



SECP

SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN

CONCEPT NOTE

Setting up of Corporate Ultimate Beneficial Ownership Registry through Amendments to the Companies Regulations, 2024

Securities and Exchange Commission of Pakistan
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Executive Summary

Pakistan has made commendable progress in improving its corporate governance and regulatory frameworks, especially concerning Ultimate Beneficial Ownership (UBO) information, in line with international standards. Pakistan is rated as "largely compliant" in technical compliance of Recommendation-24, which deals with the transparency and beneficial ownership of legal persons as per latest ratings available on FATF website¹. However, absence of a corporate UBO Registry at the Securities and Exchange Commission of Pakistan (SECP) could undermine efforts to improve the effectiveness of Immediate Outcome 5 (IO.5), streamline the business environment, and attract Foreign Direct Investment (FDI) into the country.

This concept note outlines the proposed amendments and practical recommendations to address the above-mentioned issue and to align our regulatory framework with FATF standards and OECD recommendations, while maintaining a conducive business and investment friendly environment. It aims to streamline the UBO Registry process to ensure Pakistan's compliance with international obligations without overcomplicating the regulatory framework.

As per the proposed changes, the companies will be required to submit UBO information, already being obtained from the shareholders holding 25% or more shares, to the Commission through the eZfile portal. However, in order to obtain this UBO information, and to cover the indirect holdings, notices will be issued by companies to all members, with an exception for listed companies which will only issue notices to members holding at least 5% of shares or voting rights. The threshold for companies to report UBO information to the Commission would remain 25% as provided under section 123A of the Companies Act, 2017.

It is pertinent to highlight that approximately 96% of the companies registered with SECP are either single-member or private limited companies. As such, the proposed initiative not only brings SECP's regulatory framework in line with international best practices but also ensures that no additional compliance burden is placed on companies, thereby preserving the ease of doing business.

¹ <https://www.fatf-gafi.org/content/dam/fatf-gafi/Global-Network/4th-Round-Ratings.pdf.coredownload.inline.pdf>

1. Proposal for setting-up a Corporate Ultimate Beneficial Ownership (UBO) Registry at SECP:

1.1 Background of the Issue:

Establishing a UBO registry has emerged as a global priority to enhance transparency and combat financial crimes, in line with international standards, particularly FATF's Revised Recommendation 24 (Rec 24). The National Action Plan (2023), as outlined by the National Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Authority, mandates the creation of a separate UBO registry at the SECP to ensure compliance with Rec 24.

1.2 FATF's Revised Recommendation 24

The FATF Revised Recommendation 24 (Rec 24), effective from March 2022, provides a multi-pronged approach to beneficial ownership information collection. This includes:

- i. A company approach, which mandates companies to maintain beneficial ownership records;
- ii. A registry or alternative mechanism; and
- iii. Supplementary sources of information as necessary, commensurate to the risks faced by the jurisdictions.

FATF's approach allows flexibility for jurisdictions to develop alternative mechanisms based on their specific risks, provided these mechanisms enable competent authorities to access up-to-date and accurate BO information.

1.3 Implementation of UBO Registry at SECP

The establishment of a corporate UBO Registry will be a significant milestone in advancing Pakistan's financial transparency, especially post its exit from the FATF Grey List. This reform aims to:

- Ensure availability of adequate, up-to-date, and accurate UBO information;
- Align national practices with FATF and OECD standards; and
- Reinforce investor confidence, corporate governance and improve the ease of doing business.

1.4. Proposed Changes:

In order to align with evolving international requirements SECP is contemplating to make necessary changes, as stated below, in its regulatory framework in its efforts to ensure availability of adequate, accurate and updated UBO information;

i. Legal Changes

SECP proposes to amend the Companies Regulations, 2024 and relevant forms to mandate digital UBO reporting. Key changes include:

- Insertion of an enabling clause to establish a digital UBO registry, allowing integration of UBO information with SECP databases.
- Amendments in the following forms:
 - o Form-1: Application for Company Incorporation;
 - o Form-2: Registration of Documents of a Foreign Company;
 - o Form-19: Declaration of Compliance (Section 123A of the Companies Act, 2017); and
 - o Other consequential changes related thereto.

ii. Technological Changes;

The eZfile portal will be upgraded to facilitate efficient submission of UBO data by companies.

2. Potential Benefits of the Proposed Registry

i. Risk-Based Supervision and Verification of UBO Data

- Assist SECP in adopting improved risk-based approach for BO verification;
- Determine that the information submitted by the companies is adequate, accurate and up to date; and
- Reduce regulatory arbitrage and strengthen integrity of the corporate sector and capital markets.

ii. Enhanced International Compliance & Strengthening AML/CFT Framework

- Align Pakistan with FATF's Revised Recommendation 24 and OECD frameworks i.e. Exchange of Information on Request (EOIR) and Automatic Exchange of Information (AEOI).

iii. Improved Transparency and Accountability

- Ensure accurate and up-to-date information about individuals who ultimately own or control companies; and
- Deter misuse of legal persons for illicit activities, such as corruption, and other financial crimes.

iv. Facilitation for Law Enforcement Agencies

- Enable timely access to reliable UBO data for law enforcement agencies (LEAs); and
- Speeds up the process of identifying UBOs in financial crime investigations.

v. Boosting Investor Confidence

- Promote good corporate governance and ethical business practices; and
- Enhance investor trust by ensuring company ownership is not hidden behind complex structures or nominee arrangements.

3. Implementation Plan

Proposed changes will be implemented as under: -

- Consultation with stakeholders including industry experts and accounting bodies etc.;
- Comments/feedback to be considered before notifying the amendments; and
- Enabling requisite changes in eZfile portal for smooth submission and sharing of UBO data.



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