

# SENATE OF PAKISTAN

REPORT NO.31 OF 2020



*House of the Federation*

## **REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE AND ECONOMIC AFFAIRS**

**ON**

**THE COMPANIES (AMENDMENT) BILL, 2020, AS PASSED BY THE  
NATIONAL ASSEMBLY**

**PRESENTED BY:**

**SENATOR FAROOQ HAMID NAEK**

## SENATE SECRETARIAT

### **REPORT OF THE STANDING COMMITTEE ON FINANCE, REVENUE, AND ECONOMIC AFFAIRS ON THE COMPANIES (AMENDMENT) BILL, 2020**

I, Senator Farooq Hamid Naek, Chairman, Standing Committee on Finance, Revenue and Economic Affairs, have the honour to present, on behalf of the Committee, this report on a Bill further to amend the Companies (Amendment) Act, 1984, [The Companies (Amendment) Bill, 2020], as passed by the National Assembly and referred by the House to the Committee on 13<sup>th</sup> August, 2020, for consideration and report.

2. The composition of the Standing Committee is given as under: -

(1)	Senator Farooq Hamid Naek	Chairman
(2)	Senator Ayesha Raza Farooq	Member
(3)	Senator Mushahid Ullah Khan	Member
(4)	Senator Musadik Masood Malik	Member
(5)	Senator Dilawar Khan	Member
(6)	Senator Muhammad Akram	Member
(7)	Senator Muhammad Talha Mahmood	Member
(8)	Senator Imam-ud-Din Shouqeen	Member
(9)	Senator Mohsin Aziz	Member
(10)	Senator Mian Muhammad Ateeq Shaikh	Member
(11)	Senator Anwar ul Haq Kakar	Member
(12)	Senator Sherry Rehman	Member
(13)	Senator Zeeshan Khanzada	Member
(14)	Advisor the Prime Minister for Finance and Revenue	Ex-Officio Member



3. The Committee considered the said Bill in its meeting held on 17<sup>th</sup> & 18<sup>th</sup> August, 2020, at Parliament House, Islamabad. The meeting of the Committee was attended by the following Senators:-

(1)	Senator Farooq Hamid Naek	Chairman
(2)	Senator Zeeshan Khanzada	Member
(3)	Senator Mohsin Aziz	Member
(4)	Senator Dilawar Khan	Member
(5)	Senator Musadik Masood Malik	Member
(6)	Senator Imam-ud-Din Shouqeen	Member
(7)	Senator Sherry Rehman	Member

4. The Committee unanimously was of the view that a Sub-Committee be constituted for making amendments in the said Bills. The Chairman SECP agreed with the Members of the Committee for constitution of a Sub-Committee. Therefore, the Committee constituted a Sub-Committee in its meeting held today i.e. 17<sup>th</sup> August, 2020. The Composition and Terms of Reference of the Sub-Committee are given as under:-


a. COMPOSITION:-

(1)	Senator Musadik Masood Malik	Convener
(2)	Senator Imam-ud-Din Shouqeen	Member
(3)	Senator Mohsin Aziz	Member


b. TERMS OF REFERENCE:-

"The Sub-Committee will deliberate on following bills and submit its report to the Standing Committee:-

- (i) The Limited Liability Partnership (Amendment) Bill, 2020.
- (ii) The Companies (Amendment) Bill, 2020."



5. The Sub-Committee considered the Companies (Amendment) Bill, 2020, clause by clause. The Convener of the Sub-Committee, Senator Musadik Malik briefed the Committee regarding the meeting of Sub-Committee held on 18<sup>th</sup> August, 2020. He said that the lacunas which have been found in this Bill will be covered in the regulations, which will be formulated after passage of this Bill. He further apprised the Committee that Chairman SECP has given undertaking regarding to fulfill the lacunas of the said Bill in regulations. Some members of the Committee were of the view that there is no legal status of giving undertaking at this forum, therefore, we should bring amendments in the law.
6. The Finance Division and Chairman SECP failed to convince the Members of the Committee regarding said Bill, however, Chairman Committee apprised the participants of the meeting that we are not against the Bills which are being brought in the compliance of FATF. However, being a legislature its our duty to pass improved and refined laws.
7. After discussion and deliberation, the four Members namely; Senators Farooq Hamid Naek, Musadik Masood Malik, Imam-du-Din Shouqeen and Sherry Rehman voted in favour to bring amendments in the said Bill, however, three members namely; Senators Mohsin Aziz, Zeshan Khanzada and Dilawar Khan voted in favour of the existing Bill, as passed by the National Assembly.
8. The Bill as passed by the National Assembly is annexed.

  
**(HYDER ALI)**  
JS/Secretary (Committee)

  
**(SENATOR FAROOQ HAMID NAEK)**  
Chairman (Committee)

Islamabad, the  
18<sup>th</sup> August, 2020

[AS PASSED BY THE NATIONAL ASSEMBLY]

A

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;

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 such percentage of 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.”.

413,—  
5. **Amendments of section 413, Act XIX of 2017.**— In the said Act, in section

(a) in sub-section (2),—

- (i) for the words “three years”, the words “five years” shall be substituted; and
- (ii) after the word “company”, occurring for the first time, the words “as may be specified” shall be inserted; 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 OBJECT AND REASONS

### COMPANIES (AMENDMENT) BILL 2020 – FATF RELATED

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.



(Dr. Abdul Hafeez Shaikh)  
Advisor to PM on Finance & Revenue