

MONEY LAUNDERING AND TERRORIST FINANCING IN EXCHANGE COMPANIES

RED FLAG INDICATORS FOR EXCHANGE COMPANIES

Indicators of Foreign Exchange Remittances/FDDs/FTTs

- a) Remittances/wire transfers/ Electronic Funds transfer (EFT) made against unusually large amount of cash in circumstances where payment could have been made by FDDs, cheque etc;
- b) Money transfers to high-risk jurisdictions without reasonable explanation, which are not consistent with the customer's usual foreign business dealings;
- c) High volume of transactions over a short period of time;
- d) The lack of apparent relationship between the sender and beneficiary, and/or personal remittances sent to jurisdictions that have no apparent family or business link to conductor, and/or the conductor has no relation to country where he/she sends/receives the money and cannot sufficiently explain why money is sent there/received from there;
- e) The customer only seems to know which amount is being transferred after the Exchange Company employee has counted the cash and/or the customer shows no interest in the transfer costs;
- f) Large amounts are transferred to companies abroad with a service provider address;
- g) Multiple senders transferring funds to a single individual; and
- h) Money is received by the same individual from different money remittance companies or Exchange Company agent locations.

Indicators for Exchange Companies regarding Exchange of Foreign Currency

- a) Exchange of large quantities of low denomination notes for higher denomination currency ones;
- b) Large or frequent currency exchanges that are not related to the customer's business;
- c) Fragmentation of large amounts and high frequency of currency exchange transactions over a short period of time;
- d) The same person uses multiple Exchange Companies;
- e) Repeated requests for foreign exchange purchasing/selling in amounts slightly less than the transaction limit for identification;
- f) The customer buys currency that does not fit with what is known about the customer's destination or the customer buys currency from an unusual location in comparison to his/her own location; and
- g) The customer apparently does not know the exact amount being exchanged, the customer does not watch the counting of money, and/or the customer is happy with a poor rate.

Indicators for Exchange Companies regarding Cash Transactions

- a) Unusually large cash payments in circumstances where payment would normally be made by cheque, banker's draft, etc;
 - b) Cash is in "used notes" and/or small denominations ("used notes" may imply that notes are worn, dirty, stained, give off unusual smell e.g. drugs, etc.);
 - c) Customer refuses to disclose the source of cash;
 - d) Customer has made an unusual request for collection or delivery;
 - e) Significant discrepancy between customer's declaration of cash total and counted total;
 - f) Presence of counterfeit banknotes in the bankroll; and
 - g) Cash transactions followed closely by transfer of funds on the same or next day.
- h) The Suspicious Transaction Report (STR) shall be filed with Financial Monitoring (FMU) within seven days of forming suspicion when:
- Customer conducts cash transactions just below relevant Currency Transaction Report (CTR) threshold requirement to avoiding reporting of CTR (CTR threshold is cash transaction exceeding PKR 2.5 Million)
 - Two or more customers working together to break one cash transaction into two or more transactions in order to evade the CTR reporting requirement.
 - Customer uses two or more locations or cashiers in the same day in order to break one cash transaction into smaller transactions and evade the CTR reporting requirement.