



MAJEED & PARTNERS

ADVOCATES & COUNSELLORS AT LAW

CLIENT UPDATE

Major steps introduced by SECP to strengthen anti-money laundering regime in Pakistan's corporate sector.

All locally incorporated and foreign companies and limited liability partnerships operating in Pakistan are now required to report their ultimate beneficial owners to SECP.

Recent amendments in various laws.

In August 2020, the Parliament enacted the Companies (Amendment) Act, 2020, to implement the recommendation of the Financial Action Task Force (**FATF**). Through this law, a new provision was inserted in the Companies Act, 2017, which requires all companies operating in Pakistan to maintain information of its ultimate beneficial owners and to share such information with the Securities and Exchange Commission of Pakistan (**SECP**) and other authorities. A similar obligation was imposed on Limited Liability

Partnerships (**LLPs**) registered in Pakistan through the Limited Liability Partnerships (Amendment) Act, 2020.

In furtherance of the above amendments, in September 2020, SECP amended the Companies (Incorporation) Regulations, 2017, the Limited Liability Partnership Regulations, 2018, and the Foreign Companies Regulations, 2018, to lay down the detailed mechanism to ensure compliance of the above enactments.

Who is liable for providing information to SECP?

All companies incorporated in Pakistan as well as the foreign companies which have established places of business in the form of either a branch office or a liaison office are required to obtain the required information and submit the required statutory return to SECP. Likewise, all LLPs registered in Pakistan are required to obtain the required information about their ultimate beneficial owners and to report to SECP.

Who is an ultimate beneficial owner?

The ultimate beneficial owner is defined as a natural person who ultimately owns or controls the company, whether directly or indirectly, through at least 25% shares or voting rights.

A natural person who exercises effective control in a company through a chain of ownership or through close relatives or associates having significant influence or control over the finances or decisions of the company will also be deemed to be an ultimate beneficial owner regardless of whether or not he owns 25% shares or voting rights in the company.

In case of LLPs, the natural person who ultimately and effectively owns or controls an LLP through direct or indirect rights or who shares at least 1/4th of the net profits and losses of an LLP will be deemed an ultimate beneficial owner.

What information is required to be maintained?

Where at least 25% of the shares, voting rights or controlling interest in a company is held by a person, whether natural or artificial, on behalf of someone else, the particulars (name, address, email etc.) of the ultimate beneficial owner should be obtained and recorded by the company in the register of ultimate beneficial owners to be maintained by it.

Where a shareholder is an artificial person, the company will take reasonable measures to obtain particulars of the natural person who is the ultimate beneficial owner of such artificial person. Where there is no natural person, the company should identify the natural person who holds the senior managing position of such

artificial person and obtain his prescribed particulars.

What information is required to be shared with SECP and when?

The information about the ultimate beneficial owners of the company together with a declaration of compliance in a prescribed form should be submitted by the company to the relevant registrar of companies. In certain cases, a copy of the declaration of compliance should be submitted to SECP.

In case of new companies, the information about the ultimate beneficial owners should be provided to SECP along with the incorporation documents.

In case of existing companies, the required notices should be issued by the company to the relevant shareholders within 3 months of coming into force of the Companies (Amendment) Act, 2020, and the declaration of compliance should be submitted to SECP within 15 days of receipt of declaration from the shareholder. Subsequently, the declaration of compliance should be submitted each year along with the annual return of the company.

Will the information be open to public inspection?

The register of ultimate beneficial owners will not be open to inspection by the shareholders or public. However, the company shall designate one of its directors or officers to provide the information about the ultimate beneficial owners of the company to the registrar of companies or any other authority or agency which is authorized under any law to call for such information.

The statutory returns submitted by a company to SECP, or the registrar of companies are open to inspection by public and anyone may obtain certified copies of the same.

What are the consequences for failure to provide the information?

Heavy penalties may be imposed on the companies, their directors and the ultimate beneficial owners who fail to provide the



required information. *SECP has already started issuing show cause notices to the companies and LLPs which have failed to submit the required statutory returns to SECP.*

What it means for companies?

- Companies will be required to issue notices to the relevant shareholders for information about the ultimate beneficial owners.
- Companies will be required to maintain a register of their ultimate beneficial owners

and to record every change in the particulars of their ultimate beneficial owners in the said register.

- Companies will be required to submit an annual declaration of compliance to SECP.
- Companies will be obligated to share the information of their ultimate beneficial owners with the local authorities.

Majeed & Partners, Advocates & Counsellors At Law is a Lahore based law firm providing a wide range of services across all industries. If you require further information about this Client Update or you require legal advice or assistance on a corporate compliance matter, please visit our website at <https://www.mplaw.com.pk> or email us at contactus@mplaw.com.pk.

DISCLAIMER: This Client Update is a source of general information for clients and friends of Majeed & Partners. The information provided in this Client Update does not, nor is it intended to, constitute legal advice, and does not create or constitute an attorney-client relationship. Readers should not take or refrain from taking any action based on any information contained in this Client Alert without first seeking legal advice.

All Rights Reserved ©Majeed & Partners.

