

**SATURDAY AUGUST 06:** Potentially viable entities: Finance shelves plan for corporate rehabilitation

ISLAMABAD (August 08, 2011) : The Finance Ministry has reportedly shelved its plan for corporate rehabilitation of potentially viable entities to avoid corporate closures through prolonged litigation, sources told *Business Recorder*. The issue was on the agenda of Cabinet meeting held on July 27, 2011, but the Finance Ministry requested for withdrawal of its summary which, according to some Ministers, was mind boggling. The Finance Ministry in its summary-a copy of this document is available with Business Recorder-pleaded that the existing institutional arrangements and legal processes for revival and rehabilitation of potentially viable companies are both inadequate and time consuming. Efforts in the past have been made largely on creditor-friendly laws. For example, the establishment of special banking courts, intensification of banking court procedures and criminalising of failure to pay back bank loans were indicative of a pressurising approach to force recoveries for the banks. Such attempts have resulted in serious imbalance of legal remedies between creditors and debtors. In the circumstances, the Finance Ministry had proposed to develop modern legislation in the public interest, which would provide for an effective framework for the rehabilitation of potentially viable business entities in the country and avoidance of corporate closures through prolonged litigation. Accordingly, in January 2009, the then Advisor to Prime Minister on Finance, Shaukat Tarin, had constituted a review committee, headed by Chairman of the Securities and Exchange Commission of Pakistan (SECP). The mandate of the review committee was to develop legislation for corporate rehabilitation and restructuring of bad debts, in consultation with the stakeholders. The review committee held several formal and informal meetings with industry stakeholders, sector specialists and banking personnel. The review committee also considered the current international best practices and models in solvency and risk management. The committee also drafted a 'Corporate Rehabilitation Bill, 2011'. The Cabinet, in its meeting held on September 22, 2009 considered the summary submitted by the Finance Ministry on "grant of approval on Corporate Rehabilitation Bill, 2011", and decided to constitute a committee headed by Minister for Finance with the Minister for Law, Minister for Information, Minister for Health and Advisor to the Prime Minister on Information Technology Bill, 2011 and submit an expeditious report to the Cabinet. Accordingly, a report for the Cabinet was prepared as 'Bill', namely 'Corporate Rehabilitation Bill, 2011', and was on the agenda of Cabinet meeting, but at the eleventh hour, it has been dropped.

[Copyright Business](#)

[Recorder, 2011](#)