



FINANCIAL MONITORING UNIT (FMU)
GOVERNMENT OF PAKISTAN
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Guidelines for the Reporting Entities on filing of Suspicious Transaction Reports

Issued By:
Financial Monitoring Unit

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Introduction

These Guidelines are being issued pursuant to Section 7 of the Anti-Money Laundering Act, 2010 applicable to the Reporting Entities (REs) which includes Financial Institutions and designated non-financial businesses and professions (DNFBPs) as defined under Section 2 of the AML Act.

The effectiveness of the strong Suspicious Transaction Reports (STR) reporting Regime depends highly upon the quality of a STR being submitted by the reporting entities. In order to develop a better quality financial intelligence report by Financial Monitoring Unit (FMU), it is important that the information being provided in the STR is complete, accurate and updated. Moreover, good quality STRs ultimately lead to conducting successful inquiries and investigations which are undertaken by the law enforcement agencies which resultantly prevents abuse of the Pakistan's financial system against Money Laundering, Terrorism Financing and Proliferation Financing. The aim and objective of these guidelines is to improve the quality of the STRs being submitted to FMU.

Reporting Entities

In terms of Section 7(1) of AML Act, 2010 reporting entities are required to file STRs with FMU, to the extent and in the manner prescribed by the FMU.

As per Section 2(u) of AML Act, 2010 reporting entity includes “financial institutions” as defined in Section 2 (f) and “Non-Financial Businesses & Professions” as defined in Section 2(m).

Section 2(f) Financial Institution

“Financial Institution” includes any institution carrying on any one or more of the following activities, namely:-

- (i) acceptance of deposits and other repayable funds from the public;
- (ii) lending in whatsoever form;
- (iii) financial leasing;
- (iv) money or value transfer;
- (v) issuing and managing means of payments including but not limited to credit and debit cards, cheques, traveler's cheques, money orders, bank drafts and electronic money;
- (vi) financial guarantees and commitments;
- (vii) trading in — (a) money market instruments ; (b) foreign exchange (c) exchange, interest rate and index instruments; (d) transferable securities (e) commodity futures trading.
- (viii) participation in shares issues and the provision of services related to such issues;
- (ix) individual and collective portfolio management;
- (x) safekeeping and administration of cash or liquid securities on behalf of other persons;
- (xi) investing, administering or managing funds or money on behalf of other persons;
- (xii) insurance business transactions;
- (xiii) money and currency changing; and
- (xiv) carrying out business as intermediary.

Section 2(m) Non-Financial Businesses & Professions

“Non-Financial Businesses and Professions” means real estate agents, jewelers, dealers in precious metals and precious stones, lawyers, notaries and other legal professionals, accountants, trust and company service providers and such other non-financial businesses and professions as may be notified by the Federal Government.

Legal Obligation of Reporting STR under AML Act 2010

In terms of Section 7 of AML Act 2010, every financial institution is required to file STR with FMU promptly after forming suspicion of funds being laundered or related to terrorist financing.

Section 7 (1) of AML Act, 2010 states that:

Every reporting entity shall file with FMU, to the extent and in the manner prescribed by the FMU, report of Suspicious Transaction conducted or attempted by, at or through such reporting entity, if it knows, suspects or has reason to suspect that the transaction or a pattern of transactions of which the transaction is a part,-

- a. involves funds derived from illegal activities or is intended or conducted in order to hide or disguise proceeds of crime;
- b. is designed to evade any requirements of this section
- c. has no apparent lawful purpose after examining the available facts including the background and possible purpose of the transaction;
- d. involves financing of terrorism, including fund collected, provided, used or meant for, or otherwise linked or related to, terrorism, terrorist acts or organizations and individuals concerned with terrorism

Record Keeping for STRs

Section 7(4) of the AML Act requires the Reporting in Entity to keep and maintain all record, which includes documents obtained through CDD measures, account files and business correspondence, and results of any analysis undertaken etc. related to STRs and CTRs filed by it for a period of at least ten years after reporting of transaction under sub-sections 7 (1), (2) and (3).

Liability for failure to file Suspicious Transaction Report and for providing false information

In terms of Section 33(1) of AML Act 2010, any reporting entity who willfully fails to comply with the suspicious transaction reporting requirement as provided in section 7 of the AML act or gives false information shall be liable for imprisonment for a term which may extend to five years or with fine which may extend to five hundred thousand rupees or both.

Moreover, under section 33(2) in the case of the conviction of a reporting entity, the concerned regulatory authority may also revoke its license or registration or take such other administrative action, as it may deem appropriate.

Confidentiality of Information/ Tipping Off

The reporting entities are required to ensure secrecy and maintain confidentiality for reporting of STRs / CTRs to FMU. Further, reporting entities are prohibited from disclosing, directly or indirectly, any person involved in the transaction that the transaction has been reported.

In terms of Section 34 (1) of AML Act, 2010, "The directors, officers, employees and agents of any reporting entity, financial institution, non-financial business or profession or intermediary which report a suspicious transaction or CTR pursuant to this law or any other authority, are prohibited from disclosing, directly or indirectly, any person involved in the transaction that the transaction has been reported."

Further, the violation of Section 34 (1) of AML Act, 2010 is a criminal offence and shall be punishable by a maximum term of ten years imprisonment or a fine which may extend to two million rupees or both.

Timing of Reporting

The AML Act 2010 requires suspicious reports to be submitted to the FMU promptly after forming suspicion, regardless of the REs internal processes and procedures. Therefore, Reporting Entities shall implement appropriate internal policies, procedures and controls for meeting their obligations under the AML Act. It is suggested that the reporting entities should streamline their information gathering/documentation procedures and analysis of process.

The Process of filing STR to FMU

As per the procedure defined by FMU, STRs are filed through the goAML, which is a state of the art all-encompassing AML suite for Data Collection, Analysis and Dissemination. The goAML is a global response provided by UNODC to assist member states to combat ML and TF, with a specialized suite of tools developed to cater the unique requirements of Financial Intelligence Units.

FMU has successfully implemented the automated reporting system i.e. goAML w.e.f January 01, 2019 and all the reporting entities are required to submit STRs and CTRs electronically through the goAML application. The hardcopies of CTR and STR reporting have already been discontinued since January 01, 2019 (CTRs) and January 01, 2020 (STRs) respectively. The goAML web link is given below:

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

Types of Suspicious Transaction Reports

There are two types of suspicious reports which can be submitted by the Reporting Entities to FMU:

- a. Suspicious Transaction Report – Financial (STR-F)

b. Suspicious Transaction Report –Activity (STR-A)

Reporting entities are required to select the correct report type while filing STRs with FMU. Both type of reports are explained in detail as under:

STR-F (Financial)

STR-F is to be reported on parties (Person, Account or Entity) for reporting of transactions and/or financial activity in which funds are involved and appears to be suspicious. An activity/event in which funds transmitted from one party to another must be reported as STR-F.

Reporting Requirement: Separate STR-F should be filed for each person/entity highlighting all the transactions of that person/entity. Multiple transactions can be added in one STR therefore there is no need to report every transaction as separate STR. Moreover, linked person / entity / account, where required may be reported in the same STR as “Other Link Parties”.

STR-A (Activity)

STR- A is to be reported on parties (Person, Account or Entity) involved in any suspicious activity, which does not involve transaction (s) or transmission of funds, such as attempted transactions, STRs based on Law Enforcement Agency (LEA) inquiry, Adverse Media Reports, Proscribed/designated persons and entities without transactional activity, unusual behavior of the customer etc. However, STR-F should be filed in case where the transactions have been conducted.

Reporting Requirement: Separate STR-A should be filed for each person/entity describing the nature of activity. Moreover, linked person / entity / account, where required may be reported in the same STR by adding the parties.

Appended is the comparison of STR-F and STR-A for clear understanding:

Criteria	STR-F	STR-A
Purpose	To report suspicious transactions (Financial)	To report suspicious activity (Non-Financial)
Reporting	Transactions	Parties
Reason for reporting	Financial based on internal analysis	Non-financial based external information
Action Taken	Applicable if required	Applicable if required
Indicators	Mandatory	Mandatory
Report attachment	Mandatory	Mandatory
Reporting District	District Name where suspicious transaction conducted	District Name where suspicious activity took place

Reason for Reporting of STR

Reason for reporting is mandatory requirement for filing of STR(s). In order to ensure quality reporting, the reason(s) for suspicion should be supported with proper analysis and should contain following elements:

- Information on the person/entity conducting the suspicious transaction/activity;
- Details of the transaction, such as the pattern of transactions, type of products or services and the amount involved;
- Description of the suspicious transaction or its circumstances
- Tax profile of person/entity (if available)
- If the reported subject (e.g. client/customer) has been the subject of a previous STR then the reference number with date should be provided.
- Information regarding the counterparties, etc.
- Any other relevant information that may assist the FMU in identifying potential offences and individuals or entities involved.

Some additional suggestions for articulating the reason for suspicion are as following:

- Reason should be structured logically
- Provide a chronological sequence of events.
- Keep the content clear, concise and simple.
- Avoid acronyms and jargon
- Do not write the Reason in capital letters – this makes it very difficult to read.
- If including a large amount of information/text, break it up into more manageable and readable paragraphs. (Further details can be provided in an Annexure)
- Please note, the reason of reporting field can support text up to 4000 characters.

Action taken by Reporting Entity

Reporting entities are required to provide detail of any action already taken by them on the reporting person / entity, other than filing of the STR.

Examples: Information shared with Law enforcement agency/ Regulator, Account Frozen or blocked, Account opening refused, Transaction rejected etc. The field should be left blank, if no action has been taken.

Although the Action by Reporting Entity is not a mandatory field, however, it is compulsory to provide information in this field in some cases such as:

- If the STR is filed on the basis of LEA inquiry, then it is mandatory to mention here that whether the information has been shared with relevant LEA or not.
- If the STR file on the designated person/entity under UNSCR-1267 or on any person / entity who acted on the direction of or on behalf of the designated person / entity, then it is mandatory to provide information of Freezing Action if taken by the reporting entity.

- If the STR file on the proscribed person/entity under UNSCR-1373 or on any person / entity who acted on the direction of or on behalf of the designated person / entity, then it is mandatory to provide information of Freezing Action if taken by the reporting entity.

Report Indicators

There are varieties of indicators in goAML and reporting entities are required to select relevant indicator (s) while filing the STRs in goAML. The indicator(s) selected for the STR must be aligned with the reason for suspicion. Reporting entity can select one or more indicators while reporting the STR.

The selection of appropriate indicator for the STR is mandatory requirement. Following are some scenarios in which single indicator is not enough and reporting entities are required to provide an additional indicator to enhance the quality of STR:

- **Attempted transaction/account:** If the reporting entity selects this indicator, it should provide an additional indicator which explains the reason for rejection of transaction or account, such as listed on 4th Schedule of Anti-Terrorism Act, 1997 (ATA) or listed on UNSCR-1267 or listed on FIA's Red Book etc.
- **LEA Inquiry:** This indicator do not express the suspicion alone, the reporting entities should also select another indicator to highlight the underlying offence (if available) on which LEA has inquired. Such as Terrorism financing, Corruption, Tax evasion, Fraud or Forgery, Hawala/ Hundi etc.
- **Adverse Media Report:** This indicator do not express the suspicion alone, the reporting entities should also select another indicator such as investigation by any Law enforcement agency, involvement in any criminal activity to mention the nature of adverse media report and what kind of adverse activity/ crime/ offence was transpired from the media news.
- **Political Exposed Person (PEP):** This indicator do not express the suspicion alone, the reporting entities should also have to select another indicator such as high value cash transactions, dealings with unrelated counterparties, transactional activity mismatch with declared source of funds, under inquiry by any Law enforcement agency etc. to highlight the nature of suspicion observed by the reporting entity against the PEP.

Please note that apart from the instances mentioned above, there may be other scenarios where selecting just one indicator may not be enough.

Parties to be reported in goAML

There are three parties, which can be reported in goAML as STR-F or STR-A, i.e.

- A. Person:
- B. Account
- C. Entity

However, their reporting mechanism is different for STR-F and STR-A. Like in STR-F these parties are reported as From Party or To Party involved in the transaction, While in STR-A only the parties are reported, no involvement of transactions and/or From Party/ To party concept. However, it is

important to select relevant party type involved in suspicious transaction or activity while filing STR to FMU. Further, following information of parties should be captured in goAML for STR reporting:

A. PERSON (My Client):

- First and Last Name
- Father/Husband Name
- Gender and Date of Birth
- CNIC/Passport Number
- Nationality
- Phone / Cell Number
- Address

Only First name and last name is mandatory for not my client person, however, reporting entities are required to provide CNIC/Passport Number (where available).

B. Account (My Client):

- Account Number
- Account Title
- Institution Name and Branch
- Swift Code or Registration No.
- Account Type
- Account Status
- Currency
- Account Signatory (Detail of account holders/ operators)
- Entity and Directors/Owners details (In case of Entity Account)
- Aggregate Credits (For last 3 years at least)
- Aggregate Debits (For last 3 years at least)

Only Account Number, Account Title, Institution Name, Branch and Swift Code or Registration No. are mandatory for not my client account.

C. Entity (My Client)

- Name of Entity
- Entity Type
- Type of Business
- Registration Number
- Registration Country
- Tax Number/ Sale Tax Number
- Phone / Cell Number
- Address
- Directors/Owners details

Only Entity name is mandatory for not my client entity, however reporting entities are required to all available information.

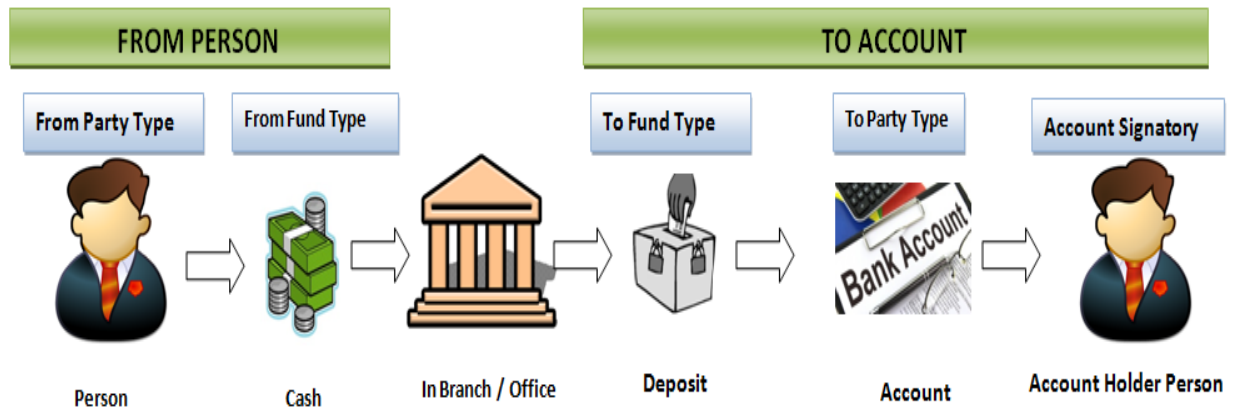
Reporting of Transactions in STR-F

The reporting of transactions is mandatory requirement for filing STR-F. Transaction reporting in goAML is based on the concept of “Flow of Funds”, therefore, both parties involved in the transactions must be reported as **From Party** and **To Party**. Following cautions must be considered while reporting transaction(s) in goAML:

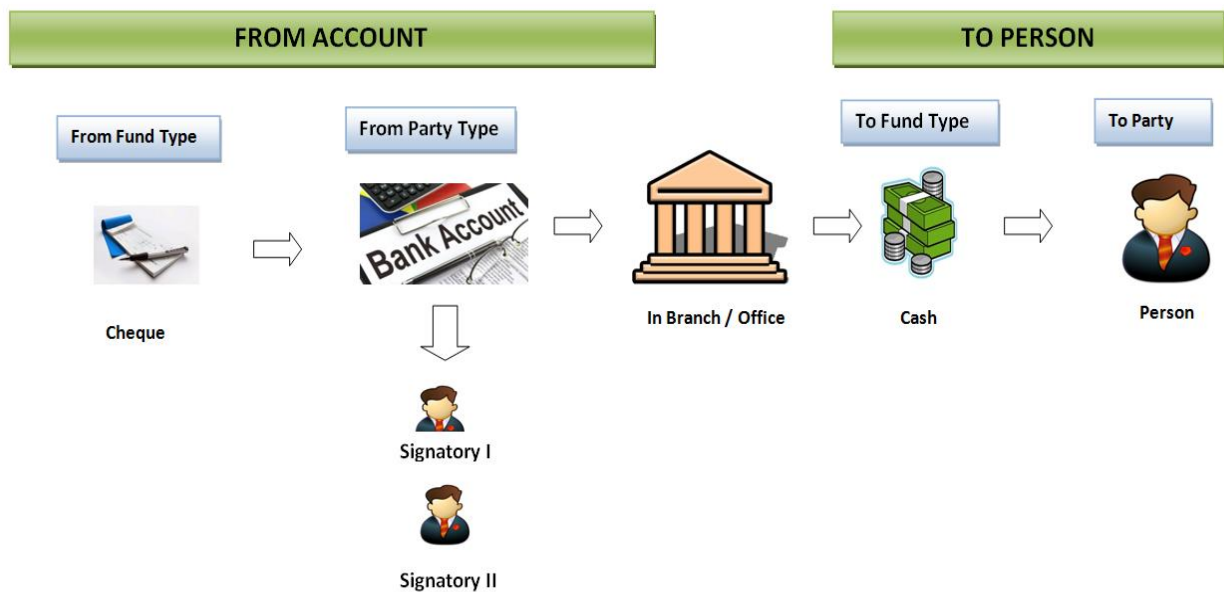
- There are three basic parties which could be involved in a transactions i.e. Person, Account and Entity. Hence, the information of appropriate party must be captured as From Party and To Party while reporting any transaction in goAML. Such as at least two parties (out of three) would be involved in each transaction, based on the nature of transaction. The possible scenarios for parties involved in the transactions could be:
 - a. Person to Person Transaction (Ex. currency exchange transactions in cash, sale/purchase of prize bonds in cash etc.)
 - b. Person to Account Transaction (Ex. cash deposit, wire transfer by a person to foreign account, payment of insurance premium, cash payment for investment etc.)
 - c. Account to Person Transaction (Ex. cash withdrawal, currency exchange through instrument, issuance of banker cheque from account favoring a person), cash value upon Account to
 - d. Account to Account Transaction (Ex. transfer of funds from one account to another, IBFTs, wire transfers, maturity/surrender of insurance policy to account etc.)
 - e. Account to Entity Transactions (Ex. banker cheque issuance in the name of entity etc.)
 - f. Entity to Account Transactions (Ex. banker cheque issued in name of entity deposited into the account etc.)
- The relevant transaction channel of transaction must be selected.
- Correct fund types should be used on both ends of transaction(s). The fund type requires the form/nature of funds when the transaction was initiated (From Fund type) and the form/nature of funds after completion of transaction (To Fund Type).
- Transactions being reported must support the reason for suspicion
- The actual Transaction Number should be provided while reporting transaction(s), do not use goAML auto generated transaction number.
- From Country/ To Country information should be provided for Wire transfers/ cross border transactions.
- The detail of foreign currency (if involved) must be provided in foreign currency tab with relevant currency type.

Following are the pictorial illustrations of reporting of transactions in the goAML:

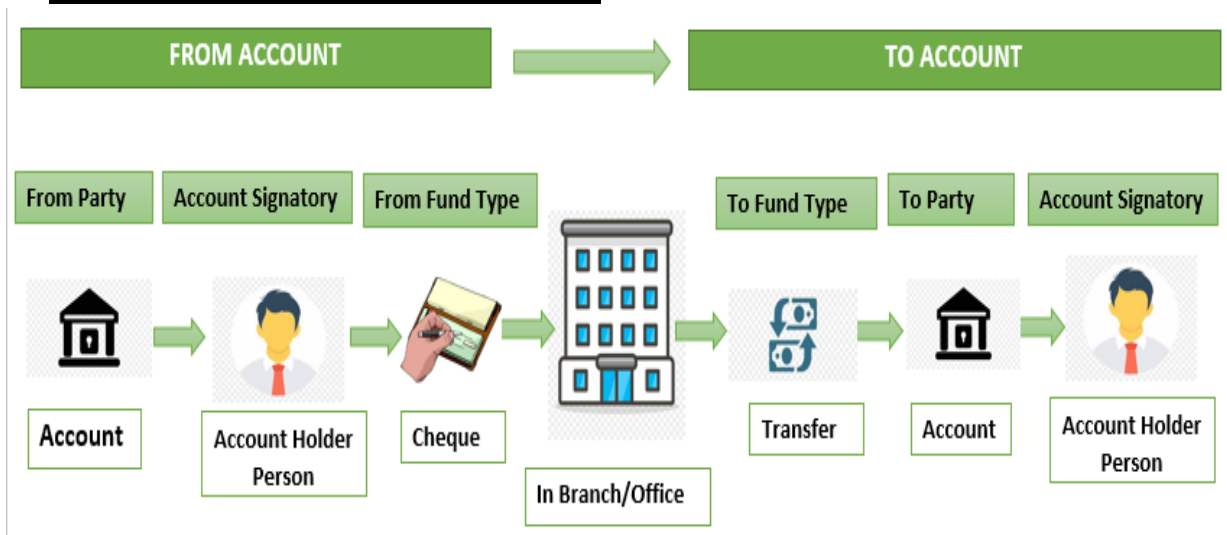
1. Cash Deposit in a personal account



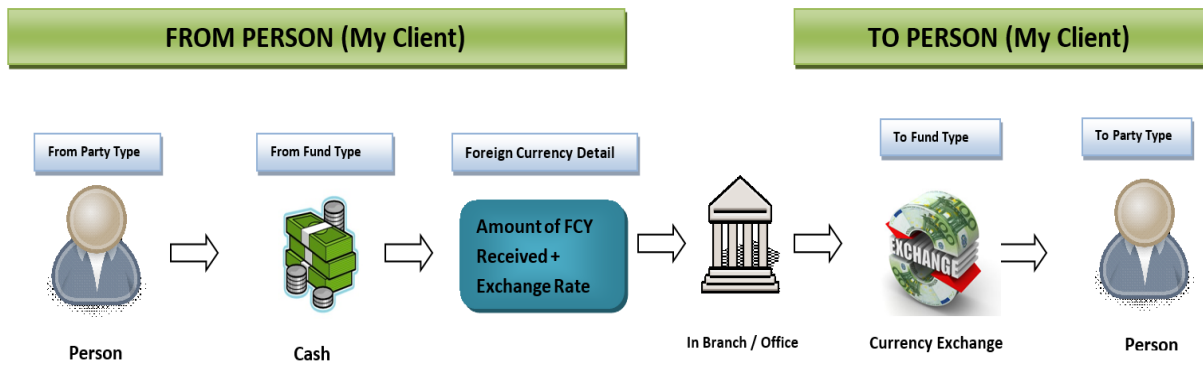
2. Cash withdrawal from a Joint Account



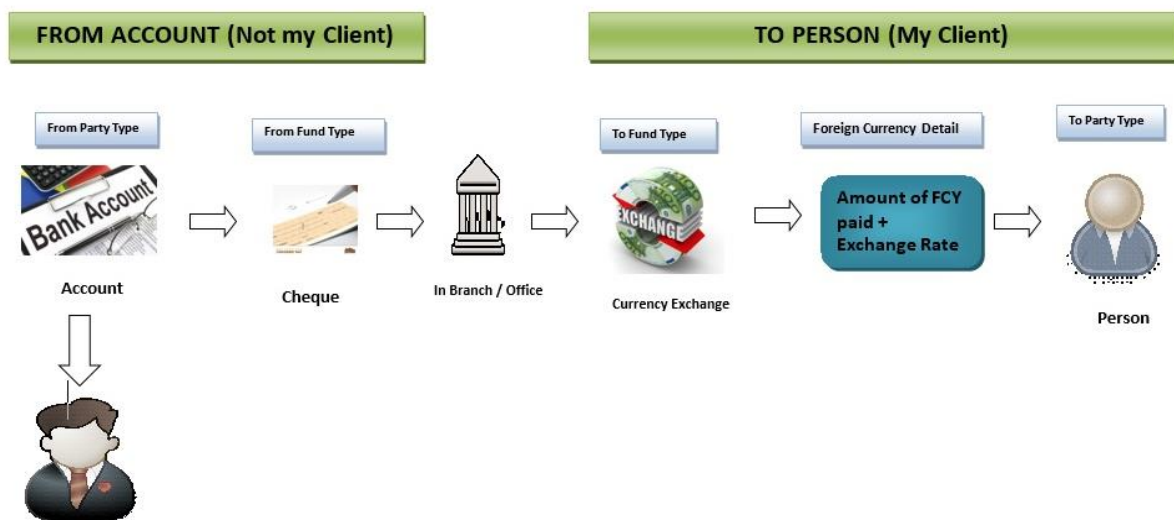
3. Account to Account transfer transaction



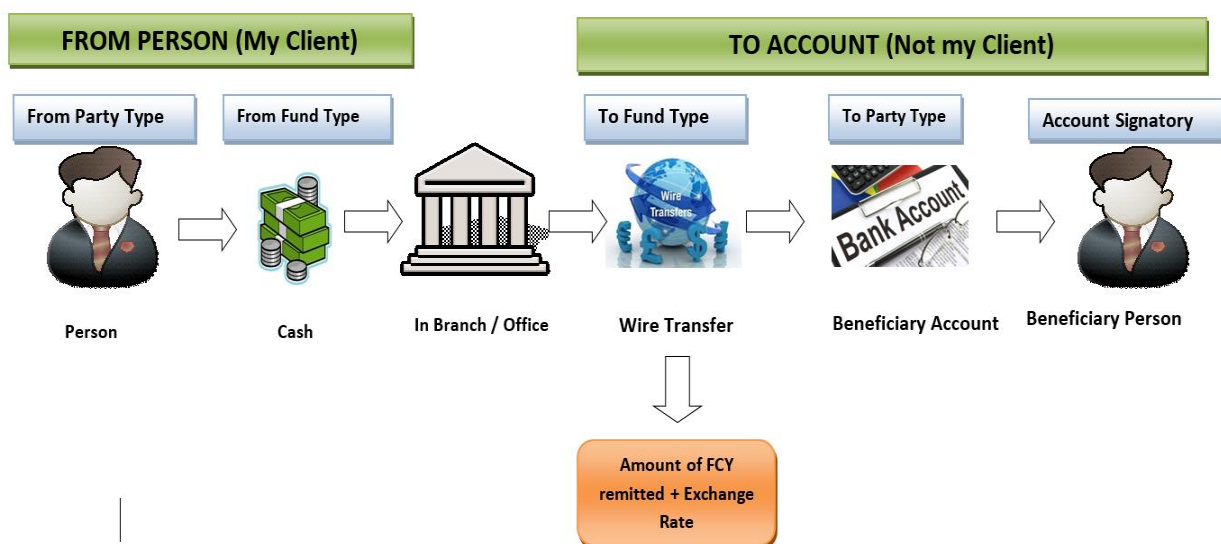
4. Foreign Currency Purchased by Exchange Company in Cash



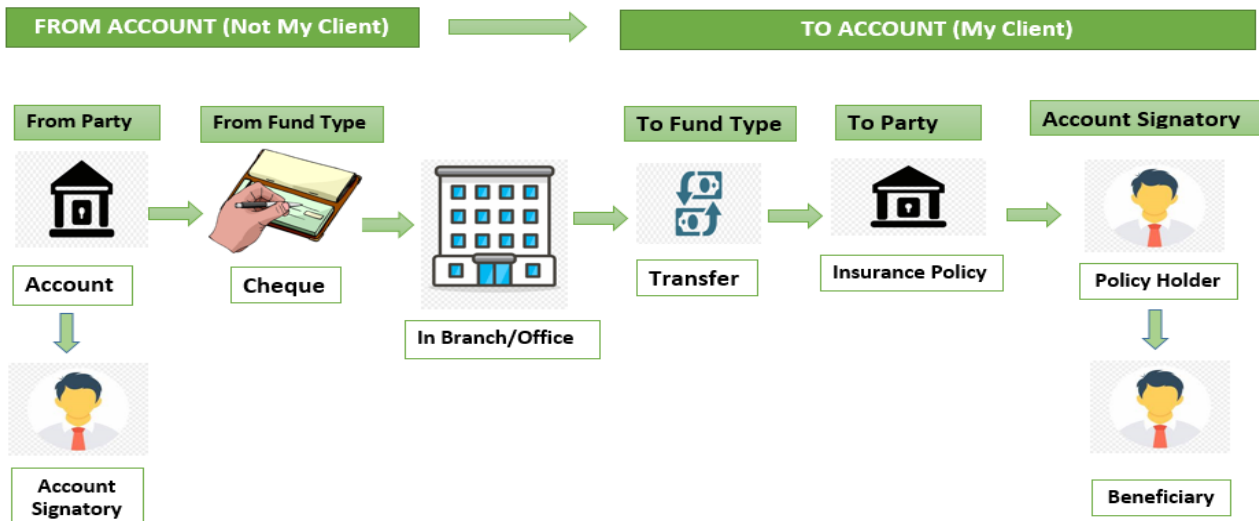
5. Foreign Currency sold by Exchange Company via Cheque



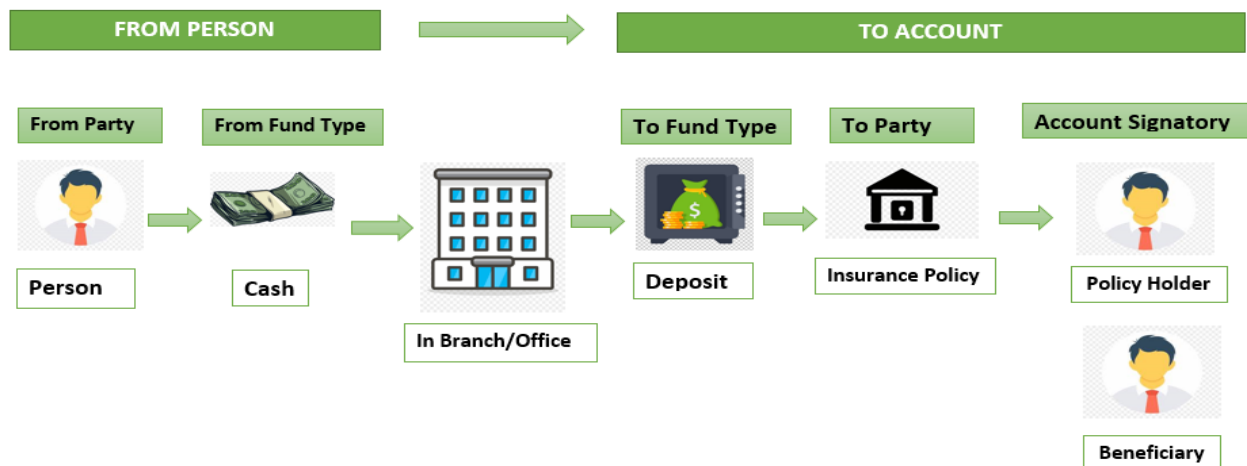
6. Outward wire transfer through cash



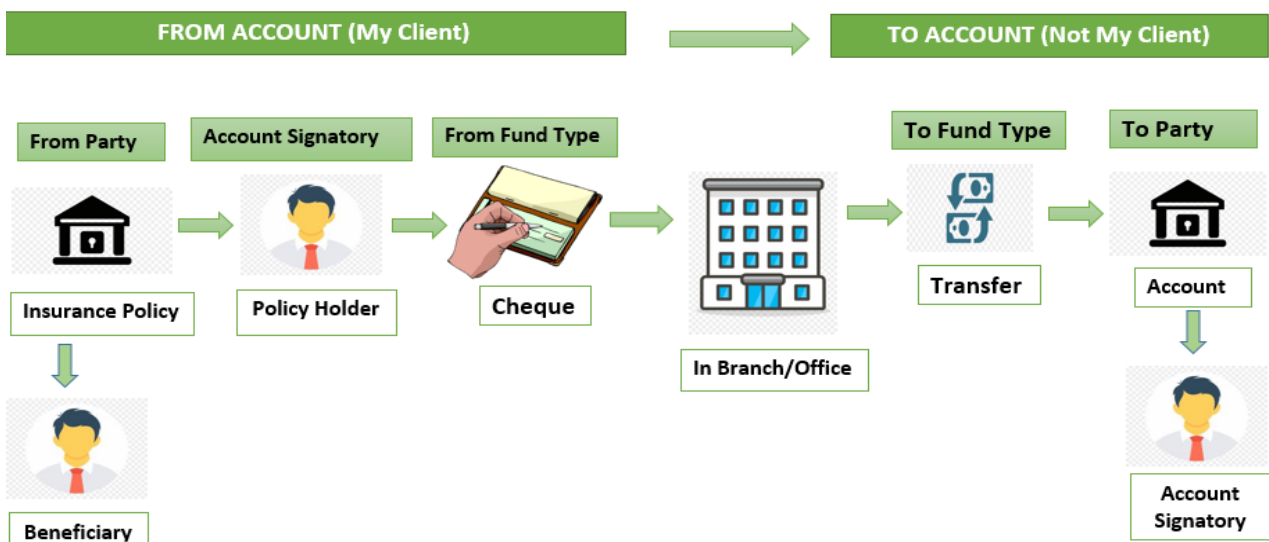
7. Insurance premium paid in cash



8. Insurance premium paid through account



9. Insurance Cash Value/ Paid up to the Account



Reporting of Parties in STR-A

STR-A is used to report parties (Person, Account and Entity) involved in suspicious non-financial activity. Following information must be captured while reporting parties on goAML:

- It is important to select appropriate party while filing STR-A. Some of the scenarios for reporting of parties in STR-A are as following:
 - If a suspected person/entity is maintaining any relationship and/or facility with the reporting entity, it should be reported as party type account.
 - The walk-in customers or the persons to whom the service was declined, should be reported as party type person.
 - The entity to whom the service was declined due to any reason, should be reported as party type entity.

There could be other scenarios apart from the ones mentioned above in which the Reporting Entity may consider to report parties in STR-A. Further, more than one parties can be reported in a single STR, if required.

- Complete available information of person including NTN number (if available) must be provided while reporting party type person.
- The detail of signatory(ies) must be provided in signatory tab while reporting a personal account in party type Account.
- The detail of entity must be provided in entity tab along with signatories' details while reporting an entity account in party type Account.
- Complete detail of entity including NTN number and registration number (if applicable) must be provided while reporting party type Entity.
- The detail of Directors/ owner must be provided in Director(s)/ Owner(s)/ Trustee(s)/ others tab while reporting party type Entity.

Attachments and/or Supporting Documents

Reporting entities are required to submit all the relevant supporting documents along with the STR. Moreover, as required under FMU's Circular No.2 of 2019, the accounts details annexure is also to be provided. The reporting entities shall submit the relevant documents through goAML as attachment. The supporting documents may include Identification Document, Source of income, KYC/CDD Documents, Account Opening Forms (if applicable), Statement of Accounts (if applicable), copies of transaction vouchers, copy of SWIFT messages, Account Details Annexure (if applicable), LEA's letter (if applicable), other documents which may vary on case to case basis.

The attachments are mandatory requirement for STR reporting. Therefore, following instructions related to the attachments must be followed by the reporting entities:

- Documents attached with the STR must be provided in Optical Character Recognition (OCR) format.
- Each document must be attached separately with its file name. Reporting entities are also advised not to collate more than one document in the same file.

- If information is shared with any LEA, it is mandatory to enclose letter received from respective LEA and reporting entity's response letter.
- Without attachment, no STR would be accepted by FMU
- Please note, the goAML can support the attachments of up to 20 megabytes.

Rejection of STRs

FMU reserves the right to reject the STRs filed with incomplete information/ technical deficiencies or not meeting the basic requirements of goAML. The STRs submitted on goAML passes through three filters for final acceptance:

- a. Data Validation by the system to check the structure of report
- b. System based rules developed by the FMU to review the STRs in line with the guidelines issued by FMU
- c. The FMU compliance team, which verify the STRs' quality and finally accept or reject the STR(s)

It is pertinent to mention here that FMU keeps track of rejected and accepted STRs filed by the Reporting Entities. FMU also provides the required guidance against the queries raised by the Reporting Entities via goAML Help Desk.

Resubmission of Rejected STRs

All the reporting entities are required to re-submit rejected STRs promptly. In this regard, FMU shall not ask the reporting entity for resubmission of rejected STR. The rejected reports shall be treated as non-reported STRs under AML Act, 2010 unless the same is submitted again. Following follow-ups shall be ensured by the reporting entities on rejected reports:

- The rejected STRs shall be reverted and resubmitted with same goAML ID. Reporting entities are instructed not to create a new report for resubmission of rejected STRs. However, if the STR is rejected due to wrong selection of report type then reporting entity should create new report as report type cannot be changed after submission.
- Each rejected STR shall be submitted after necessary correction indicated by the FMU in Rejection reason without delay.
- No STR shall be considered as reported STR unless the reporting entity receives acknowledgment of STR acceptance by FMU through message board on goAML.
- Reporting entities shall ensure to save the acknowledgments from the message board. These acknowledgments will be archived after 30 days (or any period as defined by FMU) and FMU will not provide record of submitted STRs to any Reporting Entity.
- Further, the submitted reports will reflect in goAML login of the reporting entity maximum for 30 days or any period as defined by the FMU. It is the responsibility of the reporting entity to maintain its record for reports submitted on goAML. FMU will not provide any information required for the purpose of audit or any other related purpose.

Other Guidelines related to STR reporting

Use of Message Board for internal coordination

All the correspondence regarding the STR/CTR issues, would be made on Message Board of goAML. If any Reporting Entity has not received acknowledgment of “Processed STR”; Reporting Entity may request FMU to re-generate the message of acknowledgment on message board.

Additional Information Requirement by FMU

Under the Section 6(4)(b) of AML Act, 2010, FMU may call for record and information from any agency or person in Pakistan related to the transaction in question. All such agencies or persons shall be required to promptly provide the requested information.

Further, under Section 25, of the AML Act, 2010 REs are required to provide requisite assistance to the investigating officers, FMU and other authorities in the enforcement of the AML Act, 2010.

Feedback on STRs

A successful STR regime depends on the quality of STRs being reported to the FMU. FMU analyses all the reported STRs and acknowledges the efforts and contribution being made by the reporting entities. However, it is not possible for FMU to provide direct feedback to the Reporting Entities’ on each and every STR. Moreover, the information of the STRs leads to inquiries and investigations and therefore the information is to be kept confidential. However, FMU provides feedback on the STRs being reported through different mechanism which include the following:

- Feedback is provided on case to case basis
- Typologies prepared and shared on FMU Website
- Compliance Forum Meetings held with REs in which feedback is provided
- Targeted meetings held with selected Reporting Entities to provide feedback

Disclaimer: FMU do not have mandate to advise the reporting entities on the approach or actions they should take to mitigate particular risks of Money Laundering or Terrorism Financing.

Contact details for queries

For information or assistance on reporting of STR, the contact details are available on following link: <http://www.fmu.gov.pk/contact-us/>

Further the goAML related queries may be forwarded to goamlhelpdesk@fmu.gov.pk and general FMU matters may be emailed at info@fmu.gov.pk.