

**PARLIAMENT OF THE REPUBLIC OF UGANDA**

**REPORT OF THE COMMITTEE ON TOURISM, TRADE AND INDUSTRY ON  
THE COOPERATIVE SOCIETIES (AMENDMENT) BILL, 2022.**

*[Handwritten signatures and initials]*

**OFFICE OF THE CLERK TO PARLIAMENT**  
**AUGUST, 2022**

*[Handwritten signatures and initials]*

## 1.0 INTRODUCTION

The Cooperative Societies (Amendment) Bill, 2022 was read for the First Time on the 23<sup>rd</sup> of August, 2022 and referred to the Committee on Tourism, Trade and Industry for scrutiny. The Committee considered the Bill in accordance with rules 129 and 189(c) of the Rules of Procedure of Parliament, and hereby reports as follows.

## 2.0 BACKGROUND TO THE BILL

Uganda undertook a Mutual Evaluation in 2015 and 2016 which was conducted by the East and Southern Africa Anti-Money Laundering Group (ESAAMLG). Consequently, the Mutual Evaluation Report was adopted at the East and Southern Africa Anti-Money Laundering Group plenary meeting held in April 2016. One of the matters highlighted by the Mutual Evaluation Report related to the adequacy of the legal provisions dealing with beneficial owners. It was agreed that Uganda needed to review the provisions on beneficial owners in various laws including the Cooperative Societies Act in order for Uganda's Anti Money Laundering / Combating the Financing of Terrorism (AML/CFT) legal and regulatory framework to be considered compliant with the 40 Financial Action Task Force (FATF) recommendations amongst which include to; enhance transparency and availability of beneficial owners information for legal persons and arrangements.

## 3.0. OBJECTS AND BENEFITS OF THE BILL

The intention of the Bill is to amend the Cooperatives Society Act by defining a beneficial owner and introducing a new section 12A which requires the keeping of a register of beneficial owners of cooperative societies. The register shall include all information prescribed in regulations relating to beneficial ownership; the role of accountable persons; offences and sanctions for defaulting stakeholders and for related matters.

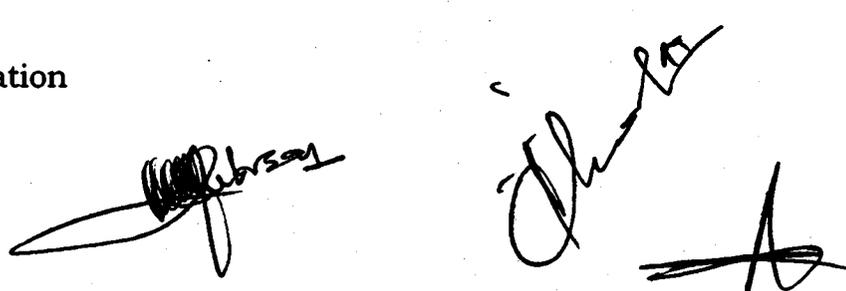
The bottom of the page contains several handwritten signatures and scribbles. On the left, there is a large, stylized signature. In the center, there are several overlapping signatures, some of which appear to be crossed out or heavily scribbled over. On the right, there are more signatures, including one that looks like a large 'A' or 'H' shape. The overall appearance is that of a document with multiple signatures, possibly indicating approval or review.

#### 4.0. METHODOLOGY

The Committee was guided by the provisions of Rule 129 and rule 189 of the Rules of Procedure of the Parliament of Uganda to examine the Bill in detail and make all such inquiries in relation to it.

The Committee held a public hearing and received memoranda from the following Stakeholders:

- Ministry of Finance, Planning & Economic Development
- The Attorney General
- The Ministry of Justice and Constitutional Affairs
- Uganda Registration Services Bureau
- Financial Intelligence Authority
- Uganda Revenue Authority
- Bank of Uganda
- Capital Markets Authority
- Internal Security Organisation
- Inter- alia



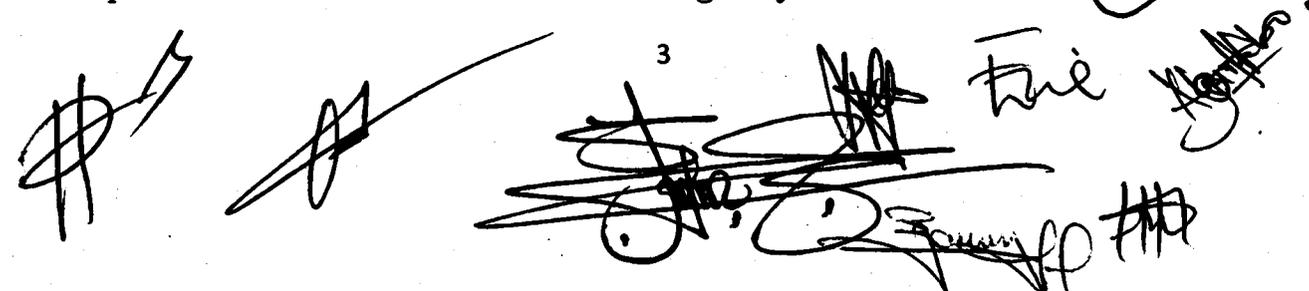
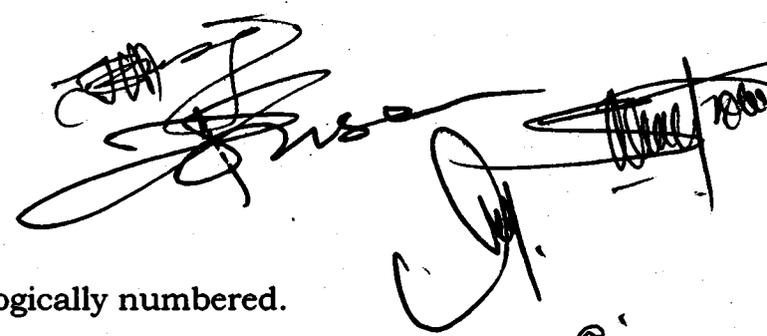
#### 5.0 COMMITTEE ANALYSIS, OBSERVATIONS AND RECOMMENDATIONS

##### 5.1. Provisions of the Bill

The Bill consists of two clauses;

##### Committee Observation;

The provisions of the Bill are not chronologically numbered.



**Committee Recommendation;**

The Committee recommends that the provisions of the Bill be renumbered in chronological order.

**(b) Amendment of section 1 of Principal Act**

The provision seeks to amend the Cooperative Societies Act by inserting in the appropriate place the following definition of a beneficial owner;

**“Beneficial owner”** means a natural person who ultimately owns or controls a cooperative society or the natural person on whose behalf a transaction is conducted in the cooperative society, and includes a natural person who exercises ultimate control over a cooperative society.

**Committee observation;**

The committee observes that it is imperative for the definition of the term “beneficial owner” to be included in the Bill for purposes of implementing recommendations 24 and 25 of the Financial Action Task Force (FATF).

**Committee Recommendation**

***The Committee recommends that the provision stands as part of the Bill.***

**(c) Insertion of new section 12A in Principal Act**

**The clause provides for the Register of beneficial owners with specific particulars of the individuals (among others) prescribed as follows ;**

***(a) The names and postal addresses of each beneficial owner;***

**Committee observation:**

The Committee observes that the requirement is limited to the names and postal addresses of the beneficial owner. The Committee notes that the use of postal addresses in Uganda is limited only to a few individuals and therefore would not

The bottom of the page is filled with numerous handwritten signatures and scribbles in black ink. Some signatures are clearly legible, such as 'Rivers' and 'Fried', while others are heavily obscured by large, dark scribbles. There are also some initials and marks scattered throughout the bottom section.

effectively allow for the effective identification, location and communication with beneficial owners. For the purpose of the effectiveness of the law, this requirement should be extended to a contact address, in addition to a postal address. In this case, the beneficial owners will be required to provide their registered telephone numbers, email addresses, physical official and permanent residential addresses, among others.

**Committee Recommendation**

*The Committee recommends that paragraph (a) of the provision be amended by inserting the words “, contact” immediately after the word “names”.*

**(4 )Daily Penalty of 25 currency points or 500,000 Uganda shillings.**

**Committee observation**

The interpretive note on Recommendation 24 of the Financial Action Task Force Recommendations (FATR) provides that there should be a clearly stated responsibility to comply with the requirements, as well as liability and effective, proportionate and dissuasive sanctions, as appropriate for any legal or natural person that fails to properly comply with the requirements.

The Committee notes that this clause is intended to require all cooperative societies to maintain a register of beneficial owners for purposes of disclosure and transparency.

The aim of the daily penalty of five hundred thousand (500,000) is to attain total compliance and not affordability of the fine.

**Committee Recommendation**

*The Committee recommends that clause 2 stands as part of the Bill.*

A collection of handwritten signatures and scribbles in black ink, located at the bottom of the page. Some signatures are clearly legible, while others are heavily scribbled over. There are also some initials and marks scattered throughout the bottom section.

## 6.0. CONCLUSION

### **Rt.Hon. Speaker and Hon. Colleagues**

Uganda has been placed on the Financial Action Task Force (FATF) grey list as a result of key strategic deficiencies identified in Uganda's Mutual Evaluation Report of 2016. In order to address the identified deficiencies, the Financial Action Task Force (FATF) and the Government of Uganda agreed on an action plan designed to implement a number of remedial measures detailed in the Action Plan of Uganda.

Immediate outcome No.5 (IO 5) of the aforementioned action plan requires Uganda to demonstrate that competent authorities have timely access to accurate basic and beneficial ownership information for legal entities including Cooperative Societies.

The proposed amendments make the necessary reforms relating to the Cooperative Societies Act, Cap.112 for purposes of implementing recommendations 24 and 25 of the Financial Act Task Force (FATF). Recommendation 24 and 25 of the FATF require Uganda to enact provisions to strengthen and implement the system of sanctions of violations of beneficial ownership and transparency obligations for cooperative societies.

Therefore, passing of the Cooperative Societies (Amendment) Bill, 2022 into law will be a step towards Uganda's implementation of the necessary legal, regulatory reforms which subsequently show political commitment and institutional capacity to sustain the said implementation.

The Committee recommends that the Cooperative Societies (Amendment) Bill, 2022 be passed into law subject to the attached proposed amendments.

### **GENERAL OBSERVATIONS AND RECOMMENDATIONS**

#### **Non- Conformity of the Certificate of financial implications to the law**

The Committee observes that the certificate of financial implications issued in reference to the Cooperative Societies (Amendment) Bill, 2022 is inadequate and not in conformity with the requirements prescribed under section 76(2) and (3) of the Public Finance Management Act, 2015 and rule 118(2) and (3) of the Rules of Procedure of Parliament; which specifically require that; the estimates of revenue and expenditure over the period of not less than two years after the coming into effect of any Bill, when passed and the impact of the Bill on the economy, must be indicated.

The **Committee recommends** that the Government should always, in reference to Bills brought for consideration before the House, issue certificates of financial implications which comply with section 76(2) and (3) of the Public Finance Management Act, 2015 and rule 118 (2) and (3) of the Rules of Procedure of Parliament.

**I beg to report**



7

**PROPOSED AMENDMENTS TO THE COOPERATIVE SOCIETIES  
(AMENDMENT) BILL, 2022**

**CLAUSE 2**

**INSERTION OF NEW SECTION 12A IN PRINCIPAL ACT**

**12A. Register of beneficial owners**

Clause 2 of the Bill is amended in the proposed section 12A;

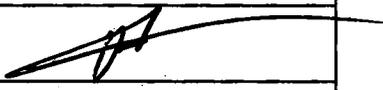
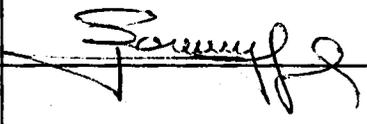
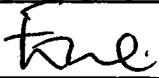
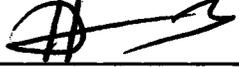
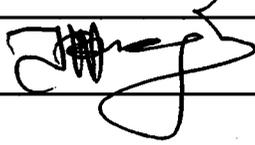
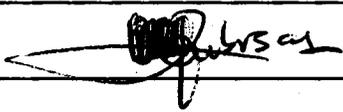
- In paragraph 1(a) by inserting the word “contact” immediately after the word “names”.
- By substituting paragraph (3) with the following;

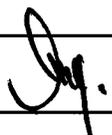
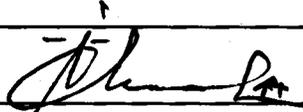
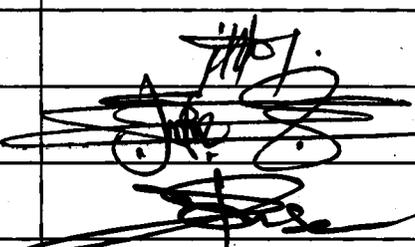
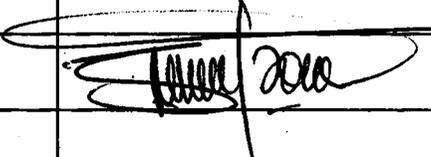
“A cooperative society shall, within fourteen days after creating the register or changing the place where the register is kept, send notice of the place where its register is kept or change of place to the registrar.”

**Justifications**

- The proposed amendment to paragraph 1(a) is to extend the requirement to contact address, in addition to a postal address for ease of implementation of the law.
- The proposed amendment to paragraph (3) is for purposes of clarity.

**REPORT OF COOPERATIVE SOCIETIES (AMENDMENT) BILL, 2022**

No	NAME	SIGNATURE
1.	Hon. Mwine Mpaka Rwamirama	
2.	Hon. Lamwaka Catherine	
3.	Hon. Mbwatekamwa Gaffa	
4.	Hon. Mugole Mauku David	
5.	Hon. Michael Timuzigu Kamugisha	
6.	Hon. Afidra Olema Ronald	
7.	Hon. Kemirembe Kyaka Pauline	
8.	Hon. Aleper Margret Achilla	
9.	Hon. Amooti Bright Tom	
10.	Hon. Awor Betty Engola	
11.	Hon. Harriet Businge Mugenyi	
12.	Hon. Edakasi Alfred Elalu	
13.	Hon. Nayebale Sylvia	
14.	Hon. Agnes Kirabo	
15.	Hon. Koyekyenga Olive	
16.	Hon. Osoru Mourine	
17.	Hon. Ssentayi Muhammad	
18.	Hon. Gaffabusa Richard Muhumuza	
19.	Hon. Wanyama Michael	
20.	Hon. Ssimbwa Fred	

21.	Hon. Kalwanga David Lukyamuzi	
22.	Hon. Kayemba Geoffrey Ssolo	
23.	Hon. Ogwal Cecilia Atim	
24.	Hon. Isabirye David Ag	
25.	Hon. Okello Geoffrey Charles	
26.	Hon. Koluo Joseph Andrew	
27.	Hon. Atukwasa Rita Bwahika	
28.	Hon. Were Godfrey Odera	
29.	Hon. Mushemeza Elijah Dickens	
30.	Hon. Amero Susan	
31.	Hon. Francis Mwijukye	
32.	Hon. Katoto Muhammad	
33.	Hon. Wakayima Hannington Musoke	
34.	Hon. Lutaaya Geoffrey	