

# FINANCIAL MONITORING UNIT NEWSLETTER

Issue 1 | October, 2019

## MUTUAL EVALUATION REPORT 2019



Asia/Pacific Group  
on Money Laundering

The Pakistan APG Mutual Evaluation Report (MER) is available from the mutual evaluation section of the APG website. Chinese Taipei MER 2019, Pakistan MER 2019 and Solomon Islands MER 2019 were adopted at the APG's annual meeting in Canberra, Australia in August 2019.

[apgml.org/news/details.aspx?n=2151](http://apgml.org/news/details.aspx?n=2151)

## OUTCOMES OF FATF PLENARY 16-18 OCT 2019

At the October 2019 plenary, Pakistan reiterated its political commitment to completing its action plan and implementing AML/CFT reforms. Pakistan should continue to work on implementing its action plan to address its strategic deficiencies.

[fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2019.htm](http://fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2019.htm)



**Financial Monitoring Unit**

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

## PAKISTAN TO IMPLEMENT FATF ACTION PLAN IN TIME

Pakistan is committed to fully implementing its action plan to countering money laundering and terrorist financing by February 2020 and there's no disagreement among various governments' institutions on this matter, says Financial Adviser Mr. Abdul Hafeez Shaikh.



## KEY DATES

16-21 Feb 2020:

FATF Plenary and Working  
Group Meetings

## PAKISTAN TO COMPLETE FATF ACTION PLAN BY NEXT YEAR: AZHAR

Addressing a press conference in Islamabad, Azhar, who led the Pakistani delegation at FATF's five-day plenary in Paris last week, said that the country's progress had been duly recognised in the watchdog's September report. He said considerable progress had been made on many points of the action plan in a short period of 10 months. Till September, action on five out of the 27 items of the FATF action plan was incomplete while that on the rest was largely or partially complete. - APP



## EXAMPLES OF SUSPICIOUS TRANSACTIONS

1. Transactions that consistently fall just below reporting or record keeping thresholds
2. Sudden raise of activity in otherwise low-transaction or dormant accounts
3. Unusually large number of wire transfers

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### **Message from the Director General**

*“We are pleased to share that our collective efforts towards improvement of our AML/CFT Framework are being appreciated and that Pakistan is progressing towards completing its FATF Action Plan.*

*This newsletter is aimed to improve our collective knowledge and share updates on latest developments with all our stakeholders as well as law enforcement agencies.*

*Together we shall make a difference, Insha’Allah”*

***Mansoor Hassan Siddiqui  
Director General  
Financial Monitoring Unit***

### **FMU signs MoU with China Anti Money Laundering Monitoring and Analysis Center (CAMLAC) on exchange of financial intelligence**

FMU continues to aggressively follow its strategy to enter into arrangements through Memorandum of Understanding (MOU) with other the Financial Intelligence Units (FIUs) of other countries to share financial intelligence on matters related to Money Laundering and Terrorism Financing. We believe this will provide an opportunity to our Law Enforcement Agencies (LEAs) to utilize this arrangement to carry out effective investigations. Pakistan has already signed MOUs with United Kingdom, Iran, Turkey, Sri Lanka, Turkmenistan, Qatar and Kazakhstan. Lately, MoU with CAMLAC, China has been signed on the sideline meetings of Asia-Pacific Group on Money Laundering (APG) which were held in Canberra, Australia from 18-23 August, 2019.

#### **Update on Status of Jurisdictions** *(FATF Plenary 16-18 October, 2019)*

No longer subject to monitoring:  
Ethiopia, Sri Lanka and Tunisia

Subject to monitoring *(Added to Gray list)*:  
Iceland, Mongolia and Zimbabwe

#### **Three Anti-Money-Laundering Trends Financial Institutions Should Know**

As criminals become more sophisticated at performing money laundering activities, regulators are increasing their commitment to anti-money-laundering (AML) compliance. For banks, this means they must work diligently to maintain AML compliance amid a sea of growing regulation. It is now more important than ever to remain on top of AML compliance measures within institutions. Three of the key anti-money-laundering trends and challenges for 2019.

1. AML Compliance For Crypto currency Becomes Standard
2. AML Becomes Automated As False Positives Continue To Increase
3. Financial Institutions Work To Combat Identity Theft

**Read**

[forbes.com/sites/forbestechcouncil/2019/03/07/three-anti-money-laundering-trends-financial-institutions-should-know-in-2019/](https://forbestechcouncil.com/2019/03/07/three-anti-money-laundering-trends-financial-institutions-should-know-in-2019/)

**More:**

#### **Pakistan's Progress Appreciated, Stays on Grey List**

The FATF acknowledged some concrete steps taken by Islamabad recently but directed it to take more measures and move swiftly for complete elimination of terror financing and money laundering. The decision to keep the county on the grey list means that Pakistan will escape the tough sanctions on its banking system that would have accompanied any downgrade to the FATF blacklist. Earlier, the plenary session considered Pakistan's progress report on the FATF Action Plan and Pakistan's Mutual Evaluation Report (MER) with Asia-Pacific Group on Money Laundering (APG). It decided to maintain status quo on the Action Plan and allow the usual 12 months observation period on APG MER. The Pakistan delegation was led by Minister of Economic Affairs Division, Muhammad Hammad Azhar, a finance ministry press release Friday said. Pakistan's delegation reaffirmed its political commitment to fully implement the Action Plan-The Nation

**Source:** [nation.com.pk/19-Oct-2019/pakistan-avoids-fatf-blacklisting](http://nation.com.pk/19-Oct-2019/pakistan-avoids-fatf-blacklisting)

#### **Foreign Exchange Regulation Act 1947 amendments passed by National Assembly**

Amendments were proposed in order to enable State Bank of Pakistan to regulate foreign exchange regime in Pakistan more comprehensively as well as to strengthen the effectiveness of FERA 1947.

**Source:** [www.na.gov.pk/uploads/documents/1569853174\\_550.pdf](http://www.na.gov.pk/uploads/documents/1569853174_550.pdf)

## News Updates

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### **National Risk Assessment on Money Laundering & Terrorism Financing 2019 Update**

The NRA 2019 update included a review of all crimes based on their seriousness and magnitude both domestically and internationally, the amount of potential proceeds generated, and the capacity of the criminal actors to launder proceeds (including third party launderers) and the sectors used to launder proceeds, according to information and data including Intelligence. A threat analysis concerning all crimes, including the 21 designated predicate offences under the FATF Standards was conducted and was complemented by a threat analysis of illegal MVTS/ Hawala/Hundi and cash smuggling.

The updated report looked more specifically at the inherent risk of terrorism and TF threat that Pakistan is facing. Pakistan faces a significant internal security threat which is eminent from the fact that more than 18,000 terrorist attacks have been perpetrated by terrorist organizations since 2001. But there has been an overall decrease in terrorist threats (from which TF risks emanate). The year 2018 was the fourth consecutive year where the number of terrorism incidents decreased. The declining trend of terrorism has been acknowledged by United Nations Security Council (UNSC) in its 22nd report issued by its Analytical Support and Sanctions Monitoring Team on 27th July 2018. In spite on the declining trend of terrorism, the updated assessment shows that the terrorist organizations within and outside Pakistan are still posing, to varying degrees, a TF threat to the country.

The NRA 2019 update document has been disseminated to all stakeholders including the private sector through competent authorities, AML/CFT supervisors, Law Enforcement and Intelligence Agencies for implementation of Risk Based Approach in line with FATF recommendations.

### **Anti-Money Laundering Act 2010 Amendments passed by National Assembly in 2019**

Amendments in the AML Act, 2010 were proposed to bring improvements in line with suggestions of AML/CFT stakeholders, particularly Law Enforcement Agencies, responsible for the enforcement of AML Act, 2010. The proposed amendments reflect on the Government's firm resolve to strengthen its Anti-Money Laundering Regime and are aimed at streamlining the existing AML law in line with international standards and suggest enhancing the punishment of offence of money laundering to make it more dissuasive and deterrent. These amendments would also allow Financial Monitoring Unit to seek Egmont Group Membership (Group of Financial Intelligence Units) which is the requirement under the Financial Action Task Force Recommendations. (Rec-29)

[http://www.na.gov.pk/uploads/documents/1569853264\\_739.pdf](http://www.na.gov.pk/uploads/documents/1569853264_739.pdf)

### **Ministry of Foreign Affairs SRO Updates**

As an additional step to keep the stakeholders updated about the addition and amendments in Statutory Regulatory Orders, the Ministry of Foreign Affairs has launched a subscription module which delivers updates on the subscriber's emails

SRO Updates Registration: <http://202.83.172.66/app/signup/index.php>

## News Updates

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### **FATF Terrorist Financing Risk Assessment Guidance 2019**

Building on the FATFs 2013 Guidance on National Money Laundering and Terrorist Financing Risk Assessments, this report provides good approaches, relevant information sources and practical examples for practitioners to consider when assessing TF risk at the jurisdiction level. This report draws on inputs from over 35 jurisdictions from across the FATF Global Network on their extensive experience and lessons learnt in assessing TF risk. While all countries should have a holistic understanding of all stages of TF (raising, moving and use of funds or other assets), this report recognizes that there is no one-size fits all approach when assessing TF risk. Jurisdictions will need to extract from this Guidance those parts that are most relevant to their unique context and threat profile.

<http://www.fatf-gafi.org/publications/methodsandtrends/documents/terrorist-financing-risk-assessment-guidance.html>

### **Multilateral Memorandum of Understanding amongst Law Enforcement and Intelligence Agencies**

NACTA has organized a Multilateral Memorandum of Understanding (MoU) amongst 14 Law Enforcement Agencies (LEAs) which included NAB, FIA, FBR, FMU, ANF, Intelligence Agencies and all the Provincial CTDs. The signing ceremony of the MoU was chaired by National Coordinator NACTA during the 14th meeting of National Task Force on CFT held on 09th April, 2019 at NACTA Headquarters, Islamabad.

<https://nacta.gov.pk/nacta-organizes-multilateral-mou-amongst-leas-intelligence-agencies-and-fmu/>

### **NACTA Guidelines on implementation of UNSCR 1373 in Pakistan**

National Counter Terrorism Authority (NACTA) issued guidelines for the relevant authorities in various divisions, ministries, agencies and other organizations across Pakistan on the implementation of United Nations Security Council Resolutions (UNSCR)1373. The objective of the Guidelines is to ensure better understanding of the provisions of UNSCR 1373 and the national legal framework related to its implementation. The Guidelines aims to foster a common understanding that each relevant department, agency, institution, etc. has an equal obligation for implementation of UNSCR 1373 as envisaged in the Resolution.

<https://nacta.gov.pk/united-nations-security-council-resolution-1373/>

## News Updates

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### **FATF Cell set up at Federal Board of Revenue (FBR)**

The Federal Board of Revenue (FBR) has established a Financial Action Task Force (FATF) cell under the Director General of Intelligence and Investigation, Islamabad, to ensure an effective and timely implementation of measures against terror financing carried out through currency smuggling.

The cell will seek information required for FATF-related work from the FBR, field formations, directorates and record of meetings. The FATF cell will serve as a focal point for all activities related to customs compliance for FATF issues.

<https://www.dawn.com/news/1496172>

### **NAB sets up Anti-Money Laundering/Combating Financing of Terrorism Cell**

The National Accountability Bureau (NAB) established the Anti-Money laundering/Combating Financing of Terrorism Cell at the NAB Headquarters. The Cell will be headed by Director General Operations NAB Headquarters Zahir Shah and other members of the cell will be Director Monitoring Zafar Iqbal, Additional Director/Desk Officer Mufti Abdul Haq, Banking Expert Jehanzeb Fareed, Banking Expert Sohail Ahmed and Senior Legal Consultant (Prosecution Division) Nasir Mehmood Mughal. The main responsibilities of the Anti-Money laundering/Combating the Financing of Terrorism Cell include compliance, monitoring analysis and coordination with the National FATF Secretariat and relevant stakeholders.

<https://www.thenews.com.pk/print/542642-nab-sets-up-anti-money-laundering-combating-financing-of-terrorism-cell>

### **FATF Compliance Unit established at FIA**

The Federal Investigation Agency (FIA) on Friday constituted a separate unit to serve as a focal point and ensure effective and timely completion all activities related to the FATF action plan. The FIA transferred 11 officers to the compliance unit with immediate effect. According to the notification, the unit was empowered to seek information, officers and record of meetings from different zones.

<https://dawn.com/news/1495003>

## FMU Updates

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### **AML/CFT Awareness and Compliance Session with Reporting Entities**

Financial Monitoring unit held an AML/CFT Awareness and Compliance Session for the officials of Exchange Companies on 2<sup>nd</sup> September 2019. Senior officials from different exchange companies as well as representatives from different departments of State Bank of Pakistan were invited to attend the session.

During the AML/CFT Awareness and Compliance Session the participants were briefed about the following:

- Feedback on the quality of STRs/CTRs being reported.
- Issues and problems with regards to reporting of STRs/CTRs.
- Steps being taken by FMU for overall strengthening of AML/CFT Regime.
- To provide awareness and address the issues of Exchange companies relating to reporting through goAML.

Further, FMU has also undertaken numerous awareness sessions regarding AML/CFT for LEAs, CDNS, NAB and ANF at their training centers in Islamabad and Peshawar.

### **AML/CFT Compliance Meetings**

During the period meetings were held with different Banks and Exchange Companies on one to one basis to provide feedback on the quality of STRs/CTRs being reported to FMU.

### **Trends in STR Reporting**

Significant increase in STRs reporting has been observed during this quarter.

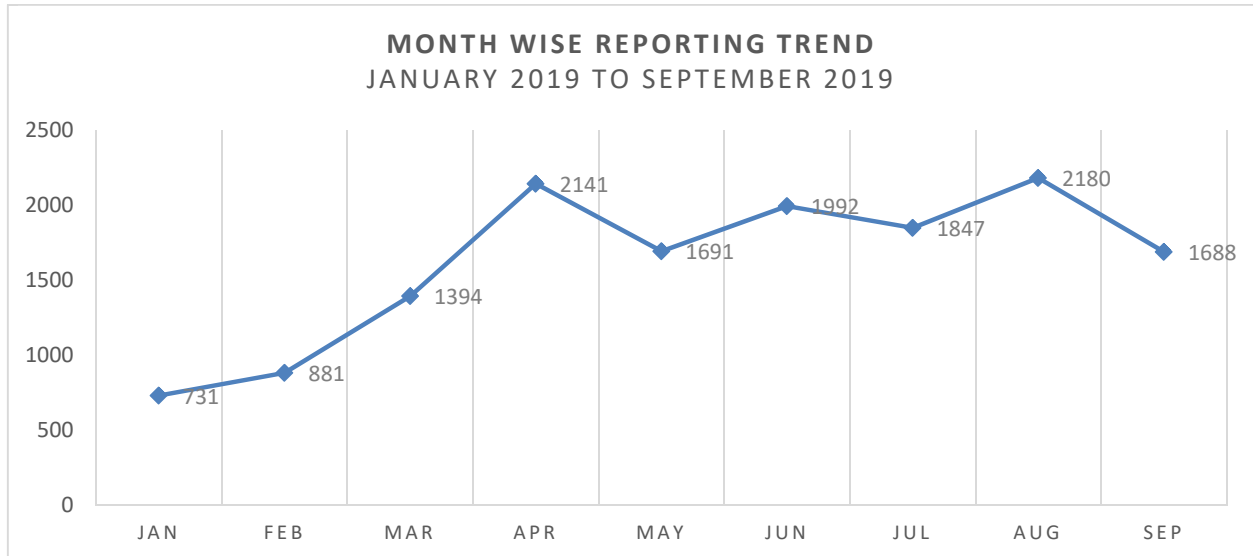
STRs were mainly reported based on the following reasons:

- Individuals listed on 4<sup>th</sup> Schedule
- Transactional Activity did not match with the profile
- Adverse Media Reports, etc.
- Non-Verification through Bio Metric

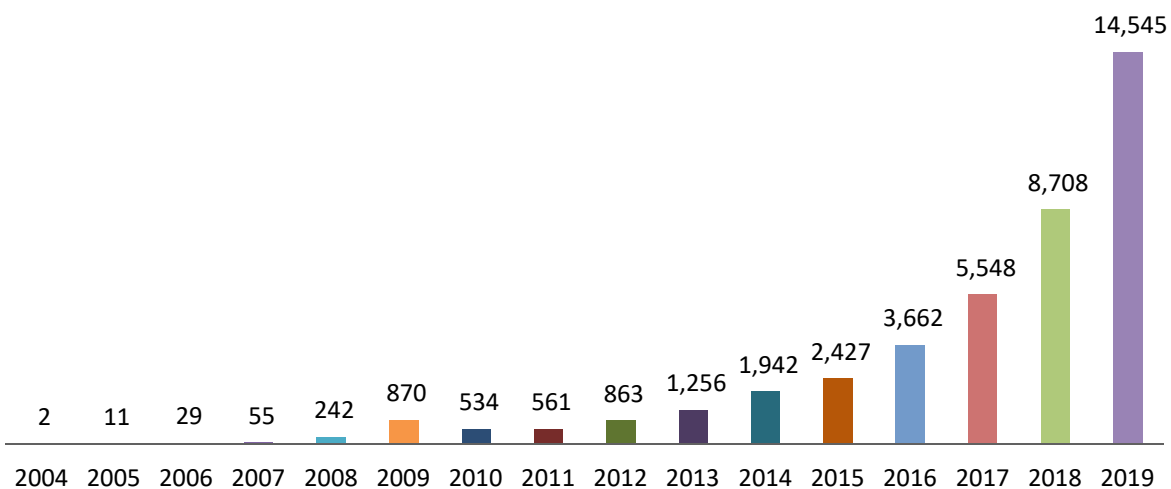


## STR Statistics

### Month Wise Reporting Trend of STRs for 2019



### STRs Received by FMU since 2004



## Typology

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### **Ponzi Scheme/Fraud and Cheating Public at Large**

**Indicator:** Fraud

**Background of the Case:**

STRs were reported on two suspects from two different banks. The suspects advertised large number of vacancies/job offerings in different job categories/roles and asked applicants to deposit a fee against them. The bank also raised queries and sought additional documents which the suspect was unable to provide.

**Modus Operandi:**

The suspects Mr. A and Mr. B, established a new company in Islamabad named M/s ABC Pvt. Ltd. and registered it with SECP. The company advertised an advertisement in leading newspapers regarding new job vacancies/offerings in different job categories / roles. And for this, they asked applicants to deposit certain amount as fees in the accounts opened/operated/maintained in different banks all over the country. Further, as per banks, physical verification was also mismatched with the profile as declared by the company in their KYC/CDD forms. The job offerings/vacancies offered were approx. 27000, in different job roles/categories but the departments were not mentioned in which seats/posts are vacant. Furthermore, closing date for job applications was also not mentioned in the advertisement. Upon searching, it was revealed that said company's owners were maintaining various accounts in different banks and receiving funds from general public.

It was suspected that these suspects were cheating public at large and were also involved in ponzi scheme/fraud. Therefore, FMU took strict and prompt action against these suspects, and immediately issued freezing orders under Section 6(6) of AML Act, 2010 and freeze the accounts maintained/operated by the suspects all over the country for the maximum period of fifteen (15) days in order to save hard earned money by general public. Moreover, the financial intelligence was disseminated / shared with the Law Enforcement Agencies and relevant Authorities for necessary action they deemed appropriate.

Moreover, new advertisements were published in newspapers in which it was identified that similar activity was taking place by some other companies having same address. Based on this information and in continuation to earlier dissemination another financial intelligence was shared /disseminated to Law Enforcement Agency and the Authorities, for further necessary action as deemed appropriate.

***Details on typologies that are used for Money Laundering and Terrorism Financing have been updated on FMU's website which can be accessed at: <http://www.fmu.gov.pk/category/typologies/>***

## International Resources

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### **UNODC on Terrorism Financing Risk Assessment:**

It is essential that Member States apply a risk-based approach in order to ensure that the measures implemented to prevent or mitigate terrorist financing activities are commensurate with the risks identified and are effective in mitigating those risks. To succeed, countries need to identify, assess and understand the risks and then take action, allocating adequate resources across their framework for countering the financing of terrorism and ensuring that the risks are mitigated effectively. The results of a risk assessment can also provide useful information to the financial sector, and designated non-financial businesses and professions, to support them in conducting their own risk assessments.

[https://www.unodc.org/documents/terrorism/Publications/CFT%20Manual/Guidance\\_Manual\\_TF\\_Risk\\_Assessments.pdf](https://www.unodc.org/documents/terrorism/Publications/CFT%20Manual/Guidance_Manual_TF_Risk_Assessments.pdf)

### **Egmont on Combatting Terrorism Financing:**

During the 26th Egmont Group Plenary meeting in The Hague, The Netherlands, the Heads of FIU (HoFIU) endorsed the Egmont Information Exchange Working Group's (IEWG's) final report on the Counter Terrorist Financing Project: Lone Actors and Small Cells, together with its Public Summary. By examining more than 120 recent case incidents the report identifies ways to better respond to the threat of lone actor and small cell terrorist attacks on public safety. The report highlights trends, methods, the role of financial intelligence, and specifies indicators related to terrorism and terrorism financing activities of lone actors and small cells. The report will not be disclosed to the general

public as it contains sensitive information. However, FIUs will use the report to inform their domestic competent authorities in order to improve the detection of this terrorism financing scheme.

<https://egmontgroup.org/en/content/new-publication-counter-terrorist-financing-project-lone-actors-and-small-cells-public>

### **Egmont Red Flags on corruption related cases:**

To further enhance financial intelligence of FIUs and reporting of Suspicious Transactions, the Egmont Group has compiled a "Set of indicators for corruption related cases" that may assist in identification of laundering of the proceeds of predicate crime.

<https://egmontgroup.org/en/content/new-publication-set-indicators-corruption-related-cases-fius-perspective>

### **Egmont Red Flags on Professional Money Launderers (Third Party Money Launderers):**

Professional money laundering (PML) is a subset of third-party ML. The main characteristic that makes PML unique is the provision of ML services in exchange for a commission, fee or other type of profit. This Bulletin should assist authorities and reporting entities in better detecting, investigating, and reporting the proceeds of professional money laundering activities.

<https://egmontgroup.org/en/content/new-publication-egmont-group-bulletin-professional-money-laundering-facilitators>

## Local Resources

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### **SBP AML/CFT Guidelines on Risk Based Approach for Banks & DFIs:**

There is need to focus on the areas where related risks are relatively high in order to allocate resources in the most effective way. Accordingly, following guidelines are aimed at providing enabling environment for effective implementation of risk based approach considering banks' internal policies, procedures and risk parameters etc.

<http://www.sbp.org.pk/lframe/PDF/Prudential/AML-CFT-Guidelines-RiskBasedApproach.pdf>

### **SBP Red Flags on Proliferation Financing:**

Guidelines on Compliance of Government of Pakistan's Notifications issued under United Nations Security Council (UNSC) Resolutions with detailed annexure on elements that may indicate potential proliferation financing and sanctions evasion activities

<http://www.sbp.org.pk/bprd/2018/CL17.htm>

### **SBP Red Alerts, Examples or Characteristics of Suspicious Transactions**

With a view to further align AML/CFT Regulations with the Financial Action Task Force (FATF) Recommendations, SBP decided to amend various provisions of the Regulations in October 2018. These amendments will provide further clarity on implementation of AML/CFT requirements by banks/ DFIs, including customer due diligence (CDD), correspondent banking, wire transfers/ funds transfers and minimum documents required for opening accounts by customers. SBP has provided detailed Red Alerts, Examples or Characteristics of Suspicious Transactions in Annexure II of AML/CFT Regulations.

<http://www.sbp.org.pk/bprd/2018/CL16.htm>

### **SECP ML/TF Warning Signs/Red Flags**

Securities and Exchange Commission of Pakistan (SECP), in order to maintain the integrity of its regulated financial sector notified the Anti Money Laundering and Countering Financing of Terrorism Regulations, September 2018. The SECP AML/CFT Regulations require relevant Regulated Persons (RPs) to establish systems to detect ML and TF, and therefore assist in the prevention of abuse of their financial products and services. Annexure 3 of Guidelines provide Warning Signs/ Red Flags on AML, CFT and PF.

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

## Local Resources

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### **SECP Instructions on Ultimate Beneficial Ownership:**

SECP Circular No. 16 of 2018 through which the Commission has directed all companies to enhance their efforts to obtain and maintain up-to-date information relating to their ultimate beneficial owners, i.e. natural persons or individuals who ultimately own or control the company. The banks/ DFIs may seek such ultimate beneficial ownership information from their relevant customers during CDD process.

<https://www.secp.gov.pk/document/circular-20/?wpdmdl=32668>

### **Guidelines-Implementation of United Nations Security Council (UNSCR) Resolutions:**

The objective of these Guidelines is to help officials in various Ministries, Departments and Agencies at the Federal and Provincial levels to understand the provisions of the UNSC 1267 Sanctions regime including 1989/2253/2368 (Al-Qaida/Da'esh Sanctions Committee) and Security Council 1988/2254 (Taliban Sanctions Committee); understand the domestic enabling legislation to implement the resolutions in Pakistan; and to provide a common understanding of the obligations of each stakeholder and of the operational issues for implementation of relevant UNSC resolutions. Implementing Pakistan's legal obligations regarding the implementation of the Targeted Financial Sanctions (TFS) pursuant to the United Nations Security Council 1267 Sanctions Regime. The guidance note will provide brief information on the various aspects of TFS related obligations.

<http://www.mofa.gov.pk/contentsro1.php>

### **Go-AML (Anti-Money-Laundering System):**

The goAML application is a fully integrated software solution developed specifically for use by Financial Intelligence Units (FIUs) and is one of UNODC's strategic responses to financial crime, including money-laundering and terrorist financing. Financial Intelligence Units play a leading role in any anti-money laundering regime as they are generally responsible for receiving, processing and analyzing reports made by financial institutions or other entities according to the requirements of domestic anti-money laundering laws and regulations. Such reports and other information gathered by FIU's often provide the basis for investigations into money laundering, terrorist financing and other serious offences

<https://goamlweb.fmu.gov.pk/PRD/Home>

## Useful Links

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### **SECP FAQ Series**

SECP has published FAQs series to answer a variety of questions and queries on reporting entities on AML CFT and Ultimate beneficial Owners.

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

### **Country statistics on terrorism cases**

<https://www.start.umd.edu/qtd/>

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

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

### **FATF Publications / Reference Material**

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

### **The Ministry of Foreign Affairs**

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

### **State Bank of Pakistan**

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

### **National Counter Terrorism Authority (NACTA)**

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

### **NACTA list of proscribed persons**

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