

[AS PASSED BY THE SENATE]

A

BILL

further to amend the Cooperative Societies Act, 1925

WHEREAS it is expedient further to amend the Cooperative Societies Act, 1925 (Sindh Act, VII of 1925) in its application to the extent of Islamabad Capital Territory;

It is hereby enacted as follows:-

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

(2) It shall come into force at once.

2. Amendment in section 3, Sindh Act VII of 1925.- In the Cooperative Societies Act, 1925 (Sindh Act VII of 1925), hereinafter called as the said Act, in section 3:-

(i) the existing clause (a) shall be re-numbered as clause (aa) and before that the following clause (a) shall be inserted, namely:-

“(a) “beneficial owner” means a natural person who ultimately owns or controls a society, whether directly or indirectly or have ownership thereof by exercising effective control in that society through other means as may be prescribed.”

(ii) after clause (b), the following new clause (ba) shall be inserted, namely:-

“(ba) “competent authority” means the regulators, oversight bodies for Statutory Regulatory Bodies (SRBs), the financial monitoring unit of the State Bank of Pakistan and the investigating or prosecuting agencies as defined in the Anti-Money Laundering Act, 2010 (VII of 2010); and

(iii) after clause (d), the following new clause (da) shall be inserted, namely:-

“(da) “prescribed” means prescribed by rules made under this Act;”

3. Amendment in section 9, Sindh Act VII of 1925.- In the said Act, in section 9, sub-section (2), in clause (a), the word "and" at the end shall be omitted and in clause (b), for full stop at the end a semicolon shall be substituted and thereafter the following new clauses (c) and (d) shall be inserted, namely:-

- "(c) providing information, as may be prescribed, about its members, beneficial owners, running affairs of the society, to the Registrar; and
- (d) if the society is run by non-members i.e. officers or employees, information in prescribed manner shall be provided regarding these employees and officers and the reasons for running the affairs by them."

4. Amendment in section 17-A, Sindh Act VII of 1925.- In the said Act, in section 17A, the existing provision shall be numbered as sub-section (1) thereof, and after sub-section (1), numbered as aforesaid, the following new sub-section (2), (3), (4), (5) and (6) shall be added, namely:-

"(2) Where a society is a member of another society, that society shall nominate any of its members to serve as a director of the society of which it is a member.

(3) The director of a society who is nominated in accordance with sub-section (2) must be a natural person who shall provide such information to the society to which he is nominated, in such circumstances and manner, as may be prescribed.

(4) The Secretary of a society shall keep an updated record of any nominated directors, as well as provide prescribed information of the nominated directors to the Registrar both annually and from time to time when changes occurs in the prescribed circumstances and manner.

(5) The Registrar shall keep an updated record of the nominated Directors of all societies in the prescribed circumstances and manner.

(6) Other than as set out in sub-section (1), no director shall nominate on his behalf a member or director to perform the membership rights on his behalf."

5. Insertion of section 20A and section 20B, Sindh Act VII of 1925.- In the said Act, after section 20, the following new sections 20A and 20B shall be inserted, namely:-

"20A. Provision of information.- (1) The Secretary of the society shall provide such information to the Registrar both annually and from time to time when changes occur, as may be prescribed.

(2) The secretary of the society shall provide to competent authorities at any time upon request prescribed information, including but no limited to beneficial owners, members, nominees of the members, officers, employees and managing committee of the society.

(3) The Registrar may at any time by his own or through a person authorized by him seek the prescribed information from the Secretary of the society.

20B. Provision of information by the Registrar.- The Registrar shall provide information to any competent authority upon their request in writing, regarding the members and beneficial owners, officers and employees of the society, assets or shares held by the members in the society, their addresses, nominees of the members, properties and financial condition of the society."

6. Insertion of section 21A, Sindh Act VII of 1925.- In the said Act, after section 21, the following new section 21A, shall be inserted, namely:-

"21A. Updating of records of societies.- (1) Every society shall, in a prescribed manner, provide the information about its beneficial owners to the Registrar within three months of the commencement of the Cooperative Societies (Amendment) Act, 2020.

(2) The Registrar shall keep an up to date record as prescribed of all the beneficial owners, members, nominees of the members, directors, managing committee and employees of the societies.

(3) If a society falls to provide the information as required under sub-section (1), the Registrar shall, after affording the opportunity of being heard, cancel that society's registration."

7. Insertion of section 34A, Sindh Act VII of 1925.- In the said Act, after section 34, the following new section 34A, shall be inserted, namely:-

"34A. Prohibition on issuance of bearer shares, warrants, etc.- No society 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 bearer shares or bearer share warrants or any other equity or debt security of a bearer nature, shall be void."

8. Insertion of section 49A, Sindh Act VII of 1925.- In the said Act, after section 49, the following new section 49A, shall be inserted, namely:-

"49A. Records of the society whose registration has been cancelled.- The Registrar shall, for a period not less than five years, keep all the records of a society along with proceeding of liquidation completed whose registration has been cancelled.

(2) The Secretary of the society whose registration has been cancelled shall also keep the records of the society for a period not less than five years and the society shall not dispose of its record after five years without the approval of the Registrar."

9. Amendment in section 60, Sindh Act VII of 1925.- In the said Act, in section 60, in clause (d), for full stop at the end, a semicolon and the word "or" shall be substituted and thereafter the following new clause (e) shall be added, namely:-

"(e) if a member, employee, director, officer or secretary of the society or the society itself does not furnish information under this Act or does not comply with any provision of this Act."

10. Amendment in section 61, Sindh Act VII of 1925.- In the said Act, in section 61, for the expression "Rs. 50" the words "one million rupees" shall be substituted.

11. Insertion of section 61A, Sindh Act VII of 1925.- In the said Act, after section 61, amended as aforesaid, the following new section 61A, shall be inserted, namely:-

"61A. Penalty for offences committed under clause (e) of section 60.- Any member, employee, director, officer or secretary of the society found guilty under clause (e) of section 60 shall be punishable with an imprisonment for a term not less than three years and not exceeding five years or with a fine upto two million rupees or with both and, if any society is found guilty under the said clause (e) of section 60 shall be liable to a fine up to a maximum of one-fourth of its working capital or to a fine not exceeding ten million rupees."

STATEMENT OF OBJECTS AND REASONS

The Bill in its current shape is outdated. The FATF requires to amend the above mentioned Act in order to bring more control and transparency in Registration / Regulations of Cooperative Societies in Islamabad. The prime objective of proposed amendment is to control terror financing through this channel.

The provision relating to SECP, NAB and other Prosecution Agencies were deficient in the existing version of Cooperative Societies Act, 1925. The same has now been incorporated in order to implement strict control on the affairs of Cooperative Societies. The provisions regarding audit / accounts mechanism of the Cooperative Societies have also been introduced in the proposed amendments.

The definition of a beneficial owner is not provided in the current bill, with the passage of time the definition of beneficial owner needs to be included in the law. The same has been incorporated through this amendment. Furthermore, the procedure for investigating and prosecuting agencies to collect information from society is not defined in the current Bill. Through the current amendment that procedure has been defined. Also in case misinformation is provided, punishment for this offense has been clearly spelled out.

**BRIG. (R) IJAZ AHMAD SHAH
MINISTER FOR INTERIOR**