Chapter 4: Chief Executive and Other Officers

1 Chapter Roadmap

CHIEF EXECUTIVE
definition · eligibility · appointment · terms · removal · competing business (Sec. 1)

→

OTHER OFFICERS
chairman · company secretary · share registrar · sole agents (Sec. 2)

→

OBJECTIVE BASED Q&A
(Sec. 3)

Theme: the chief executive manages the company under the control and directions of the board. This chapter covers who can be appointed, for how long, how he is removed, and the other officers a company must have.

2 Key Definitions

Chief executive [Section 2(14)]
An individual who, **subject to the control and directions of the directors**, is entrusted with the **whole, or substantially the whole**, of the powers of management of the affairs of the company – includes a director or any other person occupying the position of a chief executive, **by whatever name called**, whether under a contract of service or otherwise.

Officer [Section 2(45)]
Includes any **director, chief executive, chief financial officer, company secretary** or other authorised officer of a company.

Company secretary [Section 2(21)]
Any individual appointed to perform secretarial and other duties customarily performed by a company secretary and declared as such, with the qualifications and experience specified.

3 Eligibility of the Chief Executive [Section 189]

Rule
A person who is **ineligible to become a director** shall not be appointed or **continue** as the chief executive of any company. (All s.153 grounds apply – plus, for listed companies, loan default to a financial institution and the brokerage bar.)

But: a chief executive need **not be a member** – a chief executive is one of the exceptions to the membership requirement for directors.

4 Appointment & Term

	First Chief Executive [Section 186]	Subsequent Chief Executive [Section 187]
Appointed by	**Subscribers to the memorandum**; particulars filed with incorporation documents	**Board** – any person, including an elected director
When	At incorporation	Within **14 days** of the election of directors, or of the office falling vacant (casual vacancy)
Term	Up to the **first AGM**, or a **shorter period** fixed by the subscribers (unless he resigns / ceases earlier)	Not exceeding **3 years** from appointment; eligible for **re-appointment**. Casual vacancy appointee – until the next elected board appoints a CEO
Government role	Government may nominate the CEO of a **public sector company**	Government may nominate the CEO where **majority of directors** are Government nominees

Retiring CEO continues until successor appointed – unless

- his office was **expressly terminated**; or
- non-appointment of the successor is due to **his own fault**.

Terms of appointment [Section 188]
Determined by the **directors** or the company in **general meeting**, per the articles (Government nominee – by the Government, as specified).

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5 Status & Reporting [Section 188]

Reports to the board
He reports to the **board of directors** and cannot exceed the authority granted by the board.

Deemed director
If not already a director, he is **deemed to be a director** – with all rights, privileges and liabilities of a director.

Executive director
Being in management, the CEO is an **executive director** (never independent / non-executive).

6 Removal of the Chief Executive [Section 190]

At any time, **notwithstanding anything in the articles or in his appointment / contract**, by any one of:

① **SPECIAL RESOLUTION**
in general meeting of the company

② **BOARD RESOLUTION**
supported by at least
THREE-FOURTHS OF THE TOTAL NUMBER OF DIRECTORS FOR THE TIME BEING

③ **GOVERNMENT**
/ authority / person authorised by it, where Government holds
MORE THAN 75%
of voting rights

Scenario	Working	Answer
ABC Ltd – 12 directors; CEO's contract bars early termination	3/4 × 12 = 9	Removable – **9 directors** (or special resolution); the Act overrides the contract
Jicama Ltd – 12 directors, only 10 present at the meeting	3/4 of **total** (12), not of those present	**Not less than 9** directors
Bravo (Pvt) Ltd – 8 directors (Tiara 5, Junaid 3 incl. CEO); Tiara holds 6,030,000 of 9,000,000 shares = 67%	Board: 3/4 × 8 = 6 · GM: special resolution needs 75%	Tiara (5 directors, 67%) **cannot** remove the CEO without Junaid's side
Zameer – first CEO of Ryan Industries Ltd	Term: till first AGM or shorter period fixed	Removable by 3/4 of directors or special resolution

Trap: The board fraction is 3/4 of the **total number of directors for the time being** – not of those present, and not by shareholding. A clause in the contract or articles preventing early removal does **not** stop removal.

7 When Does a CEO Cease to Hold Office Automatically?

Being a deemed director, the CEO ceases **ipso facto** when he:

① becomes **ineligible** to be appointed a director on any ground in s.153 (or the listed-company extras)

② is absent from **three consecutive board meetings** without leave of absence

③ (himself, his firm or a private company where he is a director) accepts / holds an **office of profit** without GM sanction (other than CEO or legal / technical adviser)

④ (himself, his firm or a private company where he is a director) accepts a **loan or guarantee** in contravention of the Act

Practice Q – Pearl Limited (listed): Ali appointed CEO on 31 Dec 2025; his spouse became a **director of a brokerage house** on 15 Feb 2026 → Ali **ipso facto ceases** from **15 Feb 2026** and cannot be CEO / director of any listed company. His acts until discovery remain **valid**; the board must appoint a new CEO within **14 days** of the casual vacancy.

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8 No Competing Business [Section 191 – public companies]

Restriction

In a **public company**, the chief executive, his **spouse** and **minor children** shall not engage in a business that **directly competes** with the business of the company or of any of its **subsidiaries**. Business carried on by the spouse or minor children is deemed carried on **indirectly** by the CEO.

Disclosure on appointment

Every person appointed CEO of a public company must **disclose in writing** to the company the nature of any such business and his interest in it.

Scenario	Can he be CEO?
Gul Maher (Faraya Ltd, **unlisted** public – plastic bottles): wife runs a corporate brokerage house	YES brokerage bar applies only to **listed** companies
Gul Maher: **adult** son Sultan sells plastic bottles in Multan; Gul gives free technical help	YES restriction covers spouse and **minor** children only
Mr. Imran (Hamid Textile Mills Ltd, listed): wife is CEO of Fahad Textile Mills (Pvt) Ltd	NO indirect competing business through spouse
Mr. Imran: involved in stock brokerage	NO cannot be a director of a listed company → cannot be CEO
Mr. Imran: not a member of HTML	YES a CEO need not be a member
Fareed Shah (Axis Cement Ltd): wife elected director of Brut Cement (Pvt) Ltd	DEPENDS not an ipso facto ground; he must vacate only if Brut **directly competes** with ACL. His contract can still be cancelled by 3/4 of directors or a special resolution
Mahmood Khan for Rohu Ltd (unlisted): director of a brokerage house	YES not listed – no implication
Mahmood Khan: director of Boxfish Technologies, which gives IT support to Rohu	DEPENDS fine if technical advisory (with disclosure); if an **office of profit**, needs GM approval or he ceases
Mahmood Khan: wife is CEO of Sunfish Automobiles; Rohu's subsidiary Pomfret makes automobiles	DEPENDS barred only if Sunfish **directly competes** with the **subsidiary**

Rohu Ltd (incorporated 10 June 2023): if Haseeb Ahmed is the first CEO, his term runs to the first AGM – due within **16 months** of incorporation, i.e. by **10 October 2024** – unless a shorter period was fixed.

9 Loans to a Chief Executive

Practice Q – Mr. Babar (ST Limited)

A CEO is a deemed director, so a loan to him is a **loan to a director**: needs a **members' resolution** (+ **SECP approval** if listed). His old 2009 loan (Rs. 1 million outstanding) must be **settled** or approved by members (and SECP if listed) **before** he is appointed CEO.

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10 Other Officers

Chairman of a listed company [Section 192]

- Appointed by the **board** within **14 days** of election of directors, from among the **non-executive directors** (independent directors are non-executive too).
- Leads the board; ensures it plays an effective role.
- Annual financial statements include his **review report** on the board's overall performance and effectiveness.
- Term **3 years**, unless he resigns, becomes ineligible / disqualified or is **removed by the directors**.
- Board clearly defines roles of chairman and CEO; the Commission may specify classes of companies where **chairman and CEO shall not be the same individual**.

Company secretary [Section 194]

A **public company** must have a company secretary with the specified qualification – advises the board on **compliance with corporate laws** and maintains records and registers.

Share registrar [Section 195]

A **listed company** must appoint an **independent share registrar** to handle share transfers and the company's obligations as issuer to shareholders. Transfer applications go to the registrar; its name appears in notices of general meetings.

Faisal Limited (listed) – board	Category	Can be chairman?
Khalid, Dawood, Rehmat	Independent	YES
Salman, Arif, Ashraf	Non-executive	YES
Fasih (CEO), Kashif (Director Finance)	Executive	NO

11 Sole Purchase, Sale or Distribution Agents [Section 196]

Rule

No company (incorporated in Pakistan or outside) carrying on business in Pakistan shall appoint a **sole purchase, sale or distribution agent** without the **approval of the Commission**. **Exception:** a company incorporated **outside Pakistan** – unless the **major portion** of its business is conducted in Pakistan.

Company	SECP approval?
ABC Limited – registered in Pakistan; business in Pakistan & Middle East (Ex. 01)	REQUIRED
ABC Inc. (USA) – 12 countries, some business in Pakistan (Ex. 02)	NOT REQUIRED
XYZ Inc. (USA) – 3 countries, **major portion** in Pakistan (Ex. 03)	REQUIRED
Catfish Holding (Turkey) – major operations in Pakistan; appointing Goldfish (Pvt) Ltd	REQUIRED (Pakistan's Commission)

12 Time Limits & Numbers

Requirement	Limit	Section
First CEO's term	**Till first AGM** (or shorter)	186
Appoint subsequent CEO after election of directors / casual vacancy	**14 days**	187
Maximum term of subsequent CEO	**3 years**	187
Board majority to remove CEO (of total directors for the time being)	**3/4**	190
Government voting rights giving it power to remove CEO	**> 75%**	190
Appoint chairman of listed company after election of directors	**14 days**	192
Chairman's term	**3 years**	192

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13 Exam Question Patterns & MCQ Quick Clues

"The chief executive reports to..."	→	**Board of directors**
"The CEO is considered to be the _____ of the company"	→	**Executive director**
"Competing business bar on CEO, spouse & minor children applies to..."	→	**Public company**
"Chairman of a listed company must be..."	→	**A non-executive director**
"Roles of the chairman are defined by..."	→	**The board**
"SECP may require these two not to be the same person"	→	**Chairman and chief executive**
"CEO of a public sector company resigns – new CEO nominated by..."	→	**Government of Pakistan**
"Foreign company, major business outside Pakistan, sole agent"	→	**No approval needed**

⚠ CHAPTER 4 EXAM TRAPS

Trap: A subsequent CEO is appointed by the **board** (not the shareholders at the AGM), for up to **3 years** (not until the next AGM).

Trap: The competing-business rule reaches **spouse and minor children** only – an adult son's business does not count.

Trap: Brokerage disqualification of the CEO or spouse applies only to **listed** companies.

Trap: A spouse joining a competitor's board is **not** an ipso facto ground – test whether the business **directly competes**.

Trap: The chairman of a listed company is appointed by the **board** (not shareholders) and may be **removed by the directors** – no special resolution needed.

CAF-04 – CHAPTER 4 IN 60 SECONDS

- **CEO** = whole / substantially whole management powers, under the board's control · ineligible director = ineligible CEO · need not be a member.
- **First CEO:** by subscribers, till first AGM (or shorter) · Government nominates in public sector companies.
- **Subsequent CEO:** by board within 14 days · max 3 years · re-appointable · continues till successor (unless terminated / at fault).
- **Terms** by directors or GM per articles · reports to board · deemed director.
- **Removal:** special resolution · 3/4 of total directors · Government holding > 75% – overrides any contract.
- **Public company:** no competing business by CEO, spouse or minor children · written disclosure on appointment.
- **Other officers:** listed chairman (NED, 14 days, 3 years, review report) · public company secretary · listed share registrar · sole agent needs SECP approval.

14 Chapter Memory Map

CEO Definition | Officer | Eligibility (s.189) | First CEO | Subsequent CEO – 14 Days | 3-Year Term
Government Nomination | Terms & Reporting | Deemed Director | Removal – 3/4 | Ipso Facto Cessation
Competing Business | Chairman (Listed) | Company Secretary | Share Registrar | Sole Agents