



# FMU NEWSLETTER

## ANTI MONEY LAUNDERING & ANTI-TERRORISM LAWS UPDATED



### PAKISTAN UPDATES AML / CFT LEGAL FRAMEWORK

Pakistan has passed the Anti-Money Laundering (Amendment) Bill 2020, Anti-Terrorism (Amendment) Bill 2020, the Limited Liability Partnership (Amendment) Bill 2020, the Companies (Amendment) Bill 2020 and the Mutual Legal Assistance Law (Criminal Matters) Bill, 2020. (Details on Page# 19)

Minister for Law & Justice Mr. Farogh Naseem termed the FATF related legislation a historic event and in the larger interest of the Country. The minister also said that whitening the economy and checking terror financing were important to take the Country forward on the path of development.

#### LUBNA MALIK JOINS AS DIRECTOR GENERAL, FMU



**Lubna Farooq Malik** has joined the Financial Monitoring Unit as the Director General. She is a qualified professional who has served as Managing Director of Deposit Protection Corporation of Pakistan. Prior to that, she has also served as a Director in the State Bank of Pakistan.

Lubna Malik holds Master's degrees in International Banking & Financial Services from the University of Reading, UK and in Public Administration from the Harvard Kennedy School, Massachusetts, US.



Adviser to the Prime Minister on Finance and Revenue, Dr. Abdul Hafeez Shaikh chairing 16th Meeting of the National Executive Committee (NEC) on Anti-Money Laundering in Islamabad on September 24, 2020.

## 16th MEETING OF NEC

#### Finance Division Press Release

Adviser to the Prime Minister on Finance and Revenue Dr. Abdul Hafeez Shaikh chaired the 16th meeting of the National Executive Committee (NEC) on Anti-Money Laundering here at the Finance Division.

DG FMU shared the progress on the FATF Action plan including the update on the face to face meeting with the joint group in the current month. She briefed that Pakistan has demonstrated robust progress towards the completion of its ICRG Action plan irrespective of the challenges of COVID-19.

#### FINANCIAL ACTION TASK FORCE (FATF) REVIEWS PAKISTAN'S PROGRESS ON FATF ACTION PLAN

FATF has reviewed Pakistan's progress and acknowledged the country's progress on its action plan items by allowing 21 of the 27 items as "largely addressed". Now no action item remains in the "incomplete" category.

The action plan items addressed by Pakistan include Financial Sector, Hawala/Hundi, cross-border currency regime, international cooperation in terrorist financing cases, Anti-Terrorism Act amendments, TFS implementation by financial institutions, sanctions for AML/CFT violations and controlling facilities & services owned or controlled by designated persons & entities.

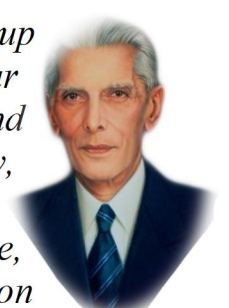
Considerable work has already been carried-out on the remaining six items and Pakistan is making efforts to complete their remaining items by next review of Pakistan's progress in February 2021.

It was further briefed in the meeting that Pakistan has amended 15 laws for addressing the shortcomings in accordance with FATF and APG recommended actions. In the meeting the guidelines for improving the capacity of the Law Enforcement Agencies in carrying out investigations and prosecution of money laundering cases were also approved. Approval was also given for Rules regarding CDNS and Pakistan Post which will be later be approved by the Federal Government besides this there was a discussion on the follow up actions based on amendments in the AML Act 2010.

#### UK APPRECIATES PAKISTAN'S PROGRESS ON KEY BENCHMARKS

The British High Commissioner Dr. Christian Turner CMG appreciated Pakistan's seriousness to sort out its terrorist financing regulations. "I see a huge effort going on across the system. That momentum needs to be continued and maintained. On FATF, I think the trajectory is very positive and Pakistan shall be commended for coming this far & shall be supported in going further." - *The News International* 16 Oct 2020

*"You will have to makeup for the smallness of your size by your courage and selfless devotion to duty, for it is not life that matters, but the courage, fortitude & determination you bring to it."*



**M. Ali Jinnah - Founder of Pakistan**

## Pakistan successfully implementing major points of FATF: Hammad Azhar

Minister for Revenue Mr. Hammad Azhar on Friday congratulated the nation for successfully implementing the major points of Financial Action Task Force (FATF). “Out of 27 points, we have implemented 21 points given by the authorities concerned regarding FATF” he stated while talking to a private television channel. Except India, every country had appreciated the efforts of Pakistan for satisfying the people dealing FATF, he added. In reply to a question, he said the remaining six points had partially implemented. *Associated Press of Pakistan www.app.com.pk - 23 Oct 2020*



### NATIONAL ASSEMBLY PANEL APPROVES AMENDMENTS IN AML ACT

The NA Standing Committee on Finance approved amendments in the Anti-Money Laundering Act (Amendment) bill with a majority vote. The amendments are mainly aimed at allowing investigating officers to arrest the indicted without warrants and increasing the punishment of the offences covered under this law.



Further the constitution of National Executive Committee now includes Minister for Economic Affairs Division and Director General FATF Cell. The General Committee which is chaired by the finance secretary, now also includes DG FATF Cell as a member.

Under the amended act, the fine for money laundering has been increased from Rs. 5 million to Rs. 25 million for individuals and Rs. 100 million for companies and institutions. All the financial and non-banking financial institutions will be required to file suspicious transaction reports (STRs) and maintain record of all transactions for five years. The opposition did not support the role of National Accountability Bureau (NAB) defined in the act, however the Director General of Financial Monitoring Unit, Ms. Lubna Farooq Malik, said NAB was working with other agencies on many crimes and it would be unwise to exclude it from the AML Act.



### ANTI TERRORISM ACT (THIRD AMENDMENT)

Pakistan’s key anti-terrorism law, ATA 1997, contains legal provisions pertaining to countering financing of terrorism. In terms of detection, the ATA criminalizes four actions as part of countering terrorism financing: fund raising for terrorists (11-H), use and possession of terrorism related funds (11-I), arranging funds for terrorists (11-J) and money laundering (11-K), all of which are punishable under one encompassing penal section (11-N). On the preventive side, the proscription regime controlled by executive authorities formed the basis of state action against terrorist organizations and persons.

The recent set of amendments (*Anti-Terrorism (Third Amendment) Act, 2020*) has made four (4) new techniques of investigation admissible with the permission of court. This is aimed at increasing the evidentiary value of new techniques. These four new techniques are: (i) undercover operations, (ii) intercepting communications, (iii) accessing computer system and (iv) controlled delivery (i.e. entrapment). The use of these four techniques will surely arm the authorities with the powers to effectively gather intelligence in the context of international cooperation and exchange information pertaining to terrorism and terrorism financing offences.

(Source: <https://rsilpak.org/2020/anti-money-laundering-and-countering-financing-of-terrorism-aml-cft-laws-in-pakistan-an-overview/>)

### AML REGULATORS NOTIFIED FOR DESIGNATED NON-FINANCIAL BUSINESSES & PROFESSIONS (DNFBPs)

The Federal Board of Revenue (FBR), Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP) have been notified regulators for designated non-financial businesses and professions (DNFBPs) in line with Pakistan’s resolve against Money Laundering & Terrorist Financing and related FATF recommendations. Their respective regulations cover accountants, real estate and gems & jewelry sectors to minimize chances of them being used as a channel for money laundering and terror financing. (*Details on Page # 28*)

The real estate agents includes builders, developers as well as the brokers and dealers who execute a purchase and sale of a real property, participate in a real estate transaction and/or are exercising transactional activity for a property transfer. Under the regulations, these real estate agents, jewelers and accountants are obliged to conduct Customer Due Diligence (CDD) as per laid down criterion.

These regulations also cover transactions of a Gems & Jewelry client concerning buying and selling via cash in jewelry, precious metals and stones with value equal to or above Rs. 2 million amounts; and accountants when they prepare for, or carry out, transactions for their clients.

### STATE BANK OF PAKISTAN FINES FOUR BANKS WITH HUGE PENALTIES ON NONCOMPLIANCE

State Bank of Pakistan (SBP) imposed fines amounting to Rs. 271.6 millions in the first quarter of the current fiscal year 2019-20 on failure to comply with the regulatory instructions related to customer due diligence, anti-money laundering, general banking operations and foreign exchange. "These actions are based on deficiencies in the compliance of regulatory instructions and do not constitute a comment on the financial soundness of the entity," the SBP in said in its statement. The penalized banks include Bank Islami, Soneri Bank, Bank of Punjab and Bank Al Baraka

### NATIONAL SAVINGS AML-CFT SUPERVISORY BOARD HAS BEEN FORMED

National Savings AML-CFT Supervisory Board has been formed to provide independent oversight of implementation of relevant laws/rules and take necessary enforcement actions against any violation. This supervisory board will ensure enforcement of the National Savings Rules and take action against violators of the rules while ensuring measures for preventing money laundering and countering terrorism financing. The board is chaired by Additional Finance Secretary (Finance) and comprises of DG FATF Secretariat as well as nominated senior officials from the State Bank of Pakistan (SBP), Security and Exchange Commission of Pakistan (SECP), Financial Monitoring Unit (FMU) and Joint Secretary, Finance Division.

### Establishment of Postal Life Insurance Company

Postal Life Insurance (PLI) was established in 1884 and since independence, was working as an attached agency of Pakistan Post. To bring improvement in its AML/CFT governance structure and enhance outreach and stakeholder confidence, the government decided to bring the organization under the regulatory purview of SECP. Hence "Postal Life Insurance Company" has been formed which is licensed, registered, regulated, and supervised by SECP.



### Pakistan Post agreement with Habib Bank Limited

Pakistan Post Office Department (PPOD) has entered into an agreement with a HBL, which is licensed, regulated, and supervised by SBP; whereby, the bank has taken over the Financial Services business of Pakistan Post and is responsible to comply with the State Bank of Pakistan's AML/CFT Regulations.

Under the agreement, HBL will provide technology, infrastructure and capacity enhancement to the PPOD with the objective of enabling, technology based & regulatory compliant digital financial services in far flung areas of Pakistan & to help propel PPOD into a modern logistics company in the long run.

### Common terms that you should know

#### Enhanced Due Diligence (EDD)

In conjunction with Customer Due Diligence, EDD calls for additional measures aimed at identifying and mitigating the risk posed by higher risk customers. It requires developing a more thorough knowledge of the nature of the customer, the customer's business and understanding of the transactions than a standard or lower risk customer. A financial institution or DNFBPs should ensure account profiles are current and monitoring should be risk-based.

#### False Positive

A hit identified during the screening process as a possible alert, but when reviewed, is found not to be a match to a target named on a sanctions list.

#### False Negative

Either (1) a hit that is identified during the screening process as a possible alert, but is dismissed, when in fact there is a match to a target named on a sanctions list; or (2) screened activity that would have generated a hit if the screening process had been calibrated to catch such activity, such as a target match that is unidentified because thresholds are too high.

Courtesy: acams.org

#### Designated Non-Financial Businesses and Professions (DNFBPs)

DNFBPs can be defined as any business or profession that may pose a money laundering risk but cannot be categorized as a financial institution. These include:

- Real estate dealers/agents
- Dealers in precious metals and precious stones
- Casinos (including online casinos)

It also includes the following professions which prepare or carry out certain duties on behalf of clients:

- Lawyers, notaries, other independent legal professionals and accountants.
- Trust and company service providers

#### Targeted Financial Sanctions (TFS)

The term targeted financial sanctions means both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of designated persons and entities.

#### Hit

A potential match or name match during the sanctions screening process that indicates a possible sanctioned person.

## Prologue

Dear Readers,

Alhamdulillah, despite being a tough year due to the ongoing pandemic, Pakistan has still managed to perform well not only in terms of FATF action plan but also economically. Further, Pakistan's handling of COVID pandemic has also been acknowledged the world over.

Pakistan has managed to comply most of its FATF action plan as 21 out of 26 action plan items have been accepted whereas for the remaining 6 items, extension has been allowed till February 2020. This could not have been possible without the support of our dedicated teams in all the ministries, offices and agencies which ensured that even an unprecedented pandemic would not stop Pakistan's dedication towards its national goals.

In continuation of our resolve to combat ML & TF risk, we present FMU's newsletter for JUL-DEC 2020. This newsletter is an educational effort aimed at awareness of public and private stakeholders. Although slightly delayed due to the circumstances, we hope that this will serve to be a valuable resource of information and awareness for all those involved in the joint effort and fight against Money Laundering and Terrorist Financing.

We look forward to your valuable and productive contributions, feedback, articles and suggestions for our upcoming newsletters.

Long Live **PAKISTAN**  
**M. Abubakar Minhas**  
*Deputy Director*  
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### **ACKNOWLEDGEMENT**

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*[www.fmu.gov.pk](http://www.fmu.gov.pk)*



# FMU News and Updates

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## **Guidelines on Reporting of Suspicious Transaction Reports (STRs) on Designated /Proscribed Individuals / Entities and their Associates**

To effectively combat the menace of Terrorism/Terrorism Financing (TF), reporting entities (REs) have been suggested to enhance their internal analysis and investigation capabilities for generation of quality Suspicious Transactions Reports (STRs) pertaining to individuals/ entities and their associates designated/proscribed under United Nations Security Council (UNSC) Resolutions 1267 and 1373 as per guidelines issued by the respective regulators. In this regard, FMU has developed broader guidelines for the REs which have been made available at:

Resource: <http://fmu.gov.pk/wp-content/uploads/2020/05/Guidelines-on-Reporting-of-Suspicious-Transaction-Reports-STRs-on-Designated-Proscribed-Individuals-Entities-and-their-Associates.pdf>

## **Guidelines for Financial Institutions on Tax Amnesty Scheme for Construction Sector**

Federal Government announced a tax amnesty scheme for the construction sector through amendments in the Income Tax Ordinance, 2001 by promulgating "The Tax Laws (Amendment) Ordinance No.1 of 2020". In order to address and mitigate possible abuse of the Scheme for the moving funds derived from criminal activities, guidelines were provided to ensure meticulous compliance of the legal requirements relating to AML-CFT.

Resource: <http://www.fmu.gov.pk/docs/FMU-Circular-No-3-2020.pdf>

## **Red Flags for Accountants**

As per Section 2 (u) read with Section 2 (m) of AML Act 2010, the reporting entities also include **Accountants**. Hence, FMU has prepared some red flags indicators specially intended as an aid to identify suspicion that could be indicative of Money Laundering or Terrorism Financing.

Resource: <http://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Accountants-final.pdf>

## **Red Flags for Jewelers and Precious Metals / Stones Dealers**

FMU's reporting entities also include **Jewelers and Precious Metals / Stones Dealers**. Hence, to help identify suspicion indicative of Money Laundering or Terrorism Financing, FMU has prepared some red flags the benefit of these businesses.

Resource: <http://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Jewelers-and-Precious-Stones-or-Metal-Dealers-Final.pdf>

## **Red Flags for Lawyers, Notaries and Independent Legal Professionals**

**Lawyers, Notaries and Independent Legal Professionals** are also included in reporting entities as per Section 2 (u) read with Section 2 (m) of AML Act 2010. FMU has issued some red flags indicators that are specially prepared to help identify a suspicion that could be indicative of Money Laundering or Terrorism Financing.

Resource: <http://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Lawyers-Notaries-and-Independent-Legal-Professionals.pdf>

# FMU News and Updates

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## **Red Flags for Proliferation Financing**

FMU has prepared red flags indicators to identify a suspicion that could be indicative of Proliferation Financing. The red flags can be accessed from FMU website at the following link:

Resource: <http://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Proliferation-Financing.pdf>

## **Red Flags for Real Estate Sector**

FMU has also prepared red flags indicators specially intended to be used as an aid by ***Real Estate Agents, property dealers / brokers, housing authorities, and builders and developers*** to identify any potential Money Laundering or Terrorism Financing suspicion.

Resource: <http://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Real-Estate-Sector.pdf>

## **Red Flags for Misuse of Legal Persons**

Under FATF's Rec-24, countries are required to take appropriate measures to prevent the misuse of legal persons for Money Laundering/Terrorism Financing. Further, Immediate Outcome-5 also states that an effective system should be in place with effective measures to prevent legal persons from being used for criminal purposes. Keeping the context in view, FMU has prepared red flags indicators to help identify possible suspicious activities.

Resource: <http://www.fmu.gov.pk/docs/Red Flag Indicators for Misuse of Legal Persons.pdf>

## **Red Flags for Misuse Legal Arrangements and NPOs**

FATF's Rec-25 requires countries to take appropriate measures to prevent the misuse of legal Arrangements for Money Laundering/Terrorism Financing related activities. Further, Immediate Outcome-5 states that an effective system should be in place with effective measures to prevent legal Arrangements from being used for criminal purposes.

FATF's Rec-8 require countries to take appropriate measures to prevent Misuse of NPOs Sector for Money Laundering/Terrorism Financing related activities. Moreover, Immediate Outcome-10 also states that an effective system should be in place where terrorist, terrorist organizations, terrorist financiers are prevented from abusing the NPOs Sector for raising, moving, and using the funds. Pakistan has taken significant measures and continues to improve them to prevent the Legal Arrangements and NPOs sectors from being misused for any TF/ML related activities.

Keeping the above context in view, FMU has prepared the red flags indicators that are specially intended as an aid for the reporting entities.

Resource:

<http://www.fmu.gov.pk/docs/Red Flag Indicators for Misuse of Legal Arrangements and NPOs.pdf>

*Note: It may be possible that a single red flag would not be a clear indicator of potential ML / TF activity, hence in some cases, a combination of these red flags, in addition to analysis of overall financial activity and client profile may indicate a potential ML / TF activity*



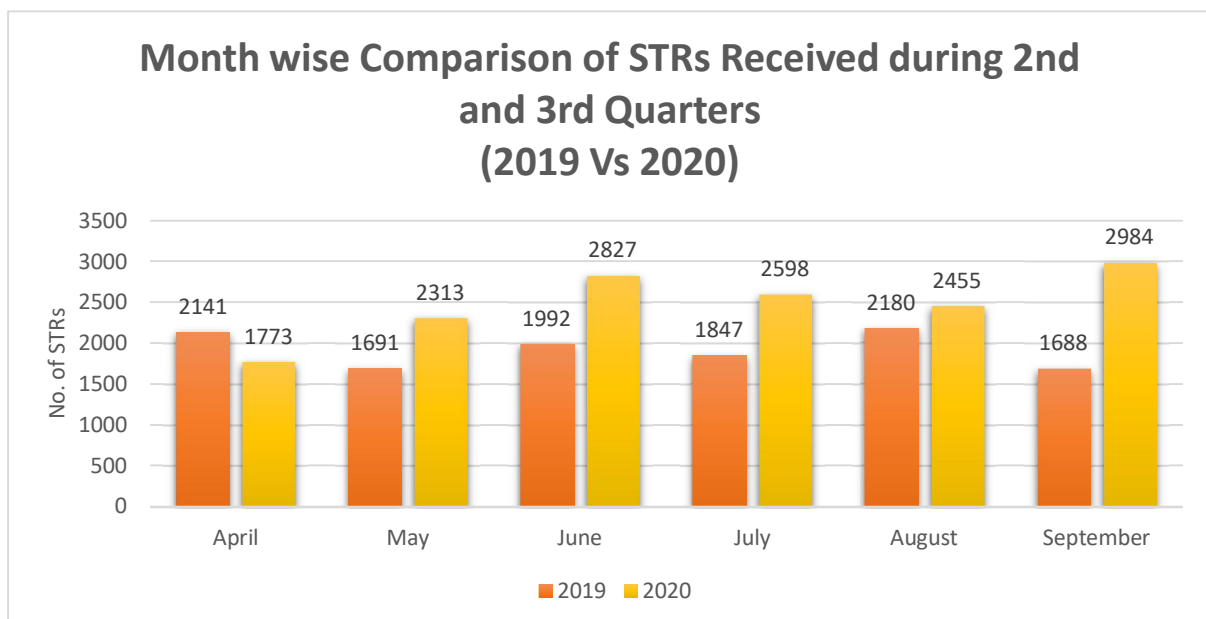
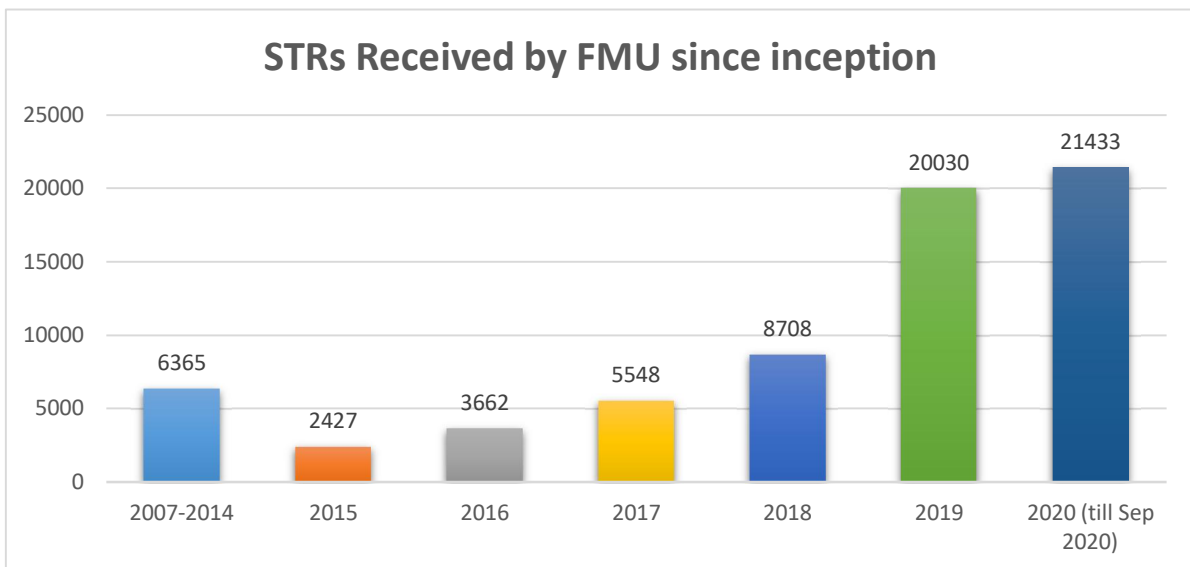
# FMU News and Updates

## TRENDS IN STR REPORTING

Upward trend in STR reporting continued as 14,950 STRs were reported to FMU during the second and third quarters of 2020 compared to 11,539 STRs received during the same quarters of the previous year i.e. 2019. This raised the average number of STRs reported (YTD) per month to approx. 2400 as compared to last year's YTD average of 1600 per month.

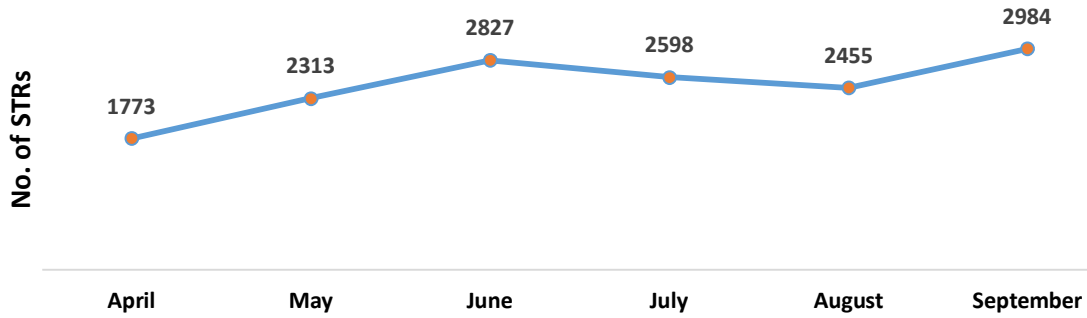
Further, the average number of STRs reported per month during the second and third quarters of 2020 was approx. 2,500 while the average number of STRs reported per month during the first quarter of 2020 was approx. 2,000. A total of 1,315,716 CTRs were reported till 30-Sep-2020 during the year 2020.

Banking sector still remains the top reporting sector in terms of STRs followed by the Exchange Companies Sector. The graphical representation of the trends in STRs and CTRs reporting is provided below:

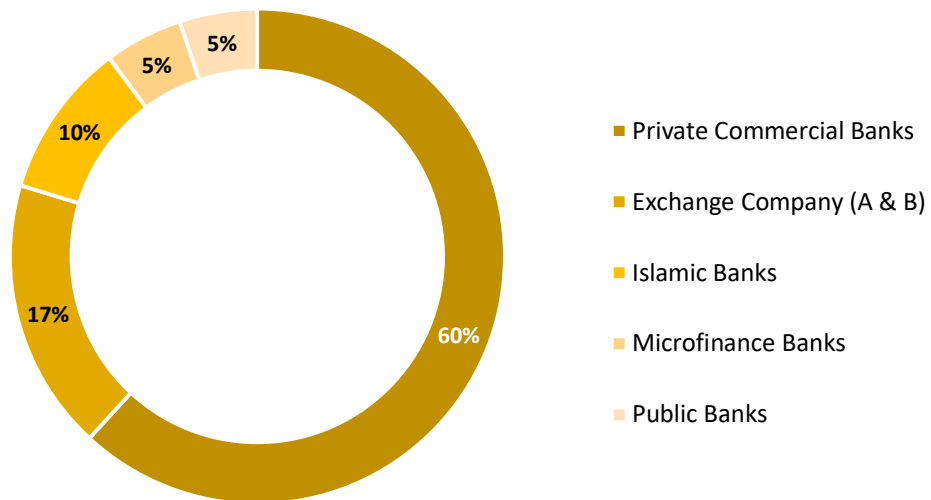


# FMU News and Updates

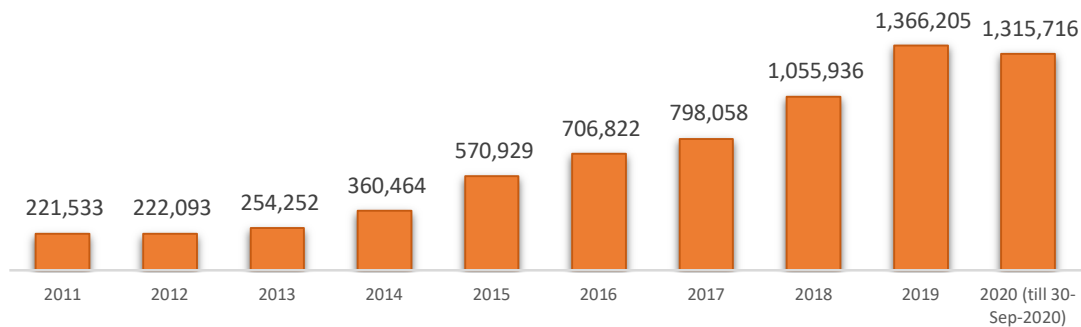
**Month wise STR Reporting Trend covering 2nd and 3rd Quarters (2020)**



**Top Five STR Reporting Sectors during 2nd & 3rd Quarters of 2020**



**CTRs Received by FMU since inception**



FMU issues quarterly Statistical Reports which are available at:  
<https://www.fmu.gov.pk/statistical-reports/>

# FMU News and Updates

## OUTREACH AND CAPACITY BUILDING

Notwithstanding the lockdown situation during COVID, FMU has been actively delivering trainings sessions and lectures in collaboration with different stakeholders by utilizing online meeting services. Further, after the lockdown restrictions were softened, FMU also conducted regular training sessions with National Savings Training Centre, Islamabad. Some highlights are being shared for information:

### **Capacity Building Session for FIA & CTD-Punjab Officials held on August 11, 2020**

Financial Monitoring Unit (FMU) has conducted the capacity building session for Federal Investigation Agency (FIA) and Counter Terrorists Department (CTD) Punjab officials through online meeting software to enhance their cognizance under the ambit of money laundering and terrorist financing.

The objective of the session was to enhance the understanding of LEAs officials with regard to the recent developments in the field of AML/CFT, overview of the Anti-Money Laundering (AML) Act 2010 and its amendments, LEA guidelines, Utilization of Financial Intelligences (FIs), Feedback mechanism and discussion through Q&A session.

During the session the participants were emphasized to enhance the FMU and LEAs interface to improve interagency coordination, confidentiality of FIs, various elements of concern related to actionable financial intelligence with FMU and feedback from Law enforcement to improve the effectiveness of the AML/CFT regime.

### **Compliance Forum with National Savings (CDNS) & Pakistan Post Office Department (PPOD)**



A Compliance Forum with CDNS and PPO with more than a hundred participants was coordinated by Mr. Shahzad Hussain (DD) & Mr. Alam Zaib (AD) under the supervision of Ms. Sumera Baloch, Additional Director, FMU.

# FMU News and Updates

## GoAML Outreach to Members of ICAP / ICMAP

FMU in collaboration of ICAP & ICMAP conducted separate online sessions for GoAML registration as well as training of relevant officials on reporting requirements as well as use of GoAML for reporting of STRs and CTRs. AML-CFT units of ICAP and ICMAP also attended and represented their organizations and viewpoints. On behalf of FMU, the sessions were conducted by Mr. Adnan Imran (Director), Ms. Sumera Baloch (Add. Director) and Assad Farman Ali (AD) & Irfan Jaffery (JO).

**Reporting Requirements Under AMLA**

**Suspicious Transaction Reports (STRs)\***

7(1) Every financial institution shall file with the FMU ..... S  
Transaction Report conducted or attempted ..... if the financial  
suspects, or has reason to suspect that the transaction .....

- (a) involves funds derived from illegal activities or is intended to  
to hide or disguise proceeds of crime;
- (b) is designed to evade any requirements of this section;
- (c) has no apparent lawful purpose .....; or
- (d) involves financing of terrorism

*Provided that Suspicious Transaction Report shall be filed by the reporting entity with the FMU promptly*

**OBLIGATIONS OF REPORTING FIRMS  
:: OVERVIEW ::**

**Obligations of Reporting Firms**

Participants (37)

Panelists (9) Attendees (2)

Find a participant

- SB Sumera Baloch - FMU (Me)
- IP ICMA Pakistan (Host)
- Azeem Siddiqui, FCMA
- FB Fahad Bashir Siddiqui (Co-host)
- Aamir Ijaz Khan
- AF Assad Farman Ali - FMU
- BA Bilal A Khan, Scy AML, Sup Board
- GM Ghulam Mustafa Qazi, Chairman
- SA Shahzad Afzal Khan

FMU's GoAML application is a fully integrated software solution developed specifically for use by Financial Intelligence Units (FIU's). STR and CTR reporting can be done on the GoAML page on FMU website. <https://goamlweb.fmu.gov.pk/PRD/Home>

# FMU News and Updates

## Capacity Building Session for FBR-IR Officials on September 29, 2020

FMU conducted a successful capacity building session for officials of Federal board of Revenue - Inland Revenue (FBR-IR) through online meeting interface, which was attended by more than 30 participants including Senior Officers and investigation officers. The timings of the session was 02:00 PM to 04:00 PM, however due to interest of the participants the Q & A Session was extended up-to 04:30 PM.

Further, Mr. Zafar Iqbal, Director FBR-IR appreciated the Financial Intelligences (FIs) being disseminated by the FMU and informed that they have initiated multiple cases based on FMU's Intelligence. Capacity building of FMU Analysts in the area of taxation and tax analysis cases by FBR-IR was also discussed

## Training session for new Batch of FMU Officers



FMU has inducted a new batch of officers (*Assistant Director*) belonging to different provinces. Special inaugural session was conducted by Ms. Sumera Baloch, Additional Director (*Head of Analysis Division*) and Senior Management of FMU. Further, a special training session was held on in collaboration of UNODC for the new entrants.



# FMU News and Updates

## FMU OUTREACH HIGHLIGHTS



# FMU News and Updates

## FMU OUTREACH ALONG WITH UNODC



# Strategic Analysis & Typology

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## STRATEGIC ANALYSIS ON DRUG TRAFFICKING

To assess and evaluate the risks and vulnerabilities associated with Pakistan's financial sector for its potential misuse by drug traffickers, FMU conducted a strategic analysis. FMU had approached ANF to seek their valuable input regarding the scope and parameters of the strategic analysis and in response; they provided their view/comments on the same, which were also considered while developing this Strategic Analysis Report. The strategic analysis also covered the analysis of the STRs reported with the suspicion of drug trafficking by the financial Institutions. Further, the analysis of the inward/outward foreign remittances received/sent by some of suspected reported drugs traffickers using Money Remittances Transfer Services.

During analysis, FMU identified following challenges and vulnerabilities, posed by the menace of drug trafficking proceeds associated with the financial sector and AML/CFT regime of Pakistan:

### **General factors:**

- Large porous border and geographical proximity facilitates both licit and illicit relationships with Afghanistan.
- Hawala/Hundi (MVTs) operators working in Afghanistan particularly in Southern Afghanistan, which have close links with Hawala/Hundi operators in the region and they facilitate the movement of funds generated through Drugs Trafficking.
- A large informal sector where there is a high percentage of cash outside the legitimate banking system.
- Economic ties and facilitation to Afghanistan trade in the form of Afghan Transit Trade.

### **Regulatory Factors:**

- There are incremental challenges when it comes to understanding the money laundering and terrorist financing risk related to drug trafficking.
- A very low number of transactions are detected by the Financial Institutions where there is a suspicion that the proceeds are related to drug trafficking and are being laundered or are contributing to terrorist activity. Therefore, low number of STRs are reported relating to this predicate offence.

### **Recommendations/Suggestions**

Following suggestions/recommendations were made based on the analysis:

- Keeping in view the threat associated from Afghan Opiates trafficking, FMU suggested that the exception granted by SBP under FE Manual to facilitate Afghan trade may be reviewed and strictly monitored considering NRA findings and current AML/CFT measures.
- Financial regulators may direct their respective reporting entities to strengthen their transactions monitoring system based on red flags indicators developed by FMU.
- Financial regulator may conduct a thematic inspection of their reporting entities (REs) to ascertain their ability to identify drug proceeds related transactions.



# Strategic Analysis & Typology

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- Capacity-building sessions for the Reporting Entities should be conducted by FMU/SBP/SECP in coordination with ANF regarding financial flow of funds relating to drug trafficking.
- ANF may increase its financial investigation and asset tracing ability through training and exchange programs of their officers with other agencies such as NAB, Pakistan Customs and SBP, etc.
- A database of criminals associated with Drug Trafficking should be developed and made public in line with FIA's Red Book. This will result in enhanced screening by the Reporting Entities and other stakeholders.

## **Conclusion**

Based on the analysis, it was observed that there was a clear need to improve coordination among stakeholders to strengthen the regulatory framework for financial sector to disrupt the illicit financial flows derived from drug trafficking. In addition, the awareness/trainings of FIs staff and relevant LEAs officers for detections of drugs proceeds was highly recommended. Therefore, the findings of the strategic analysis were shared with relevant LEAs/Stakeholders and the Reporting Entities under the AML Act, 2010 for any action deemed appropriate.

The briefs of the above strategic analysis (and more) are also accessible at:

<http://www.fmu.gov.pk/strategic-analysis/>

# Strategic Analysis & Typology

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## **TYOLOGY OF A MONEY LAUNDERING/TAX EVASION CASE**

Multiple STRs were reported against multiple individuals of a family member and their employees by two different reporting entities during 2019 and 2020 on account of opening multiple accounts and giving their mandate of operating to their two family members Mr. A and Mr. B who was Father and Son in relationship.

### **Modus Operandi:**

A network of family members along with their employees was identified based on the STRs, which was involved in opening multiple accounts at different banks by declaring timber business in a famous market. Upon further analysis it was revealed that alongside the sole proprietorship businesses, they were also found to be Directors of multiple private limited companies and were maintaining individuals, sole proprietorship and company accounts with the similar business addresses and contact numbers.

Analysis has determined that funds amounting to Rs. 71 billion were routed among the various accounts being maintained by multiple family members and employees of the company at different banks which were immediately transferred to the mandate holders Mr. A and Mr. B. In totality, 72 accounts' mandate was given to them. Funds from counter parties from far flung areas of the country were also received. These counter parties seem to be hawaladars.

Besides this, both mandate holders and account holders were also maintaining additional 37 accounts which were also used for the same purpose. It was revealed that family members were found in practice of closing an account after using for certain period. Based on the analysis, it was established that suspects were involved in money laundering and tax evasion.

More typologies have been made available at:  
<http://www.fmu.gov.pk/category/typologies/>



# Legal & Structural Reforms

# Legal & Structural Reforms

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## **The Anti-Money Laundering (Amendment) Act, 2020**

In line with the national resolve against money laundering as well as in compliance with FATF recommendations, the Anti-Money Laundering (Amendment) Act 2020 was passed in February, 2020 wherein some key amendments were:

- i. STRs required to be filed “promptly” instead of earlier provision of filing “immediately, but not later than seven working days after forming that suspicion”
- ii. Enhancement of punishments i.e. Fines and sentences were increased
- iii. Increase in authority of investigating officer to hold the person in remand for up to 180 days as compared to 90 days previously

Further amendments were passed in October, 2020. The highlights of the amendments are:

- i. Punishment for ML Offence has been to be enhanced
  - a. Natural Person - up to 25 million (in Section 4)
  - b. Legal Persons – up to 100 million (in Section 37)
- ii. Protection under AMLA has been extended and Indemnity clause (Section 12) has been amended in order to include the directors, employees or agent of Res.
- iii. Empowering FMU to obtain feedback from LEAs on the disseminations made to them.
- iv. ML has been made a cognizable offence (Section 21 added and Section 16 omitted)
- v. New sections (6A, 6B and 6C) have been proposed to define the AML / CFT Regulatory authorities their functions and powers.
- vi. Sub-sections under Section 7 (7A to 7I) added to provide for the obligation of CDD.
- vii. General Powers for assistance of LEAs and prosecuting agencies for the production of documents and information.
- viii. Schedules II,III & IV to provide clarity on NEC, GC & AML/CFT Regulatory Authority

Act No. XXX of 2020: (<http://www.fmu.gov.pk/docs/Gazetted Copy AMLA passed Majlis-e-Shoora 24 09 2020.pdf>)

Updated AML Act: <http://www.fmu.gov.pk/docs/Anti-Money-Laundering-Act-2010-amended-upto-Sep.%202020.pdf>

## **Mutual Legal Assistance (Criminal Matters) Act 2020**

Increase in transnational crime has made it imperative for the international community including Pakistan to improve effectiveness of legal instruments. Lack of uniformity in law and weak coordination mechanisms between countries affect combating of crime across borders.

Effective international cooperation in criminal matters can bridge the existing gaps in respective countries towards effective law enforcement. Hence Pakistan has introduced a new Law by the name of Mutual Legal Assistance (Criminal Matters) Act 2020, complete text of which can be found in the resource link.

Resource: [http://na.gov.pk/uploads/documents/1597051778\\_658.pdf](http://na.gov.pk/uploads/documents/1597051778_658.pdf)

# Legal & Structural Reforms

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## **Amendments in Anti-Terrorism Act, 1997**

In July 2020, the Anti-Terrorism Act was amended to address the issues related to dissuasiveness of the sanctions available for TFS violations. The amendments included:

- i. Sanctions for natural persons on conviction include imprisonment for a term not exceeding ten years or a fine not exceeding twenty-five million rupees or with both.
- iii. Sanctions for legal persons will include fine not exceeding fifty million rupees and every director, officer or employees of such person found guilty of the violation shall be liable on conviction to imprisonment for a term not exceeding ten years or with fine not exceeding twenty-five million rupees or with both.
- iv. In case any public servant is found negligent in complying with the Orders issued under sec. 11-O, such public servant shall be proceeded against under respective service rules for administrative action.

Amendment (I): [http://na.gov.pk/uploads/documents/1596443399\\_725.pdf](http://na.gov.pk/uploads/documents/1596443399_725.pdf)

The 2<sup>nd</sup> Amendment bill was passed in August 2020 with the following improvements:

- i. Scope of the application of the penalties was extended to those who are involved in terrorism in any manner outside the boundaries of the country.
- ii. Penalties, fines and restrictions were matched for same kind of punishments
- iii. Law enforcement agencies were given legal powers for speedy trial and disposal of cases.

Amendment (II): [http://www.na.gov.pk/uploads/documents/1597315154\\_463.pdf](http://www.na.gov.pk/uploads/documents/1597315154_463.pdf)

On 23<sup>rd</sup> September 2020, an amendment to section 19(c) of the Anti-Terrorism Act 1997 has been passed which allows any investigating officer, with the permission of Court, to use techniques including undercover operation, intercepting communications, accessing computer system and controlled delivery for investigation of financing of terrorism under the law in force.

Amendment (III): [http://na.gov.pk/uploads/documents/1601024268\\_184.pdf](http://na.gov.pk/uploads/documents/1601024268_184.pdf)

## **The United Nations (Security Council) (Amendment) Bill, 2020**

An amendment in UNSC (Security Council) Act, 1948 was passed by the national assembly. The amendment empowers the Federal government to make rules for carrying out the purposes of the act as well as allowed the government to issue orders under the act. Further, the act now provides protection to the persons implementing in the orders under the act in good faith. The complete text of the amendment bill (as passed by the national assembly) can be accessed at: [http://www.na.gov.pk/uploads/documents/1596024352\\_457.pdf](http://www.na.gov.pk/uploads/documents/1596024352_457.pdf)

## **Limited Liability Partnership (Amendment) Bill 2020**

The Limited Liability Partnership (Amendment) Bill 2020 has been passed which proposed amendments to Limited Liability Partnership Act 2017 (XV of 2017) aimed at enhancing the transparency of legal persons. These amendment ensure Pakistan's compliance with the recommendations on anti-money laundering and countering the financing of terrorism issued by the Financial Action Task Force (FATF).

Resource: [http://na.gov.pk/uploads/documents/1597315310\\_140.pdf](http://na.gov.pk/uploads/documents/1597315310_140.pdf)

# Legal & Structural Reforms

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## Amendment in Customs Act

An ordinance issued by the President of Pakistan introducing a separate declaration regime along with exclusive sanctions for the offence of failure to declare/ false declaration under section 139 of the Customs Act 1969 was ratified by the Parliament hence converting it to a permanent legislation. Now, there is a clear-cut implementation of effective, proportionate and dissuasive sanctions in implementing newly introduced penalty regime. Upon promulgation of the new regime, all the seizures cases at the entry/ exit points will now be governed through it.

Two Penalty slabs have been provided in addition to the existing scale, in the newly introduced penalty regime. These slabs are as follows:

- **Slab I:** Currency involved is over and above the permissible limit from up to 10000 USD or equivalent in value (currency of other denominations etc.)
- **Slab II:** Currency involved is over and above the permissible limit USD 10,001 to 20,000 or equivalent in value (currency of other denominations etc.)

Resources:

Complete Customs Act

<https://www.fbr.gov.pk/categ/customs-act-1969/130>

Tax Laws (Amendment) Act, 2020

[https://download1.fbr.gov.pk/Docs/20204201545016485TaxLaws\(Amendment\)Act,2020withdisclaimer.pdf](https://download1.fbr.gov.pk/Docs/20204201545016485TaxLaws(Amendment)Act,2020withdisclaimer.pdf)



# Local / International Updates & Resources

# Local Updates & Resources

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## **State Bank of Pakistan has updated its AML-CFT & CPF regulations**

State Bank of Pakistan (SBP) has issued the Anti-Money Laundering, Combating the Financing of Terrorism & Countering Proliferation Financing (AML/ CFT / CPF) Regulations for SBP's Regulated Entities (REs) under powers conferred to it under Section 6A (2) of the Anti-Money Laundering Act, 2010.



As per these Regulations, in order to document the identified Money Laundering (ML), Terrorist Financing (TF) and Proliferation Financing (PF) risks, SBP REs will ensure an entity level Internal Risk Assessment Report, which will identify, assess, and understand ML/ TF/ PF risks at entity level for customers, products, services, delivery channels, technologies, and their different categories of employees etc.

SBP REs have also been asked to ensure adequate monitoring mechanism to assess ML/ TF/ PF risks and adequacy of AML/ CFT/ CPF controls through internal audit, transaction monitoring, and name screening etc. SBP said that it may issue enabling circulars and guidance as an addendum to these Regulations.

Any violation of these AML/ CFT/ CPF Regulations shall attract penal as well as administrative actions under the applicable laws/rules/regulations, including the AML/ CFT Sanctions Rules, 2020. SBP REs shall appropriately comply with the requirements stipulated in these Regulations considering their size, nature of business and complexities of operations; through proper documentation of the scope and applicability of requirements envisaged in these Regulations.

Resource: <https://www.sbp.org.pk/bprd/2020/C5.htm>

News: <https://www.brecorder.com/news/40022837>

## **State Bank of Pakistan has issued Guidelines on Targeted Financial Sanctions (TFS) under UNSC Resolutions**

State Bank of Pakistan has issued Guidelines on Targeted Financial Sanctions (TFS) under UNSC Resolutions in order to further enhance the understanding and ensuring effectiveness on the implementation of Targeted Financial Sanctions (TFS) regime and obligations under the UNSC Resolutions.

SBP has directed all its regulated entities for strict compliance of these guidelines. SBP has also issued Red Flags for identification of persons suspected to be acting on behalf of or at the direction of designated/ proscribed individual or entities. For the knowledge of the central bank's stake holders, these guidelines also include guidance towards possible situations indicating possible Proliferation Financing Activities.

Resource: <https://www.sbp.org.pk/bprd/2020/CL44.htm>



# Local Updates & Resources

## Counter-measures for High Risk Jurisdictions Rules, 2020

The FATF Recommendation 19 (Higher-Risk Countries) requires that financial institutions should be required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons, and financial institutions, from countries for which this is called for by the FATF. In exercise of the powers conferred by section 43 of the Anti-Money Laundering Act, 2010, the Federal Government, in consultation with the National Executive Committee (NEC), made the Counter-measures for High Risk Jurisdictions Rules, 2020 under S.R.O. 951 (I)/ 2020 dated October 1, 2020

Source: <https://www.fmu.gov.pk/docs/Counter-measures-for-High-Risk-Jurisdictions-Rules-2020.pdf>

## Securities & Exchange Commission of Pakistan has updated its AML-CFT Regulations

To further strengthen its anti-money laundering/counter financing of terrorism (AML/CFT) regime, the Securities and Exchange Commission of Pakistan (SECP) has issued updated AML/CFT regulations under S.R.O. 921 (I)/2020. These Regulations are effective immediately from the date of notification.

Source: <https://www.secp.gov.pk/document/securities-and-exchange-commission-of-pakistan-aml-cft-regulations-2020/>



## Research Society of International Law (RSIL) Analysis Paper on Pakistan's Compliance of the FATF

The Research Society of International Law (Estd. 1993) is a private sector research and policy institution based in Pakistan who is involved in conducting research on the intersection between international law and the Pakistani legal context. RSIL engages in academic research, policy analysis and capacity building in order to inform the discourse on issues of national and international importance from a legal perspective and effect positive change in the domestic legal space.

RSIL has issued a comprehensive paper analyzing Pakistan's compliance of the FATF action plan. According to RSIL, this paper seeks to provide an objective, non-partisan overview of Pakistan's progress from June 2018 to October 2020 and highlights outstanding areas flagged by FATF pending compliance as well as identifies the way forward in achieving all objectives under the Action Plan.



Source: <https://rsilpak.org/2020/analyzing-pakistans-compliance-on-the-fatf-action-plan/>

# Local Updates & Resources: CDNS & PPOD

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## **National Savings AML/CFT Supervisory Board (Powers & Functions)**

National Savings AML and CFT Supervisory Board has been formed to provide independent oversight for implementation of relevant laws/rules and take necessary enforcement actions against violation. In this context, the National Savings AML and CFT Supervisory Board (Powers and Functions) Rules, 2020 have also been approved by Federal Cabinet.



Notification: <http://www.finance.gov.pk/budget/Supervisory Board Notification.pdf>

Rules: <http://www.finance.gov.pk/budget/SRO AML CFT Powers Functions Rules 2020.pdf>

## **National Savings (AML and CFT) Regulations, 2020**

In exercise of the powers conferred by clause (c-d) of sub-section (2) of section 6A of the Anti-Money Laundering Act, 2010 (VII of 2010), the National Savings AML and CFT Supervisory Board for National Savings Schemes has issued AML & CFT Regulations for National Savings.

Source: <http://savings.gov.pk/ns-amlcft-regulations-2020-approved/>

## **National Savings Guidelines for Immediate Implementation of UNSC Resolutions**

National Savings AML and CFT Supervisory Board has formulated guidelines for implementations of UNSC resolutions. This document provides guidance in line with TFS obligations under UNSC resolutions, Anti-Terrorism Act and the Anti Money Laundering Act.

Source: <http://savings.gov.pk/cdns-guidelines-meeting-tfs-obligations/>

## **National Savings (AML-CFT) Supervisory Board issues Red Flag indicators for CDNS**

The National Savings AML and CFT Supervisory Board has prepared red flag indicators in consultation with the Financial Monitoring Unit. This document will provide support to the field staff and help them identify suspicions indicative of Money Laundering or Terrorist Financing.

Source: <http://savings.gov.pk/aml-cft-red-flags-cdns/>

## **National Savings constitutes Senior Management Committee to oversee AML-CFT**

The Central Directorate of National Savings has constituted a senior level management committee which will oversee laws, rules and regulations governing AML-CFT regime of the institution. The committee will be chaired by the Director General, whereas its members include directors from Operations, HR, Legal, Internal Audit, PD&M, V&M wings.

Source: <http://savings.gov.pk/wp-content/plugins/download-attachments/includes/download.php?id=11242>

# Local Updates & Resources: CDNS & PPOD

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## **Amendment in “Nominee Rules” for National Savings Certificates**

The nominee rules for issuance of National Savings Schemes (NSS) certificates have been amended to ensure payment of funds to ‘legal heirs’ in case of death of certificate holders as required under the Islamic Law of Inheritance. According to sources, the proposed changes were twice broadly publicized through print and electronic media to solicit public opinion, which was generally positive as many legal heirs were being or had been deprived of their due inheritance as the previous rules were not in line with the law of the land. The new instructions were circulated by the National Savings directorate vide Circular No. F. 12(2-3)PS.[Nomination R&P(65)]/2020 dated 06-May-2020

Resource: <http://savings.gov.pk/amendment-national-savings-rules-regarding-nomination-case-death-investor-death-investor/>

## **Pakistan Post AML/CFT Supervisory Board has been formed**

The Pakistan Post AML/CFT Supervisory Board has been formed to provide independent oversight of implementation of relevant laws/rules and devise necessary enforcement actions against any violation. The board has been empowered under rules issued by the S.R.O. No.948(i)/2020 issued by the Ministry of Communications.



Notification: <http://www.fmu.gov.pk/docs/Gazette-Notification-PPOD-AML-CFT-SB-P-F-Rules-2020.pdf>

## **Pakistan Post (AML and CFT) Regulations, 2020**

In exercise of the powers conferred by clause (c) of sub-section (2) of section 6A of the Anti-Money Laundering Act, 2010(VII of 2010), the Pakistan Post (AML and CFT) Supervisory Board has formulated AML/CFT regulations which have been issued under S.R.O. No.949(i)/2020 by the Ministry of Communications.

Source: [http://www.pakpost.gov.pk/pdfForms/2020-10-02-Gazette-\(PPOD\)-AML-and-CFT-Supervisory-final.pdf](http://www.pakpost.gov.pk/pdfForms/2020-10-02-Gazette-(PPOD)-AML-and-CFT-Supervisory-final.pdf)

## **Formation of Postal Life Insurance (PLI) Company under SECP License**

The Securities and Exchange Commission of Pakistan (SECP) has allowed license to Postal Life Insurance Company under the Insurance Ordinance, 2000. Henceforth, PLI is subject to compliance with SECP’s defined regulatory frameworks such as corporate governance, insurance standards and AML/CFT protocols etc. The corporatization of PLI would not only establish effective supervisory controls, but also play a vital role towards increase in its penetration levels in life sector, owing to a large customer base coupled with established distribution network throughout Pakistan.

Press Release: <https://www.secp.gov.pk/wp-content/uploads/2020/08/Press-Release-August-27-SECP-issues-life-insurer-license-to-Postal-Life-Insurance.pdf>

# Local Updates & Resources: DNFBPs

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## **FBR issues AML & CFT Regulations for DNFBPs**

Federal Board Revenue has issued Anti Money Laundering and Countering Financing of Terrorism Regulations for DNFBPs, 2020 (via SRO 924) ('the FBR AML/CFT Regulations'). These regulations cover Real Estate Agents, Jewellers and Accountants.

Resource: <http://download1.fbr.gov.pk/SROs/202092917976805SRO9242020.pdf>

## **ICAP issues AML-CFT Regulations for its reporting firms**

The AML-CFT Regulations for Chartered Accountants Reporting Firms were published on September 30, 2020 ('the ICAP AML/CFT Regulations'). The ICAP AML/CFT regulations cover Chartered Accountants Reporting Firms and can be accessed at: <https://www.icap.org.pk/files/per/aml/ICAPAMLCFTRegulations.pdf>

## **ICMAP issues AML-CFT regulations**

The AML-CFT Regulations for Cost and Management Accountants Reporting Firms have been issued on September 30, 2020 ('the ICMAP AML/CFT Regulations'). These regulations cover Cost and Management Accountants Reporting Firms. ICMAP has also made available some useful resources in the "Public Practice" section of its official website i.e. [www.icmap.com.pk](http://www.icmap.com.pk)

Regulations: <https://www.icmap.com.pk/News Pdf/AML CFT Regulations ICMAPakistan.pdf>

## **DNFBPs Outreach in Collaboration with UNODC**

UNODC has been assisting several institutions of the Government of Pakistan in building capacities to achieve greater compliance with anti-money laundering (AML) and counter-financing of terrorism (CFT) keeping in view the recent legislative changes enacted in AML Act 2010, special reference to Sections 2 (xii), (xxxiv), (xxxix), 6A, 6C, 7A to 7J and Schedule IV, and designation of AML/CFT Regulatory Authorities for the DNFBPs. The awareness sessions were organized in all provincial capitals. The awareness sessions included emphasis on understanding of domestic implementation of FATF standards, recent designation of supervisory frameworks and compliance requirements for AML/CFT reporting and, particularly, the sanctions regime of UNSCRs 1267, 1373 and 2321.

In 2019, similar outreach and awareness sessions were held in all provincial capitals through a multi-agency partnership with Federal Board of Revenue (FBR), Financial Monitoring Unit (FMU), National Counter Terrorism Authority (NACTA), Ministry of Foreign Affairs (MoFA) and Securities and Exchange Commission of Pakistan (SECP) to encourage AML/CFT compliance by DNFBPs. Outreach and capacity building sessions included participants from ICAP, ICMAP, Pakistan Bar Council (PBC), Income Tax Bar Associations, Provincial Bar Associations, Association of Builders & Developers (ABAD), Defence Housing Authority (DHA), Real Estate Agents Associations, Pakistan Gems Jewellery Traders & Exporters Association (PGJTEA), Dealers of Precious Stones and Metals, etc.

# Local Updates & Resources: DNFBPs

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## **AML / CFT awareness efforts For DNFBPs by FBR**

Under the AML Act 2010, the Federal Board of Revenue is the responsible agency for ensuring that designated non-financial businesses and professions (DNFBPs) including real estate agents, dealers in precious metals and stones, and FBR-supervised accountants comply with AML/CFT obligations. Financial institutions, lawyers, law firms, notaries and non-FBR-supervised accountants are supervised by other competent authorities and self-regulatory bodies.

Keeping up with the national resolve, FBR has also developed a learning platform as well as tutorial animation videos for awareness of stakeholders. Further it is also in process of developing a dedicated DNFBP web portal for its regulated DNFBPs.

Resource and Tutorial Videos: <https://www.fbr.gov.pk/introduction-aml-cft/152366/152367>

## **Institute of Chartered Accountants launches dedicated AML Supervision Portal**

The Institute of Chartered Accountants of Pakistan (ICAP) has launched dedicated portal which provides circulars, documents, FAQs as well as tutorials on AML/CFT & TFS for the awareness of its stakeholders. Further, webinars conducted by ICAP have also been made available in AML Supervision section of ICAP's official website: <https://www.icap.org.pk/aml-supervision/>

## **AML Supervision Portal of Institute of Cost and Management Accountants Pakistan**

The Institute of Cost and Management Accountants (ICMAP) has launched dedicated portal which useful material such as AML CFT Regulations, AML Guidelines, Guidance for Members, recorded Webinars, FAQs and various forms for the awareness of its stakeholders.

Resource: [https://www.icmap.com.pk/Public\\_Practice.aspx](https://www.icmap.com.pk/Public_Practice.aspx)

## **AML / CFT awareness efforts For DNFBPs by ICAP & ICMAP**

Institute of Chartered Accountants of Pakistan (ICAP) regional committees regularly hold seminars for creating awareness on AML/CFT. Webinars were also conducted with special focus on AML Framework and related expectations from practicing members and have been made available at: <https://www.icap.org.pk/aml-supervision/awareness-sessions/>

Institute of Cost and Management Accountants (ICMAP) has conducted a series of awareness sessions at provincial capital cities of the country in coordination with SECP. ICMAP also arranged seminars for their practicing members in coordination with FMU for awareness on AML-CFT obligations and registration on GoAML. Additionally, ICMAP has also made AML/CFT related legislation a part of its curriculum for advance level students, so that after passing out from the Institute ICMAP's graduates will have a better amount of understanding with regard AML.

[https://www.icmap.com.pk/AMLGuidance\\_for\\_Members.aspx](https://www.icmap.com.pk/AMLGuidance_for_Members.aspx)

# Local Updates & Resources: TFS

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## **Guidelines on the implementation of the UNSC resolutions concerning targeted financial sanctions on proliferation financing**

SECDIV has issued guidelines assist officials in various Ministries, Departments, Agencies, Institutions and entities to better understand and effectively implement the provisions of the Targeted Financial Sanctions against individuals/entities designated in the UNSC resolutions relating to proliferation financing.

Resource: [http://secdiv.gov.pk/uploads/CRMC\\_Guidelines\\_on\\_TFS\\_for\\_PF-38da.pdf](http://secdiv.gov.pk/uploads/CRMC_Guidelines_on_TFS_for_PF-38da.pdf)

## **MOFA SRO regarding Sanctions on Democratic People's Republic of Korea (DPRK)**

The United Nations Security Council (UNSC) vide its different resolutions, has decided to apply the measures specified in its resolutions relating to the Democratic People's Republic of Korea (DPRK). Being a member, the Government of Pakistan has issued the following SRO regarding UNSC sanctions related to North Korea, available at: [http://mofa.gov.pk/wp-content/uploads/2020/09/Consolidated-SRO-No-805i2020\\_containing-UNSC-Sanctions-Related-to-DPRK\\_dated-01-September-2020.pdf](http://mofa.gov.pk/wp-content/uploads/2020/09/Consolidated-SRO-No-805i2020_containing-UNSC-Sanctions-Related-to-DPRK_dated-01-September-2020.pdf)

## **MOFA SRO regarding Sanctions on ISIL (Da'esh), Al-Qaida and associates**

The United Nations Security Council has directed to apply travel restrictions, arms embargo and to freeze the funds and other financial resources of ISIL (also known as Da'esh), Al-Qaida, and associated individuals, groups, undertakings and entities; and has decided that all member States shall take these measures. Being a member, the Government of Pakistan has issued the following SRO:

Source: <http://mofa.gov.pk/wp-content/uploads/2020/08/SRO-741-dated-18-August-2020.pdf>

## **MOFA SRO regarding Sanctions on Taliban**

The United Nations Security Council has directed to apply travel restrictions, arms embargo and to freeze the funds and other financial resources of the Taliban, as well as other individuals, groups, undertakings and entities associated with the Taliban; and has decided that all member States shall take these measures. Being a member, the Government of Pakistan has issued the following SRO:

Source: <http://mofa.gov.pk/wp-content/uploads/2020/08/SRO-742-dated-18-August-2020.pdf>

# International Resources

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## Update in The FATF recommendations

The FATF Recommendations, set an international standard, which countries are expected to implement through measures adapted to their particular circumstances. These were adopted on 16 February 2012 and are being updated regularly since. In 2020, there have been two revisions in the document:



1. Rec-1 and its interpretative note (pages 10 and 31-36) to require countries, financial institutions and DNFBPs to identify and assess the risks of potential breaches, nonimplementation or evasion of the targeted financial sanctions related to proliferation financing, as contained in FATF Recommendation 7, and to take action to mitigate these risks.
2. Rec-2 and a new interpretative note (pages 10-11 and 37): A minor consequential amendment in R.2 to insert reference to counter proliferation financing in the context of national co-operation and co-ordination. Insertion of a new interpretive note that sets out the inter-agency framework to promote domestic co-operation, co-ordination and information exchange.

Resource: <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

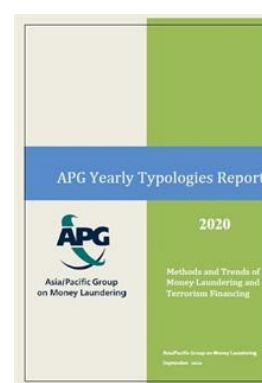
## UNODC Policy Brief on Strengthening Pakistan's Law Enforcement, Criminal Justice & Health Response to COVID-19

This policy brief by UNODC provides a snapshot of the challenges and risks expected to emerge from the current COVID-19 crisis in Pakistan. It elaborates required immediate- and medium-term response measures by UNODC Country Office Pakistan (COPAK) in order to effectively support the Government of Pakistan in its fight against the pandemic as well as related crises.

Resource: [https://www.unodc.org/documents/pakistan//2020.06.02\\_COPAK\\_Response\\_Full\\_doc\\_-\\_COVID-19\\_FINAL\\_V0.pdf](https://www.unodc.org/documents/pakistan//2020.06.02_COPAK_Response_Full_doc_-_COVID-19_FINAL_V0.pdf)

## APG TYPOLOGIES REPORTS

The Asia-Pacific Group (APG) produces typologies reports on money laundering (ML) and terrorist financing (TF) techniques to assist governments and other stakeholders to better understand the nature of existing and emerging ML and TF threats and pursue effective strategies to address those threats. These studies assist APG members to implement effective strategies to investigate and prosecute ML and TF, as well as design and implement effective preventative measures. The APG's yearly typologies reports include: (1) observations on ML and TF techniques and methods; (2) case studies; and (3) The impact of legislative or regulatory developments in detecting and / or preventing particular methods.



2020: <http://www.apgml.org/includes/handlers/get-document.ashx?d=e2e2d9c7-47f7-4864-8689-556c11c02e27>

2019: <http://www.apgml.org/includes/handlers/get-document.ashx?d=0adca90d-7ab7-4ac3-9d08-fe64b26db9b6>

# International Resources

## FATF/Egmont Trade-based Money Laundering (TBML) - Trends and Developments

International trade networks can attract criminals and terrorists financiers who exploit the interconnected supply chains to launder the proceeds of crime or finance terrorism. Recognizing trade-based money laundering is difficult, particularly when there is a lack of understanding of this technique.

Keeping in view the above, the FATF-Egmont Group has issued report on TBML which aims to help public and private sector with the challenges of detecting trade-based money laundering. Using numerous case studies from around the FATF's Global Network, it explains the ways in which criminals exploit trade transactions to move money, rather than goods. It also highlights recommendations to address the trade-based money laundering risks. Countries should use national risk assessments and other risk-focused material to raise awareness with the public and private sector entities involved in international trade.

The report also recommends improving information-sharing of financial and trade data, and improving co-operation between authorities and private sector, including through public-private partnerships.

Source: <http://www.fatf-gafi.org/media/fatf/content/Trade-Based-Money-Laundering-Trends-and-Developments.pdf>



## Impact of COVID-19 on terrorism, counter-terrorism and countering extremism a paper by Committee Executive Directorate (CTED)

This paper has been prepared by the Counter-Terrorism Committee Executive Directorate (CTED) of the United Nations in accordance with Security Council resolution 2395 (2017). The paper aims to provide a concise analytical overview of:

- The short-term impact of COVID-19 on terrorists and terrorist groups;
- How Member States' COVID-19 responses have affected or intersected with counter-terrorism and CVE;
- The potential long-term impacts of COVID-19 on terrorism, counter-terrorism, and CVE.

Further, the paper aims to provide a global picture of these potential and actual impacts, while recognizing that – as with the impact of COVID-19 itself – those impacts are unlikely to be experienced consistently by all Member States or across all regions.

Source: <https://www.un.org/sc/ctc/wp-content/uploads/2020/06/CTED-Paper%E2%80%93The-impact-of-the-COVID-19-pandemic-on-counter-terrorism-and-countering-violent-extremism.pdf>





# International Resources

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## FATF has published its Annual Report 2019-2020

The FATF has published its Annual Report 2019-2020 which sets out the achievements of the FATF under the Presidency of Mr. Xiangmin Liu of China.

The global COVID-19 pandemic led to unprecedented and devastating challenges, claiming lives and causing catastrophic economic disruptions. The FATF continued to deliver its crucial work, including highlighting new threats and vulnerabilities emerging during the crisis. The report is available at the following link:

<http://www.fatf-gafi.org/media/fatf/documents/brochuresannualreports/FATF-annual-report-2019-2020.pdf>



## Money laundering and terrorism financing trends in MONEYVAL jurisdictions during the COVID-19 crisis - A Report by Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)



The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism - MONEYVAL is a permanent monitoring body of the Council of Europe (<https://www.coe.int/>) entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.

This committee has issued a report aimed at helping the global community to counter new criminal activities which are exploiting the COVID-19 pandemic, including the sale of counterfeit medicines and cybercrime. It is a must read for every stakeholder in this global challenge. Some findings of the report are also relevant for the general public as a source of information against potential criminal schemes, such as phishing emails, text messages containing links to malicious websites, attachments to obtain personal payment information and social engineering.

The report found that the urgent need to acquire specialized medical equipment and supplies created vulnerabilities for fraud, corruption and subsequent money laundering. Authorities in charge of supervising money laundering and terrorist financing threats have had to find innovative ways to carry out their tasks by using secure electronic means. Nevertheless, international cooperation against money laundering and terrorist financing does not appear to have been negatively impacted by the emergency measures taken to combat COVID-19.

Report: <https://rm.coe.int/moneyval-2020-18rev-covid19/16809f66c3>

# International Resources

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## **World Custom Organization (WCO) has published its 2020 Annual Report**

WCO has published its 2020 Annual Report summarizing the main activities undertaken during financial year 2019-2020, the main developments within the WCO and its regional structures, and the future challenges to be addressed by the WCO Secretariat and its Members.

Particular focus has been placed on the WCO's response to the COVID-19 crisis and specific actions taken by the Organization to assist Members with their national responses to the pandemic, in terms of both the facilitation of legitimate trade and the protection of society.



Source: <http://www.wcoomd.org/-/media/wco/public/global/pdf/media/annual-reports/annual-report-2019-2020-en.pdf>

## **The 7th session of the Working Group on the Smuggling of Migrants**

Pursuant to resolution adopted by the Conference of the Parties to the United Nations Convention against Transnational Organized Crime at its fifth session, an open-ended intergovernmental interim working group on the smuggling of migrants was established to advise and assist the Conference in the implementation of its mandate with regard to the Protocol against the Smuggling of Migrants by Land, Sea and Air, supplementing the United Nations Convention against Transnational Organized Crime.

The most recent meeting of this Working Group was held in Vienna on 8 and 9 September 2020, report of which can be accessed at: <https://undocs.org/CTOC/COP/WG.7/2020/4>

## **Anti-Money Laundering in the Time of COVID-19 - by Leslie Bailey**

The COVID-19 pandemic has left financial institutions to face many of the same AML risks as pre-pandemic, but now under largely different circumstances. LexisNexis Risk Solutions' Leslie Bailey examines what these organizations must do now to effectively weather the storm.

Article: <https://www.corporatecomplianceinsights.com/aml-in-the-time-of-covid/>

## **Report of the International Narcotics Control Board for 2019**

The International Narcotics Control Board (INCB) is an independent, quasi-judicial expert body established by the Single Convention on Narcotic Drugs of 1954 by merging two bodies: the Permanent Central Narcotics Board, created by the 1925 International Opium Convention; and the Drug Supervisory Body, created by the 1931 Convention for Limiting the Manufacture and Regulating the Distribution of Narcotic Drugs. INCB has 13 members, each elected by the Economic and Social Council for a period of five years. The International Narcotics Control Board (INCB) is required to publish an annual report which provides a comprehensive account of the global drug situation, analyses trends in drug abuse and drug trafficking and suggests necessary remedial action.

Resource: <https://www.incb.org/incb/en/publications/annual-reports/annual-report.html>

# Useful Links

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## **List of bills passed by the National Assembly of Pakistan**

<http://www.na.gov.pk/en/bills.php?status=pass>

## **List of acts passed by the Senate of Pakistan**

<http://senate.gov.pk/en/acts.php>

### **Ministry of Finance**

<http://www.finance.gov.pk/>

### **Economic Affairs Division**

<http://www.ead.gov.pk/>

### **Ministry of Foreign Affairs**

<http://www.mofa.gov.pk/>

### **State Bank of Pakistan**

<http://www.sbp.org.pk/>

## **Securities and Exchange Commission of Pakistan**

<https://www.secp.gov.pk/>

## **National Counter Terrorism Authority**

<https://nacta.gov.pk/>

## **Strategic Export Control Division (SECDIV)**

<http://www.secdiv.gov.pk/>

## **Federal Investigation Agency (FIA)**

<http://www.fia.gov.pk/>

## **Anti-Narcotics Force**

<http://anf.gov.pk/>

## **Proscribed Persons List by NACTA**

<https://nfs.punjab.gov.pk/>

## **MOFA SROs related to UNSC Sanctions:**

<http://mofa.gov.pk/unsc-sanctions/>

## **MOFA SRO Updates Registration**

<http://202.83.172.66/app/signup/index.php>

## **FATF Publications / Reference Material**

<https://www.fatf-gafi.org/publications/>



[www.fmu.gov.pk](http://www.fmu.gov.pk)