



FMU NEWSLETTER



FATF has published their views on Pakistan's progress in addressing deficiencies in its AML/CFT system as of 19-21 February Plenary

<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-february-2020.html>

Since Pakistan made a high-level political commitment to work with the FATF and APG to strengthen its AML/CFT regime and to address its strategic counter-terrorist financing-related deficiencies, Pakistan's political commitment has led to progress in a number of areas in its action plan, including risk-based supervision and pursuing domestic and international cooperation to identify cash couriers. Pakistan should continue to work on implementing its action plan to address its strategic deficiencies.

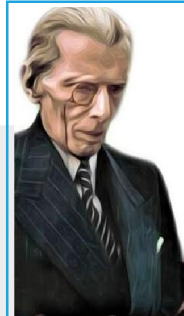
While noting recent and notable improvements, the FATF again expresses concerns regarding completion of Pakistan's action plan in line with the agreed timelines and in light of the TF risks emanating from the jurisdiction. To date, Pakistan has largely addressed 14 of 27 action items, with varying levels of progress made on the rest of the action plan. The FATF has strongly urged Pakistan to swiftly complete its full action plan by June 2020. Otherwise the FATF will take action, which could include the FATF calling on its members and urging all jurisdiction to advise their FIs to give special attention to business relations and transactions with Pakistan.

Anti-smuggling ordinance approved

President Dr Arif Alvi has signed the anti-smuggling ordinance into law to tighten the noose around smugglers of currency and essential commodities. According to the ordinance, those found supplying currency, wheat, flour, rice, and other essentials through illegal routes will be treated as smugglers and will face up to an imprisonment of 14 years. Further, A person caught smuggling commodities worth Rs. 3 million will be jailed for two years and will face three-year imprisonment for Rs 5 million smuggling. Likewise, the ordinance stipulates five-year imprisonment for smuggling of commodities worth Rs7.5 million, 10-year imprisonment for smuggling of items whose value range from Rs7.5 to Rs 10 million, and 14-jail term for smuggling of commodities worth more than Rs10 million. – 24 News HD

إِنَّا لِلَّهِ وَإِنَّا إِلَيْهِ رَاجِعُونَ

DIRECTOR GENERAL FMU
MR. MANSOOR HASSAN SIDDIQUI
HAS PASSED AWAY
MAY ALLAH BLESS HIS SOUL
AMEEN



"With faith, discipline and selfless devotion to the duty, there is nothing worthwhile that you cannot achieve."
Muhammad Ali Jinnah

Previous FMU Newsletters are available at:
<http://www.fmu.gov.pk/newsletterfmu/>



Prologue

Dear Readers,

All the staff of Financial Monitoring Unit as well as all those involved in Pakistan's FATF / APG endeavors mourn the loss of a knowledgeable Team Member DG-FMU Mr. Mansoor Hassan Siddiqui who passed away just a few days before his 50th birthday. His services for Pakistan will always be remembered. I would request to please spare a moment of prayer for his soul.

Further, the world is facing an unprecedented pandemic which has slowed down economic activity and most of the financial hubs in the world are facing complete or partial lock downs. In these testing times, there has been a wave of COVID-19-related crimes, including fraud, cybercrime, misdirection or exploitation of government funds etc. This raises a challenge for all those involved in the global fight against ML & TF, to make sure that this situation is not exploited by illicit actors.

In continuation of our resolve to combat ML & TF risk, we present another issue of FMU's newsletter which is an educational effort aimed at awareness of public and private stakeholders. 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**

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For review & suggestions



Table of Contents

Sr. No.	Topic	Page
1	Memorial for DG-FMU	4
2	News from the Media	6
3	<u>FMU News and Updates</u>	
	i. Capacity Building And Awareness	8
	ii. Trends in STR & CTR Reporting	11
	iii. Strategic Analysis & Typologies	16
4	Legal and Structural Reforms	20
5	AML-CFT & TFS Local Updates	21
6	International Resources	23
7	Recognition for FATF Team	25
8	Condolence messages for DG-FMU	26
9	Useful Links	27

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DIRECTOR GENERAL FMU PASSES AWAY

Farewell to Director General FMU Mr. Mansoor Hassan Siddiqui

(30-March-1970 to 26-March-2020)

Leaving his family, friends and colleagues devastated, Director General FMU, Mr. Mansoor Hassan Siddiqui passed away on 26th March 2020. He was laid to rest at DHA Graveyard, Rawalpindi. He had been serving in FMU since October 2018

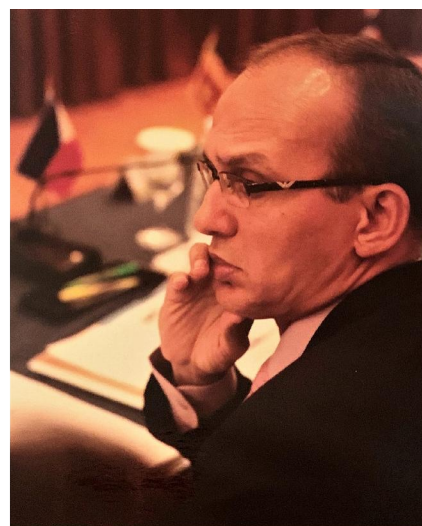
Mr. Mansoor was in Islamabad for his official commitments where he suffered serious injuries due to an overnight fire accident and was hospitalized for 2 weeks at Pakistan Institute of Medical Sciences (PIMS). Due to the nature of the injuries, recovery seemed difficult but there were hopes because of his resilient nature as well as efforts by the medical team at PIMS and support of State Bank of Pakistan (SBP).

The honorable Governor, Deputy Governor SBP and Managing Director SBPSC personally visited to oversee the arrangements.

Even during his treatment, Mansoor was concerned about his duties and expressed his urge to join office as soon as possible to continue working on Pakistan's action plan. Despite his critical condition, his concern depicted his integrity and dedication to the national duties.

His family expressed gratitude to all the well-wishers as well as all those who worked with him and stood by him during this time.

FMU takes this opportunity to thank all the respected colleagues and seniors from the Ministries, Departments and Offices who were there and offered their support. We are especially thankful to the SBPSC Islamabad Office management, staff and medical team, who stood day and night and provided unconditional support and services at this critical time.



During his 26 years long illustrious career, Mansoor served in renowned banks as well as the country's Central Bank (SBP) in various capacities and had joined FMU in October 2018



FMU PROGRESS DURING LATE DG'S SERVICE

Some of the progress as well as achievements of FMU under the leadership of Mr. Mansoor Hassan Siddiqui were:

1. Significant progress in FATF action Plan.
2. Increase in domestic and international cooperation.
3. Memorandums of Understanding (MoU) signed with a number of countries.
4. Establishment of dedicated Countering Terrorism Financing (CTF) Task Force for timely processing of STRs relating to Terrorism/Terrorism financing and for developing an effective coordination mechanism with relevant stakeholders.
5. Regular feedback from stakeholders on financial intelligence shared by FMU.
6. Increase in the number of reporting entities as well as number of STRs & CTRs.
7. Aggressive campaign of delivering training and capacity building sessions, pioneering sessions with Central Directorate of National Savings and Pakistan Post.
8. Prime focus and regular development of strategic analysis and ML and TF Typologies
9. Special Initiatives: Quarterly FMU Newsletter & Quarterly Statistical Report.
10. Development, approval and implementation of Human Resource policies and rules for FMU.
11. Rollout of goAML System for LEAs & Regulators for dissemination of Financial Intelligence.
12. Discontinuation of hardcopies of STRs submitted to FMU; major step towards fully automation.
13. AML /CFT Guidelines for DNFBPs Developed by FMU.



During FATF plenary – February 2020



“I am deeply saddened by news of DG FMU Mr. Mansoor Siddiqui's death. He was our best AML/CFT expert & represented Pak at FATF with great skill & passion. Mansoor will be missed by all those who knew him. My thoughts & prayers are with his family & dear ones in this difficult time.”

إِنَّا لِلَّهِ وَإِنَّا إِلَيْهِ رَاجِعُونَ

HAMMAD AZHAR

*Federal Minister for Economic Affairs Division
& Chairman FATF Coordination Committee*



NEWS UPDATES

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FATF PLENARY AND WORKING GROUP MEETINGS IN PARIS, FRANCE

The Financial Action Task Force (FATF) Plenary meeting was held in Paris from February 16-21, 2020. The Pakistan delegation was led by Mr. Muhammad Hammad Azhar, Minister for Economic Affairs Division. During the last reporting period, Pakistan has made significant progress in the implementation of FATF Action Plan, which has been demonstrated by the completion of 9 additional action items. FATF reviewed progress made by Pakistan towards implementation of the Action Plan, while acknowledging the steps taken by Pakistan towards implementation of Action Plan and welcoming its high level political commitment, FATF highlighted the need for further actions for completing the Action Plan by June 2020. FATF members agreed to maintain Pakistan's status on FATF's Compliance Document, normally referred as the Grey List. The Government of Pakistan stands committed for taking all necessary action required for completing the remaining items in the Action Plan. A strategy in this regard has been formulated and is being implemented. Said a Ministry of Finance Press Release. <http://www.finance.gov.pk/>

FATF EXTENDS ITS ASSESSMENT AND FOLLOW-UP DEADLINES

The gravity of the COVID-19 situation globally and the consequent COVID-19 related measures that countries have adopted, such as confinement and travel restrictions, are making it impossible for assessed jurisdictions and assessors alike to conduct on-site visits and in-person meetings. This situation has significantly impacted countries' ability to actively participate in mutual evaluation and related follow-up processes. The FATF Plenary acknowledges these severe challenges that countries face at this difficult time. The FATF Plenary has therefore agreed to temporarily postpone all remaining FATF mutual evaluations and follow-up deadlines. Likewise, the FATF has decided on a general pause in the review process for the list of high-risk jurisdictions subject to a call for action and jurisdictions subject to increased monitoring, by granting jurisdictions an additional four months for deadlines. Thus, the FATF is not reviewing them in June.

<http://www.fatf-gafi.org/publications/fatfgeneral/documents/mer-postponement-covid-19.html>

MR. KHUSRO BAKHTIAR NAMED ECONOMIC AFFAIRS MINISTER

Prime Minister Imran Khan has named Mr. Khusro Bakhtiar as the Economic Affairs Minister. Bakhtiar has replaced Mr. Hammad Azhar, who is now the Federal Minister for Industries. – Published in *Business Recorder*



MINISTRIES COMPILE PROPOSALS TO TAKE PAKISTAN OFF FATF GREY LIST

The federal government has given the relevant ministries and divisions timelines to finalize their proposals for removing Pakistan's name from the Financial Action Task Force's (FATF) grey list. Earlier, in the 15th National Economic Council meeting, Finance Adviser Dr Abdul Hafeez Shaikh told the participants that the prime minister's meeting with the US president on the sidelines of the World Economic Forum in Davos was "productive". "Prime Minister Imran Khan has shown his government's political commitment on AML/CFT measures, especially on implementation of FATF action plan." – Published in the *Express Tribune*

FATF COMPLIANCE: FBR TO WATCH REAL ESTATE, GEMS & JEWELLERY DEALERS

The Federal Board of Revenue (FBR) will implement rules in three areas in the next few days as part of compliance with recommendations of the Financial Action Task Force (FATF) regarding anti-money laundering and combating financing of terrorism (AML/CFT) in Pakistan. The rules will cover real estate, gems and jewellery sectors to minimize chances of parking of terror financing there. The FBR will also work as a focal organization for monitoring services of income tax practitioners. – Published in *Dawn*

FIA BUSTS SIX GANGS OF CYBER CONMEN

The National Response Centre for Cyber Crimes of the Federal Investigation Agency (FIA), commonly known as NR3C, has recently busted six gangs of Nigerian conmen who, with the connivance of their local accomplices, were depriving naïve Pakistani people, particularly villagers, of their hard-earned money by promising them millions of dollars in return. The NR3C has arrested about 20 members of the gangs, including local suspects and has registered first information reports (FIR) against them. - Published in *Dawn*

Common terms that you should know

Source: acams.org/aml-glossary/

Red Flag

A warning signal that should bring attention to a potentially suspicious situation, transaction or activity.

Predicate Crimes

"Specified unlawful activities" whose proceeds, if involved in the subject transaction, can give rise to prosecution for money laundering. Most anti-money laundering laws contain a wide definition or listing of such underlying crimes. Predicate crimes are sometimes defined as felonies or "all offenses in the criminal code."

Benami Account

Also called a nominee account. held by one person or entity on behalf of another or others, benami accounts are associated with the hawala underground banking system of the Indian subcontinent. a person in one jurisdiction seeking to move funds through a hawaladar to another jurisdiction may use a benami account or benami transaction to disguise his/her true identity or the identity of the recipient of the funds. The natural persons who have significant ownership of, as well as those who exercise ultimate effective control over, a legal person or arrangement

FMU News and Updates

Capacity Building and Awareness Sessions

During the first quarter of year 2020, around 9 Capacity Building and Awareness sessions were conducted by FMU's resource personnel in the cities of Karachi and Islamabad. These training sessions were either arranged by FMU or in collaboration with other agencies and stakeholders including SBP-Banking Services Corporation (SBP-BSC), National Institute of Banking & Finance (NIBAF), Central Directorate of National Savings (CDNS), Pakistan Post, Federal Investigation agency (FIA), etc.

More than 250 participants from Banks, SBP, SBP-BSC, Insurance Companies, CDNS, Pakistan Post and Law Enforcement Agencies (LEAs) participated in these sessions. The major topics covered during the sessions included AML /CFT, updated National Risk Assessment (NRA), Terrorism Financing (TF) risk, Pakistan Mutual Evaluation, FATF Action Plan, Anti Money Laundering Act (AMLA) 2010, FMU, its role and mandate and STR/CTR reporting on goAML. The risks associated with the particular sectors in light of findings of National Risk Assessment (NRA) of Pakistan were discussed in detail.



Mr. Abdul Wahid (Director) represented FMU in Workshop on Prosecuting and Investigating Cases of Terrorism Financing held in Karachi, in collaboration with UNODC.

FMU News and Updates

Efforts for capacity building of Public and Private Sector



Awareness & Outreach Session for Insurance Companies organized in Karachi on 11-Feb-2020



A session for the First Batch of AML-CFT specialized training for officers of Pakistan Post was held at Pakistan Post Staff College in collaboration with NIBAF Islamabad.

FMU News and Updates

Efforts for capacity building of Public and Private Sector



National Curriculum Module 1, 2 & 3 for LEAs & FMU by SCJS UNODC. Training Consultants were Simon Goddard, Steve Rickard and Shaun McLeary.

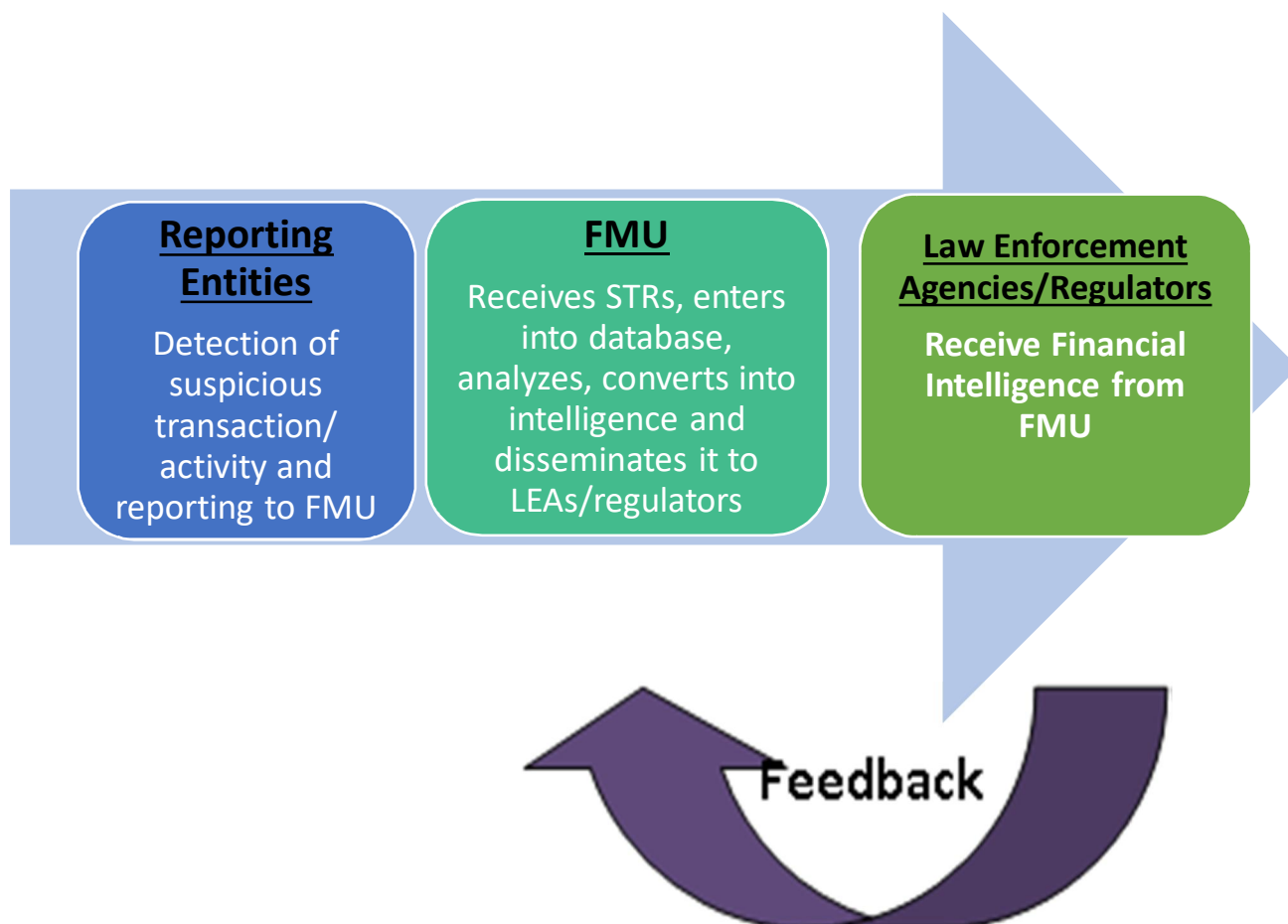


FMU & LEA sessions at Karachi in Collaboration with UNODC

FMU News and Updates

Flow of Suspicious Transaction Reports

Financial Monitoring Unit (FMU) receives STRs/CTRs from reporting entities (REs), analyzes them and disseminates financial intelligence (based on the analysis of STRs, CTRs, border currency reports and other information) to relevant stakeholders. The flow of suspicious transaction reports is as follows:

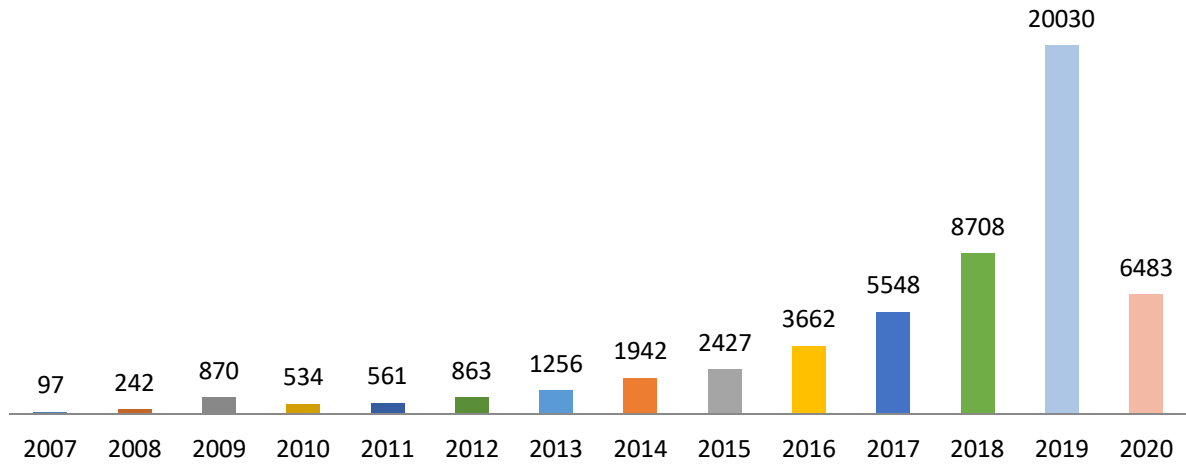


Trends in STR Reporting

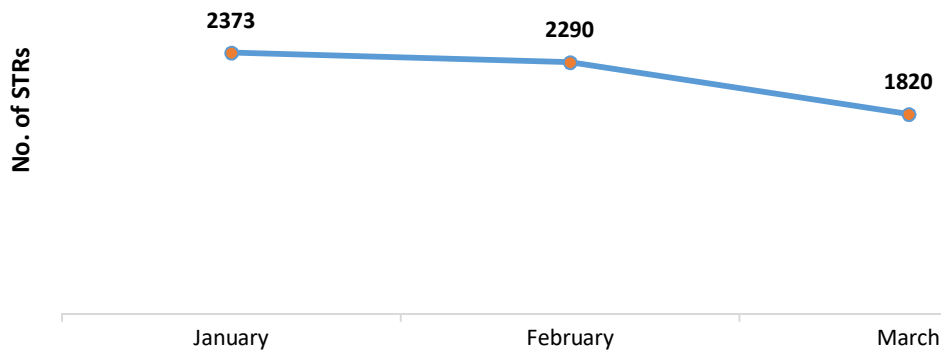
More than 6,000 STRs were reported to FMU during the first quarter of 2020 hence, the average number of STRs reported per month was appx. 2,000. The number of STRs reported during the first quarter of 2019 was appx. 3,000 hence, 116% increase in STRs reporting was observed during first quarter of 2020 in comparison with the first quarter of the previous year. Banking sector remained at top in terms of STR reporting followed by the Exchange Companies Sector. Top three STR reporting districts were Karachi, Lahore and Peshawar respectively. The graphical representation of the trends in STRs reporting is shown in the upcoming pages.

FMU News and Updates

STRs Received by FMU since 2007

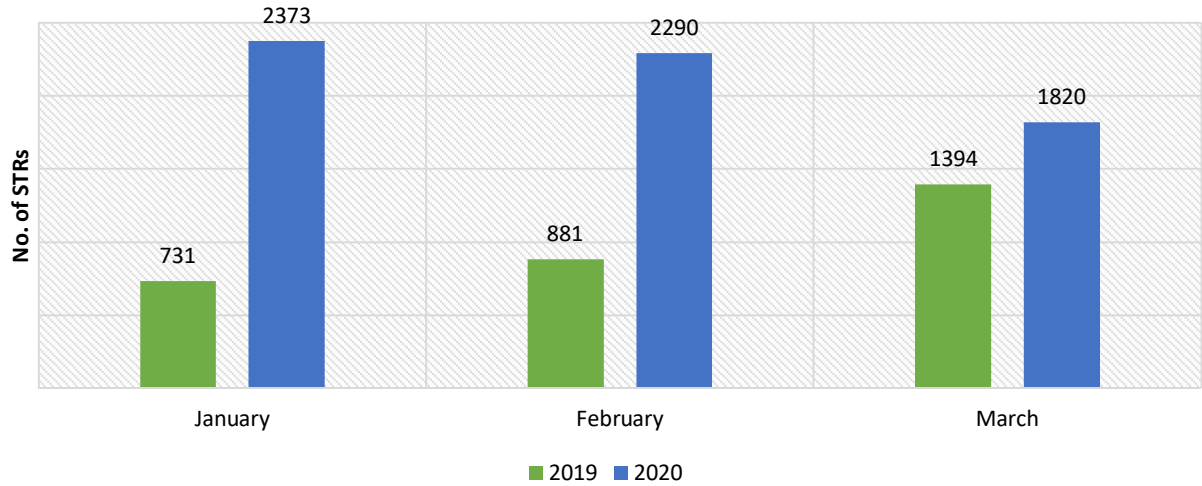


Month wise STR Reporting Trend January 2020 to Mar 2020

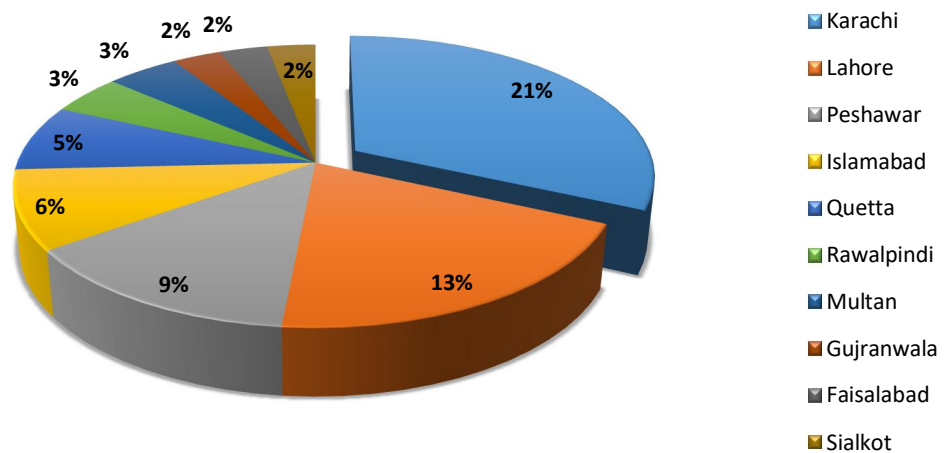


FMU News and Updates

Month wise Comparison of STRs Received uring 1st Quarter (2019 Vs 2020)

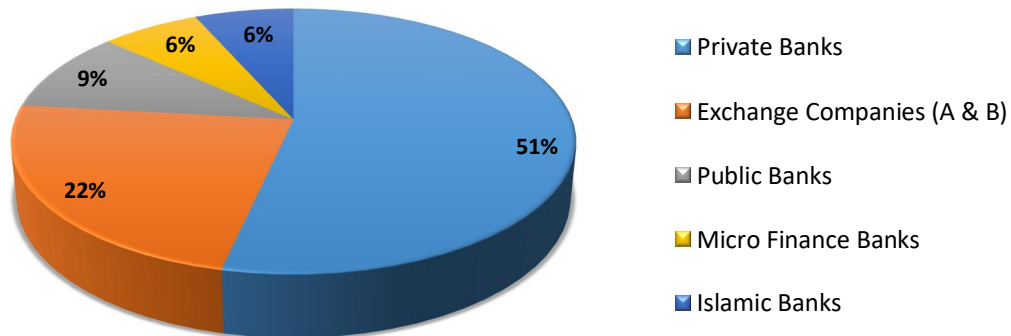


Top Ten STR Reporting Districts During 1st Quarter of 2020



FMU News and Updates

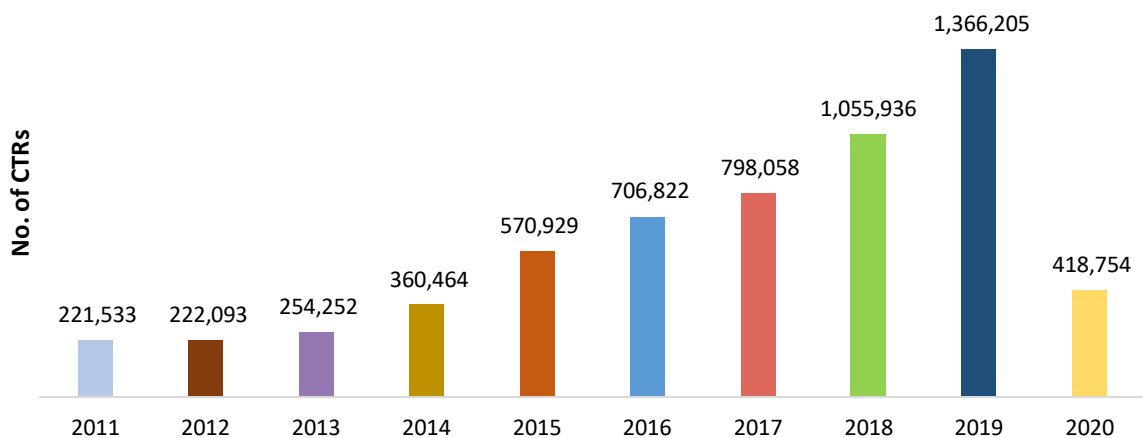
Top Five STR Reporting Sectors During 1st Quarter of 2020



Trends in CTR Reporting

A total of 418,754 CTRs were reported during the first quarter of 2020. The graphical representation of the trend in CTRs reporting is provided below:

CTRs Received by FMU since inception



Detailed statistical reports can be accessed at: <http://www.fmu.gov.pk/reports/>

GoAML (Anti-Money-Laundering System)

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

AML /CFT Guidelines for DNFBPs Developed by FMU

Draft guidelines have been developed by the Financial Monitoring Unit for Designated Non-Financial Business and Persons (DNFBPs) in Pakistan under Anti money Laundering Act 2010. The same have been made available at <http://www.fmu.gov.pk/wp-content/uploads/2020/01/Updated-Revised-Draft-Regulations-DNFBPs.pdf>

Development of AML /CFT Strategic Analysis

FMU regularly develops and update strategic analysis based on risk assessment of various sectors. Various Strategic Analysis developed by FMU have been made available on FMU website for knowledge and guidance of general public and private sector for operational and strategic initiatives.

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

ML and TF Typologies

In the AML/CFT context, the term “typologies” translates as various techniques used to launder money or finance terrorism. Depending on location, local economy and AML/CFT regimes, methods to launder money and finance terrorism vary. As the criminals are creative in developing new methods of tainted conduct, there is a need for awareness for those involved in the fight against this menace. To cater this need, FMU regularly updates details on typologies that are used for Money Laundering and Terrorism Financing for the knowledge of all the stakeholders.

Resource: <http://www.fmu.gov.pk/category/typologies/>

Strategic Analysis & Typologies

STRATEGIC ANALYSIS ON MISUSE OF FINANCIAL SECTOR BY HUMAN SMUGGLERS & TRAFFICKERS LISTED ON FIA'S RED BOOK 2019

FMU conducted a Strategic Analysis on the aforementioned topic during the month of February 2020. This strategic analysis assessed and evaluated the risks and vulnerabilities associated with Pakistan's financial sector with regards to its potential misuse by Human Traffickers and Smugglers.

The analysis was based on the information available on the individuals listed in FIA's Red Book of Most Wanted Human Smugglers and Traffickers 2019. The strategic analysis covered the analysis of the STRs reported to FMU since inception against these listed Human Smugglers & Traffickers and the analysis of the inward/outward foreign remittances received/sent by them using Money Value Transfer Services (MVTs) during the period from 2009 to 2019.

Recommendations / Suggestions

Multiple listed human traffickers were found to be using banking and MVTs channels for carrying out transactions despite being listed on FIA's Red Book. Some important suggestions/recommendations made to the stakeholders based on the strategic analysis are as follows:

For Regulators:

- Financial regulator may direct the banks and exchange companies to strengthen the screening process by incorporating FIA's red book list in their systems and the Regulators should disseminate the FIA Red Book as and when published to their Regulated Entities so that the list can be available to them for screening against their customers.

For Law Enforcement Agencies:

- FIA may notify the major stakeholders (SBP, SECP and FMU) at the time of publication of Red Book of Most Wanted Human Traffickers so that the same information may be passed on to the regulated entities of the respective sector. FIA Red Book should also contain the date of listing of individual so that the regulatory actions may be taken against Reporting Entities (REs) in case of delayed reporting. Red Book may be published in a more user friendly format which may easily be integrated into the databases of REs for improved screening mechanism and the timely reporting of STRs at REs' end.
- FIA's anti-human trafficking wing may collect the lists of most wanted human traffickers of the other countries (most common origin and destination countries in context of Pakistan) and prepare and publish a consolidated list of all the most wanted human traffickers. The same may be circulated to all the stakeholders in order to identify and disrupting the transnational financial flows related to human trafficking.

For Reporting Entities:

- The REs should improve their screening mechanisms to identify transactions being conducted by the Human Traffickers. Also, the REs should analyze the transactions, products, channels used by listed individuals and submit these findings in the Reason for

Strategic Analysis & Typologies

Suspicion while reporting the STRs. The analysis of the inward/outward remittances should also be conducted.

- Reporting Entities need to capture maximum information in their systems with accuracy while conducting inward and outward remittances.

Red Flag Indicators for Reporting Entities (REs) on transactions related to Human Trafficking/Smuggling in Persons:

Based on the analysis, some Red Alerts were also developed for the Reporting Entities which should be taken into consideration while analyzing transactions related to human trafficking. These Red Flags have been shared on FMU's website.

STRATEGIC ANALYSIS ON CURRENCY HOARDING

Context & Objective

Keeping in view the rapid fluctuations in the value of Pak Rupee (PKR) and weakening of same against the United States Dollar (USD), Strategic Analysis on Currency Hoarding and its economic implication were carried out by Financial Monitoring Unit at the start of the 2020. To accomplish the objective media screening was made and information from stakeholders were also received that assisted in targeting the individuals, businesses and regions.

The data for the year 2019 was selected for carrying analysis on Suspicious Transaction Reports (STRs) and linked Currency Transaction Report (CTRs) that were submitted to FMU by the reporting entities on the basis of frequent buying and selling of USD and other high value currencies. The analysis of the reports reflected that significant number of individuals having different professions such as small and large business groups, directors/shareholder, key heads of different corporate bodies, bankers, doctors housewives, money changers and real estate agents were found involved in excessive/ repeated exchange of foreign currencies apparently without plausible business objective. The individuals involved in the reports were from large and small cities of Pakistan such as Karachi, Lahore, Peshawar, Islamabad, Gujranwala, Multan etc. and Mirpur, AJK. The key risk such as involvement of the individuals in market manipulation, capital flight, tax evasion, illegal money changers and Hawala/Hundi were analyzed. Based on the analysis key findings and recommendations were shared with the relevant law enforcement agencies, regulators and other competent authorities for probing of matters and appropriate actions.

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

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

Strategic Analysis & Typologies

TYOLOGY OF SUCCESSFUL CASE ON TERRORISM FINANCING

Background:

The suspicious transaction report was filed with Financial Monitoring Unit by the intermediary bank **H** on a trust **Z** whose name was reportedly found positive match with a proscribed entity which was identified by the reporting entity **H** during screening. The trust **Z** was maintaining bank account in bank **X** on whom favor a remittance of QAR 20,000/- from a foreign jurisdiction of Middle East was routed through remitter bank **Q** while using the services of bank **H** as an intermediary bank in Pakistan.

The intermediary bank **H** carried out its due diligence before execution of the transaction in the account of trust **Z** maintaining account in bank **X**. During the DD process bank **H** identified that name of the trust **Z** apparently have positive match with proscribed entity name. The transaction was rejected by the bank **H** and STR was filed with FMU.

FMU carried out analysis of the STR after seeking information on the account of the trust **Z** from the bank **X** (beneficiary bank). During the analysis it was reflected that the trustees opened account of the trust **Z** in April 2001 for fund raising purpose, where small amount of cash deposit and withdrawals were made since inception.

Based on the available information the financial intelligence was shared by FMU with law enforcement agency for ground check. Latterly, the law enforcement agencies conducted intelligence operation and come to know that two unknown persons belonging to proscribed entity are present at place for collection of funds to support their organization, inciting on terrorist activities and having hate material in possession. Based on the intelligence information raid was conducted and Mr. A and B were arrested. The inquiry was made by formation of Joint Investigation Team (JIT) by inter agency cooperation, prosecution made and the individuals **A** and **B** were convicted on charge of terrorism financing related matter. The case was decided Mr. A & Mr. B have been convicted Imprisonment for 1 Month & 9 Days & 30,000 PKR Fine.

The following recoveries were made from the crime scene:

- 01 Used & 02 new/unused funds receipt books from Mr. "B".
- 01 Blue ball point from Mr. "A".
- 85 Pamphlets of Banned Organization from Mr. "B".
- Funds raised amount (86600/-PKR) from Mr. "A".
- Funds raised amount (17900/-PKR) from Mr. "B".
- 01 used banned organization book from Mr. "A".

Strategic Analysis & Typologies

PONZI SCHEME/FRAUD AND CHEATING PUBLIC AT LARGE.

Background:

STRs were reported on two suspects from two different reporting entities. The suspects advertised large number of vacancies in different job categories/roles and asked applicants to deposit application fee against them.

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 job vacancies in different job categories in leading newspapers and asked applicants to deposit application fee in the mentioned bank accounts. The vacancies were approx. 27000, in different job roles/categories but the departments were not mentioned in which seats/posts were vacant. Furthermore, closing date for job applications was also not mentioned in the advertisement. Upon searching, it was revealed that company's owners were maintaining multiple accounts in different banks and receiving funds from general public.

It was suspected that these Mr. A & Mr. B 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 froze 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 NAB, SECP and SBP for necessary action they deemed appropriate.

After some time, similar activity was also observed by some other companies having same address, of which another financial intelligence was shared /disseminated to NAB, SECP and SBP, in continuation of previous dissemination, for further necessary action as deemed appropriate.

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

Legal & Structural Reforms

The Anti-Money Laundering (Amendment) Bill, 2020

Anti-Money Laundering (Amendment) Act 2020 was passed by the President of Pakistan in February, 2020 wherein important amendments have been made in section 4, 6, 7, 8, 9, 33, and 34 of AML Act 2010. These amendments display the government's firm resolve to strengthen the country's AML-CFT regime and its efforts to bring it in line with international standards.

According to this Amendment Bill, in section 6, sub-section (4), clause (e), the words "after due administrative process" have been omitted. Further, as per the amendment in section 7, sub-section (1), the words, "immediately, but not later than seven working days after forming that suspicion" have been substituted with the word "promptly". In section 4 regarding punishment for money laundering, the fine has been increased from one million to five million. Another amendment was approved in section 7 which is now "Every reporting entity shall keep and maintain all record related to suspicious transaction reports and CTRs filed by it for a period of at least '10 years' after reporting of transaction under sub-sections 1, 2 and 3.

Act No. XI of 2020: http://senate.gov.pk/uploads/documents/1584080780_632.pdf
Updated AML Act: <http://www.fmu.gov.pk/wp-content/uploads/2020/03/Anti-Money-Laundering-Act-2010-as-amended-upto-Feb.-2020.pdf>

The Foreign Exchange Regulation (Amendment) Bill, 2020

The Senate and the National Assembly have also passed Foreign Exchange Regulation Act (FERA) Amendment Bill, 2020 with a majority vote. In addition to existing powers, this law would empower the central bank (State bank of Pakistan) to regulate flows of foreign exchange into and out of the country. Further, the punishments provided in Section have been increased to create an even better deterrence against infringement of provisions of this Act.

Bill Passed by the NA: http://www.na.gov.pk/uploads/documents/1581953679_803.pdf
Act No. X of 2020: http://senate.gov.pk/uploads/documents/1584080780_632.pdf

Approval of Anti-Smuggling Ordinance

Pakistan has approved and circulated Anti-Smuggling Ordinance, 2020 after the honorable President of Pakistan Mr. Arif Alvi signed it into law. The ordinance is aimed at tightening rope around hoarders and smugglers of currency and essential commodities.

According to this ordinance, those found supplying/moving currency or essential food items through illegal routes would be treated as smugglers, and would face imprisonment up to 14 years. Different punishments have been announced for different level of offences covered by this ordinance, for example, anyone found smuggling Rs. 3 million worth of commodities would face up to two-year in jail, whereas smugglers of Rs. 5 million worth of essential items would be imprisoned for three years.

AML-CFT & TFS Local Resources

Data cleansing of ATA 4th Schedule List by Ministry of Interior

Over a period of considerable time, ATA 4th Schedule List, which gives domestic effect to UNSCR 1373 obligations, had bloated up to 7,000 names with multiple inaccuracies such as the names of dead individuals, Afghan nationals, untraceable names without proper identifiers, offenders of heinous crimes otherwise not associated with proscribed organizations, etc.

MOI undertook this scrutiny for about six months based on legal provisions through a process of on-ground verification to update the list. As a result, the number of proscribed persons on this list now stands at 3,763 with completely traceable and accurate identifiers. NACTA with technical support of PITB automated the entire process and new features were introduced in the database whereby any addition or deletion becomes immediately available to all stakeholders, including all the banks, other financial institutions and all law enforcing agencies. This has enabled law enforcing agencies to enforce wide range of terror financing preventive measures ranging from regular monitoring, travel ban, assets freeze and arms embargo. (*Express Tribune, April 15, 2020*)

SECP proposes amendments in laws to prevent misuse of corporate entities for money laundering

In an attempt to improve the standards of transparency and to prevent misuse of corporate entities for money laundering, the Securities and Exchange Commission of Pakistan (SECP) has proposed certain amendments to the laws and regulations. In this regard, the SECP has issued a set of notifications, soliciting public consultation on drafts of amendments to the Companies (Incorporation) Regulations, 2017, Companies (General Provisions and Forms) Regulations, 2018, Foreign Companies Regulations, 2018, and Limited Liability Partnership Regulations, 2018.

In line with FATF recommendations, the proposed amendments collectively make disclosures regarding the ownership and control structure of the companies and limited liability partnerships more transparent. Further, Companies and LLPs would have to provide additional information to SECP, if the ownership and control structure of such entities is obscured through a chain of multiple entities, whether registered in Pakistan or abroad. The draft Regulations define an ultimate beneficial owner as a person who exercises ownership or control rights over a company or LLP indirectly through multiple layers of corporate entities or other legal persons or any other arrangements. Further details have been made available at the sources given below.

Press release: <https://www.secp.gov.pk/wp-content/uploads/2020/02/Press-Release-Feb-11-SECP-proposes-amendments-in-laws.pdf>

Drafts of amendments for discussion: <https://www.secp.gov.pk/laws/draft-for-discussion/draft-rules-regulations/>

AML-CFT & TFS Local Resources

SECP's Bilateral MOUs

Keeping in view the needs of information sharing and coordination, SECP signs bilateral MOUs with various authorities' time to time. These MOUs are made available at: <https://www.secp.gov.pk/about-us/bilateral-agreements/>

SECP FAQs on ultimate beneficial owners

SECP has also issued FAQs for Ultimate Beneficial Ownership for reference of regulated entities as well as financial institutions. These can be accessed at: <https://www.secp.gov.pk/document/faqs-on-ultimate-beneficial-ownership-3/>

SECP Introduces Cyber Security Framework for Insurance Sector

SECP has issued guidelines on cybersecurity framework for the Insurance Sector, providing principles to make the information technology systems of insurance companies and their partners secure and resilient. Cyber risk presents an evolving challenge for the insurance sector due to growing interconnectedness. Insurance companies gather, store, and maintain substantial volumes of confidential personal and organizational information. Because of these data reservoirs, insurers may become potential targets for cyber criminals.

SECP guidelines provides principle for formulation of a sound cybersecurity framework to anticipate, withstand, detect, prevent and respond to any possible cyber-attacks. The Cybersecurity guidelines will aid in improving privacy and confidentiality of the information stored and handled by insurers and will ultimately contribute to enhance the policyholders' confidence on the insurance sector.

These guidelines are available at SECP's website at <https://www.secp.gov.pk/document/secguidelines-on-cybersecurity-framework-for-the-insurance-sector-2020/>

International Resources

COVID-19-related Money Laundering and Terrorist Financing Risks and Policy Responses by FATF

The COVID-19 pandemic has led to unprecedented global challenges, human suffering and economic disruption. It has also led to an increase in COVID-19-related crimes, including fraud, cybercrime, misdirection or exploitation of government funds or international financial assistance, which is creating new sources of proceeds for illicit actors. Using information provided to the members of the FATF Global Network on 7 and 23 April, this paper identifies challenges, good practices and policy responses to new money laundering and terrorist financing threats and vulnerabilities arising from the COVID-19 crisis.

<https://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf>

Statement by the FATF President on COVID-19 related financial crime risks

“Criminals are taking advantage of the COVID-19 pandemic to carry out financial fraud and exploitation scams, including advertising and trafficking in counterfeit medicines, offering fraudulent investment opportunities, and engaging in phishing schemes that prey on virus-related fears. Malicious or fraudulent cybercrimes, fundraising for fake charities, and various medical scams targeting innocent victims are likely to increase, with criminals attempting to profit from the pandemic by exploiting people in urgent need of care and the goodwill of the general public and spreading misinformation about COVID-19. Like criminals, terrorists may also exploit these opportunities to raise funds.

Supervisors, financial intelligence units and law enforcement agencies should continue to share information with the private sector to prioritise and address key ML risks, particularly those related to fraud, and TF risks linked to COVID-19. Financial institutions and other businesses should remain vigilant to emerging ML and TF risks and ensure that they continue to effectively mitigate these risks and are able to detect and report suspicious activity.”

Complete statement: <http://fatf-gafi.org/publications/fatfgeneral/documents/statement-covid-19.html>

Egmont Group and WCO’s joint “Customs – FIU Cooperation Handbook”

The Egmont Group and the World Customs Organization (WCO) have announced the publication of the “Customs – FIU Cooperation Handbook,” which is a collaborative effort between the Egmont Group of Financial Intelligence Units and the WCO. One of the objectives of the Handbook is to further promote cooperation between Financial Intelligence Units (FIUs) and Customs services to effectively disrupt cross-border money laundering and terrorism financing activities. The Handbook highlights common anti-money laundering challenges and provides recommendations to Customs services and FIUs on topics of mutual interest.

The public/sanitized version of the Handbook has been placed at: https://egmontgroup.org/sites/default/files/filedepot/external/wco_fiu_handbook_sanitised-public-version_wco_en_0.pdf

International Resources

Egmont Group E-Learning Course - COVID-19 Emerging Risks

Designed to provide Financial Intelligence Units with COVID-19 related guidance, ECOFEL's terms this as its first dynamic course. Since the beginning of the COVID-19 outbreak, criminals are exploiting the crisis by adapting their modes of operation or developing new criminal activities. Various fraud and scam schemes and other crimes have been reported by FIUs and law enforcement. With this in mind, ECOFEL has created the COVID-19 Emerging Risk course to highlight various key research findings, COVID-19 crimes and challenges, recommendations and additional sources of information available to FIUs. To access the course, please visit: <https://learn.ecofel.org/>

COVID-19: New and Old Money Laundering Risks (ACAMS Today)

It is crucial to highlight the more "classic" money laundering risks emerging as a result of COVID-19. The 2008 financial crisis is a good reference point to identify growing vulnerabilities of the financial system during such periods and address them vigilantly. One such risk is organized crime abusing the financial system. During the 2008 crisis, former United Nations Office of Drugs and Crime Executive Director Antonio Maria Costa warned that "stupid and diabolic" bank behavior as a result of the financial crisis allowed transnational mafia drug money to enter the financial system, estimated then at \$320 billion annually. "With the financial crisis, banks became desperate for cash, and one of the few sources of liquidity these days is the transnational mafia," he claimed, based on intelligence from several jurisdictions that did not make this public. Source: <https://www.acamstoday.org/covid-19-new-and-old-money-laundering-risks/>

The European Banking Authority's (EBA) response to Coronavirus (Covid-19)

In support of the measures taken and proposed by national governments and EU bodies to address and mitigate the adverse systemic economic impact of COVID-19 on the EU banking sector, the EBA has announced measures to provide clarity and to support lending into the real economy, whilst maintaining high standards of conduct, consumer protection and measures to tackle financial crime. Details can be accessed at: <https://eba.europa.eu/coronavirus>

Australia offers guidance for dealing with customers during COVID-19 Pandemic

Australia issued guidance for dealing with customers (in terms of KYC/AML) at a time when face-to-face procedures are not always available. "We recognize that some 'know your customer' processes cannot be used," AUSTRAC said in a statement. However it maintained that it was important to exercise vigilance in response to the changed risk environment for criminal activity, including fraud and identity theft.

<https://www.austrac.gov.au/business/how-comply-and-report-guidance-and-resources/customer-identification-and-verification/kyc-requirements-covid-19>

Recognition for FATF Team

A dinner was held in honor and recognition of the efforts of the officials involved in Pakistan's FATF/APG endeavors. The honorable Federal Minister for EAD & Chairman FATF Coordination Committee **Mr. Hammad Azhar** graced the occasion to praise the efforts and sacrifices put in by all the team members and expressed high hopes that the team will continue their passion and commitment for the national cause.





Condolences



I have known him (Mansoor) for the last 2 years from FATF issue. And I am sure that I am really lucky to know such a person. As Head of Turkish Delegation to FATF, I would like to share Turkey's message below:

"We would like to convey our condolences to Pakistan delegations and his family. We wish Allah's mercy on him and we wish loved ones patience from Allah. We always will remember him with compassion."

Havva Börekci Şahan, Ph.D.
Head of Turkish Delegation to FATF

I am deeply saddened by the loss of Mr. Mansoor Siddiqui. My heartfelt condolences to each one of FMU team who must be devastated by this great loss and so is his family. It is still difficult for me personally to come around the idea that he is no longer there, our working relationship was extremely profound built on respect and trust. He will be greatly missed!

May God grant you and his family the patience and perseverance to go through this difficult time and be able to continue to deliver the great work you do.

On behalf of UNODC, I would like to convey our profound sadness and deepest sympathy to you and to Mr. Siddiqui's family.

Kind regards,

Jouhaida Hanano
UNODC



Dear Mrs. Munazza Mansoor,

I write this to you in my capacity as a member of a United Nations group working on issues related to terrorism financing. We had the honor and pleasure to come to know your husband and the very hard work he did on behalf of Pakistan in FATF and other venues. It happens that we met with him very recently, earlier this month during our visit to Islamabad.

We wish to express our most sincere condolences to you and your family at this very difficult time. We hope it may bring some small comfort to you to know that your husband was greatly respected and admired across the international community. He worked so very hard and was known by those who worked with him to be a kind, intelligent and dedicated man. Please accept our deepest sympathies and be assured that our prayers are with you and your family.

With sincere condolences,

Jacqueline Shire
United Nations Security Council



Useful Links

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 (SEC DIV)

<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/>



Financial Monitoring Unit

www.fmu.gov.pk