

[AS PASSED BY THE SENATE]

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BILL

further to amend the Companies Act, 2017

WHEREAS it is expedient further to amend the Companies Act, 2017 (XIX of 2017), for the purposes hereinafter appearing;

It is hereby enacted as follows:-

1. Short title and commencement.- (1) This Act shall be called the Companies (Amendment) Act, 2020.

(2) It shall come into force at once.

2. Insertion of section 60A, Act XIX of 2017.- In the Companies Act, 2017 (XIX of 2017), hereinafter called as the said Act, after section 60, the following new section shall be inserted, namely:-

"60A. Prohibition on issuance of bearer shares or bearer share warrants, etc.- (1) Notwithstanding anything contained in the National Investment (Unit) Trust Ordinance, 1965 (VII of 1965) or any other law for the time being in force, no company shall allot, issue, sell, transfer or assign any bearer shares, bearer share warrants or any other equity or debt security of a bearer nature, by whatever name called, and any allotment, issue, sale, transfer, assignment or other disposition of any such bearer shares or bearer share warrants or any other equity or debt security of a bearer nature, shall be void.

Explanation.- For the purpose of this section, the term "bearer shares or bearer share warrants" means a negotiable instrument that accords ownership or control in a company to the person who possess such instrument and includes any other equity or debt security of a bearer nature.

(2) All existing bearer shares or bearer share warrants, if any, shall either be registered or cancelled, in such manner and within such period, as may be specified.

(3) Any contravention or default in complying with the requirements of this section shall be liable in case of,-

- (a) a director or officer of the company or any other person, to a penalty which may extend to one million rupees; and
- (b) the company, to a penalty which may extend to ten million rupees.”.

3. Amendment of section 122, Act XIX of 2017.- In the said Act, in section 122, sub-section (3) shall be omitted.

4. Insertion of new section 123A, Act XIX of 2017.- In the said Act, after section 123, the following new section 123A shall be inserted, namely:-

“123A. Record of ultimate beneficial owner.- (1) A company shall maintain information of its ultimate beneficial owners in such form and manner, within such period and obtain such declaration from its members as may be specified.

Explanation.- For the purpose of this section, the term “ultimate beneficial owner” means a natural person who ultimately owns or controls a company, whether directly or indirectly, through **at least twenty five percent** shares or voting rights or by exercising effective control in that company through such other means, as may be specified.

(2) Every company shall, in such form and manner as may be specified, maintain a register of its ultimate beneficial owners and shall timely record their accurate and updated particulars, including any change therein, and provide a declaration to this effect to the registrar and where any government is a member of a company such particulars of the relevant government shall be entered in the register of ultimate beneficial owners in the specified manner.

(3) Any contravention or default in complying with requirement of this section shall be liable in case of,-

- (a) a director or officer of the company or any other person, to a penalty which may extend to one million rupees; and
- (b) the company, to a penalty which may extend to ten million rupees.”.

5. Amendment of section 413, Act XIX of 2017.- In the said Act, in section 413,-

(a) in sub-section (2), for the words "three years", the words "five years" shall be substituted; and

(b) for sub-section (3), the following shall be substituted, namely:-

"(3) The Commission may, as specified by regulations, prevent the destruction of books and papers of a company which has been wound up."

STATEMENT OF OBJECTS AND REASONS

The Companies (Amendment) Bill, 2020 has suggested various amendments to Companies Act, 2017 (XIX of 2017) to ensure compliance with the recommendations on anti-money laundering and countering the financing of terrorism issued by the Financial Action Task Force (FATF). Pakistan's 2019 Mutual Evaluation Report (MER) on FATF Recommendations issued by the Asia Pacific Group on Money Laundering (APG) highlighted certain deficiencies including lack of explicit prohibition on issuance of bearer shares or bearer share warrants, lack of obligations for companies to hold beneficial ownership information, etc. The report also recommended that the persons who breach the required measures shall be made subject to effective proportionate and dissuasive sanctions.

Accordingly, the proposed amendments are being made to ensure compliance with FATF's recommendation aimed at enhancing the transparency of legal persons, to fulfill the recommended actions in MER, and to enhance the country's ranking against the aforesaid standards. These are also aimed to conform to the action plan approved by the National Executive Committee on AML / CFT for compliance with the FATF recommendations.

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