose of election of directors is dispensed with.

3. It is pertinent to mention that the calling of general meeting for the purpose of election of directors is a duty and responsibility of the directors, and the tenure of office of retiring directors cannot be extended by not calling the meeting at which they are bound to retire. If contrary interpretation is allowed to stand, the directors could brave the consequences of not holding the general meeting within the prescribed time and continue in office indefinitely. Furthermore, section 151 of the Act stipulates that the minutes of proceedings of general meetings shall be the evidence of such proceedings, and until the contrary is proved, every general meeting of the company in respect of the proceedings whereof minutes have been so made shall be deemed to have been duly called, held and conducted.

4. Hence, it is essential for a company to call and hold a general meeting for election of directors in terms of section 159 of the Act, in order to ensure that the proceedings are properly recorded in minutes and ultimately, the shareholders of a company are able to make informed decisions. Accordingly, it is clarified that the holding of a general meeting is a condition precedent for the purposes of election of directors, whether the number of persons who offer themselves to be elected is equal to, less than or more than the number of directors fixed under section 159(1) of the Act.

(Mubasher Saeed Saddozai)

Registrar of Companies /Head of Department (CCD/CROs)

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