



Financial Monitoring Unit (FMU)
Government of Pakistan

National Risk Assessment Guidelines on Reporting of STRs



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The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognized as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standards.

As per FATF, identifying, assessing, and understanding Money Laundering (ML) and Terrorism Financing (TF) risks is an essential part of the development and implementation of a national anti-money laundering / countering the financing of terrorism (AML/CFT) regime therefore, countries are encouraged by FATF to undertake National Risk Assessment (NRA) for their ML/TF risks so that they may implement a risk based approach to AML/CFT by prioritization and efficient allocation of resources.

Being a responsible member of international community, Pakistan understands its obligations and is fully committed to take staunch measures to combat Money Laundering and Terrorism Financing hence, it completed its first comprehensive ML/TF National Risk Assessment in 2017, updated it in 2019 and has conducted its third National Risk Assessment in 2023. The findings of NRA 2023 have been shared with the reporting entities by their respective Regulators. The summarized version of the NRA can be accessed from the following link:

https://www.fmu.gov.pk/wp-content/uploads/2024/03/NRA_Summarized_Version.pdf

The Reporting Entities (REs) are encouraged to use the findings of NRA 2023 in their assessment and mitigations of the ML/TF risks. These findings should also be taken into consideration while reporting STRs to FMU. To enhance the STR reporting Regime in line with the findings of the NRA 2023, Reporting Entities (REs) are advised to:

- Conduct capacity-building programs for their officials on NRA 2023 to keep them informed about the findings of the National Risk Assessment.
- Strengthen screening mechanisms and implement strict measures to identify the accounts/transactions/attempted transactions related to High-Risk Crimes and terrorist organizations as identified in NRA 2023 and report STRs promptly.
- Enhance their mechanisms for detecting suspicious transactions and reporting of STRs in light of the NRA 2023 findings.
- Align their risk-based approach with the NRA 2023 findings, taking into account the ML risk rating assigned to different predicate offences. Promptly report STRs related to very high-risk predicate offences (such as corruption, bribery, illegal MVTs/hundi/hawala, tax crimes, smuggling, and cash smuggling) to FMU.
- Align resource allocation effectively with the NRA 2023 results and consider establishing specialized Units in AML/CFT divisions to report Suspicious Transaction Reports (STRs) related to higher risk predicate offences identified in NRA 2023.
- Assess ML/TF risks associated with products, delivery channels, customers, and geography based on NRA 2023 findings. Focus efforts on higher-risk areas for detecting suspicious transactions and reporting STRs to FMU.



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- Due to the transnational nature of offences like terrorism & terrorism financing, human trafficking, drug trafficking, hawala/hundi, etc., the reporting entities may conduct enhanced due diligence on inward and outward remittances and promptly report suspicious transactions linked with any such offence.
- Keep in consideration the risk ratings of key sources and sectoral channels exploited for terrorism financing as identified in NRA 2023.
- Identify the ultimate beneficial ownership of accounts/transactions/attempted transactions when reporting STRs related to higher-risk offences linked to money laundering.
- Focus on identifying the ultimate beneficial ownership of accounts/transactions/attempted transactions when reporting STRs related to terrorism and/or terrorism financing.
- Exercise strict scrutiny when dealing with accounts/transactions of Non-Profit Organizations (NPO) as the overall risk of terrorist financing abuse to Pakistan's NPO sector is rated as **'High'** in NRA 2023.