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Pakistan Proposes Bankruptcy Law Overhaul to Boost Business

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The Pakistani government has unveiled sweeping reforms to modernize bankruptcy laws, aiming to revive struggling industries and protect businesses from undue regulatory harassment. Special Assistant to the Prime Minister on Industries Haroon Akhtar Khan announced the proposed changes during a high-level meeting with economic

stakeholders, framing the initiative as critical for restoring investor confidence and industrial growth.

The proposed amendments to the Corporate Rehabilitation Act of 2018 include eliminating arbitrary eligibility thresholds, establishing judicial stay orders to pause creditor actions, and creating structured asset valuation protocols. Notably, the reforms would extend protections to companies benefiting from State Bank of Pakistan (SBP) bailout programs under Circular No. 29. The meeting brought together key regulators, including the Federal Board of Revenue (FBR), Securities and Exchange Commission of Pakistan (SECP), and private sector representatives.



Business leaders have long complained that Pakistan's outdated insolvency framework forces viable companies into premature liquidation while enabling predatory practices by creditors. The new proposals aim to shift focus from punitive measures to business rehabilitation, mirroring successful Chapter 11-style frameworks in developed markets. However, implementation challenges remain, particularly in building judicial capacity to handle complex restructuring cases.

As Pakistan's economy shows fragile signs of recovery, these reforms could mark a turning point for industrial revival. By replacing financial fatalism with structured rehabilitation options, the government signals its commitment to market-driven solutions. The true test will come in execution – whether these well-intentioned reforms can survive Pakistan's bureaucratic inertia and deliver tangible relief to distressed businesses. For struggling enterprises, these changes may arrive just in time to prevent economic casualties from becoming permanent losses.