



FMU Newsletter

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The National Assembly passes bill for Mutual Legal Assistance

On January 6, 2020, the National Assembly passed "The Mutual Legal Assistance (Criminal Matters) Bill, 2019" for providing legal support to the requesting state (foreign country) by executing necessary actions on its territory in criminal cases warranting shared assistance.

Senate body suggests maximum 10-yrs jail term in money laundering cases

Senate standing committee for finance has recommended maximum 10 years' jail sentence and seizure of property of the accused in money laundering case. A session of the finance committee of the upper house reviewed the Anti-Money Laundering (amendment) bill 2019. The members suggested increase in sentence for those involved in money laundering related crimes. The session recommended for maximum five million rupees fine, 10 years jail term and seizure of property in the offence. The Director General Financial Monitoring Unit (FMU) Mr. Mansoor Siddiqui told the Senate body that harsh punishment is meant to implement the Financial Action Task Force (FATF) recommendations to curb money laundering and terror financing. *The Daily Times*



Minister EAD & DG FMU in talks with US Assistant Secretary of State for South and Central Asia Ms. Alice Wells

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Financial Monitoring Unit
Government of Pakistan

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China urges world to recognise Pakistan's efforts

"Pakistan has made great efforts to strengthen its domestic counter-terrorism financing system with visible progress. Its political will and active efforts should be recognised and encouraged by the international community," said Chinese Foreign Ministry's Spokesperson Geng Shuang. The spokesperson was commenting on the action plan report that Pakistan had recently submitted to the joint group of FATF meeting held in Beijing. - *APP*

Banks to scrutinize and regularize CDNS deposits

The government has decided to hire a commercial bank to scrutinise Rs4 trillion deposits of four million Pakistanis placed with the National Savings (CDNS) after the Financial Action Task Force (FATF) pointed out deficiencies in its regulatory frameworks. The Ministry of Finance has floated expression of interests, inviting bids from the interested commercial banks to enter into a third party agreement to enforce AML/CFT regulations in the CDNS, according to the finance ministry.

The government is aiming to scrutinise all the existing account holders within six months and complete the risk profiling by December next year aimed at meeting the FATF requirements - *The Express Tribune / Reuters*

Pakistan eyes more remittances through FATF compliance

Pakistan is optimistic that its amendments to anti-money laundering laws will not only contain the illegal practice, but also move to official channels remittance inflows that have been made through hundi and hawala operators.

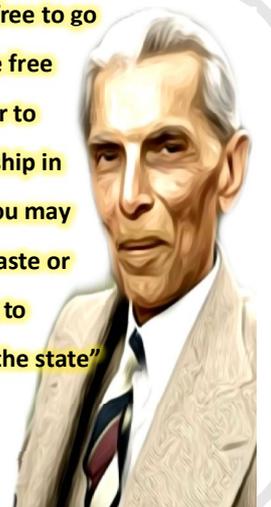
"Under FATF action plan, the FIA is effectively taking action against hawala and hundi operators," said Mansoor Siddiqui, Director General of the FMU. "Many people are under investigation and in many cases administrative and monetary punishments have been awarded"

"One of the FATF action items is to take action against illegal operators," he said, adding that in national risk assessments hawala and hundi are identified as "high risk" modes of financing terrorism and money laundering. - *Arab News*

"You are free; you are free to go to your temples. You are free to go to your mosques or to any other places of worship in this State of Pakistan. You may belong to any religion, caste or creed—that has nothing to do with the business of the state"

Muhammad Ali Jinnah

Presidential Address to the Constituent Assembly of Pakistan on 11 August 1948





FATF satisfied with Pakistan's report

ISLAMABAD: Pakistan's team led by Minister for Economic Affairs Hammad Azhar defended country's compliance report during the joint group of Financial Action Task Force (FATF) meeting held at Beijing, China as the watchdog showed satisfaction over Pakistan's report of compliance.

The face-to-face meetings continued for three days in which Pakistan's 17 member delegation participated. Out of total 27 actions, Pakistan was found fully compliant on five points in the last plenary meeting and now Pakistan was making efforts to comply with remaining on 22 major points. Pakistani side is expecting that the FATF may clear it on 8 to 10 more points. The FATF's upcoming plenary meeting is scheduled to be held next month in Paris where Pakistan's fate will be decided either exclusion from the grey list and placement on the white, or the grey-list status quo for up to June or September 2020, or blacklisting in the worst-case scenario.

The State Bank of Pakistan (SBP) imposed penalties on defaulting banks and statutory sanctions regime was implemented. The mandatory currency declaration scheme was also implemented at all airports of the country," the FATF was informed. The global terror-financing watchdog was also informed that under the new reforms madrassas were granted the status of schools, where students would now be awarded matriculation and intermediate education certificates. "The dispensaries running by banned outfits were taken over by the Health Departments," the FATF was informed. The country had dispatched its 120-page detailed reply along with a 500-page annexure to the Joint Group of FATF for sharing progress on 22 points. – *The News International*



It is premature to comment/speculate on the decision that FATF members shall take in the plenary in February. Pakistani Authorities have worked very hard over the months & I feel we have made significant progress in our AML/CFT efforts. We remain committed to sustaining this momentum. We also hope the attempts by certain quarters to politicise the FATF proceedings would be rejected.

HAMMAD AZHAR
Federal Minister for
Economic Affairs
(Twitter: @Hammad_Azhar Jan 25, 2020)



Pakistan successfully working on FATF policy: Dr. Reza Baqir Governor SBP

State Bank of Pakistan (SBP) Governor Reza Baqir has said that the country's authorities are successful working on the Financial Action Task Force (FATF) policy.

Speaking to the media on during the second annual Financial Crime Summit at Karachi, the SBP chief said Pakistan's foreign exchange reserves have been increasing. Baqir added that due to pressure on foreign exchange, the treasury was empty, however, now the economy is moving towards improvement.

The central bank head said that the International Monetary Fund (IMF) report praised Pakistan. He said that decisions were taken to provide relief to importers, adding that we would soften our terms as conditions improve.

The Business Recorder

Common terms you should know

Money Transfer Service or Value Transfer Service (MVTs)

Financial service that accepts cash, checks and other monetary instruments that can store value in one location and pay a corresponding sum in cash or other form to a beneficiary in another location by means of a communication, message, transfer or through a clearing network to which the money/ value transfer service belongs. Transactions performed by such services can involve one or more intermediaries and a third-party final payment. A money or value transfer service may be provided by persons (natural or legal) formally through the regulated financial system (for example, bank accounts), informally through non-bank financial institutions and business entities or outside of the regulated system. In some jurisdictions, informal systems are referred to as alternative remittance services or underground (or parallel) banking systems.

Alternative Remittance System (ARS)

Underground banking or Informal Value Transfer Systems (IVTS). Often associated with ethnic groups from the Middle East, Africa or Asia, and commonly involves the transfer of values among countries outside of the formal banking system. The remittance entity can be an ordinary shop selling goods that has an arrangement with a correspondent business in another country. There is usually no physical movement of currency and a lack of formality with regard to verification and record-keeping. The money transfer takes place by coded information that is passed through chits, couriers, letters, faxes, emails, text messages, or online chat systems, followed by some form of telecommunications confirmations.

Couresty: acams.org/aml-glossary/

National Savings Scheme Rules have been approved

AML-CFT rules for the National Savings Scheme Rules 2019 have been approved. These rules will apply to all offices and individuals responsible for the sale, registration, issuance marketing, management, registration, rollover and discharge (etc) of instruments issued by the National Savings offices as well as the and the accounts opened and maintained with the National Savings Centres or any other office designated as offices of issue of National Savings products.

The Foreign Exchange Regulation (Amendment) Bill 2019

The FERA Amendment Bill 2019 has been passed by the National Assembly of Pakistan on 30th September 2019 and has been put up before the Senate of Pakistan (The upper House of Parliament) for enactment. The Amendment Bill has been tabled in the ongoing session of the Senate and has been referred to the Standing Committee on Finance, Revenue and Economic Affairs. The proposed amendments in FERA related to illegal MVTS, will inter alia:

- i. Enhance maximum punishment from 2 years to 5 Years.
- ii. Makes the offence permanently cognizable and non-bailable
- iii. Empowers FIA to take prompt action against illegal foreign exchange operators.
- iv. Obligates tribunals to take action against illegal foreign exchange operators within six months.

SECP proposes amendments in the AML/CFT Regulations, 2018

Press Release: To further strengthen its AML/CFT regime, the SECP has proposed certain amendments in the Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018. The amendments that are in line with the FATF Recommendations and international best practices, have been placed on SECP's website for public consultation.

The proposed amendments elaborate on the Risk Based Approach requiring regulated persons (RPs) including; securities brokers, futures brokers, insurers, Takaful operators, non-banking finance companies (NBFCs) and Modarabas to conduct risk assessment that is aligned with Pakistan's latest National Risk Assessment and ensure implementation of Targeted Financial Sanctions.

The minimum information required for the purpose of KYC/CDD has been listed to make documentation requirements simple and clearer. Moreover, the draft amendments provide more clarity on verification for Beneficial Ownership, close associates and family members of PEPs. The RPs are encouraged to use technological solutions for screening and monitoring of transactions as per best practices. The SECP has tried to address the regulated sector's feedback regarding gaps in the implementation of AML/CFT Framework. The proposed amendments are placed at SECP's website

DG-FMU receives LUMS Vice Chancellor's Alumni Achievement Award



The Director General FMU Mr. Mansoor Hassan Siddiqui received Alumni Achievement Award for 2019 from his alma mater Lahore University of Management Sciences (LUMS) in a formal ceremony held in Lahore. Mr. Siddiqui completed his MBA from LUMS in 1998. Prior to this, he attended Quaid-e-Azam University for his Masters in Economics in 1994 and also attended the Development Program at JFK School of Government, Harvard University, USA.

Citation: <https://alumni.lums.edu.pk/mansoor-hassan-siddiqui-mba-1998>

Prologue

Dear Readers,

This newsletter is meant to be 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.

While every effort has been made to ensure the accuracy and check all relevant references/resources, errors and omissions are possible and are excepted. Financial Monitoring Unit (FMU), its officers and its stakeholders are not responsible for any mistakes and/or misinterpretation. All the news and reference items are copyright of their respective news agency, website and sources.

We look forward to your valuable and productive contributions, feedback, articles and suggestions for this newsletter.

Long Live **PAKISTAN**

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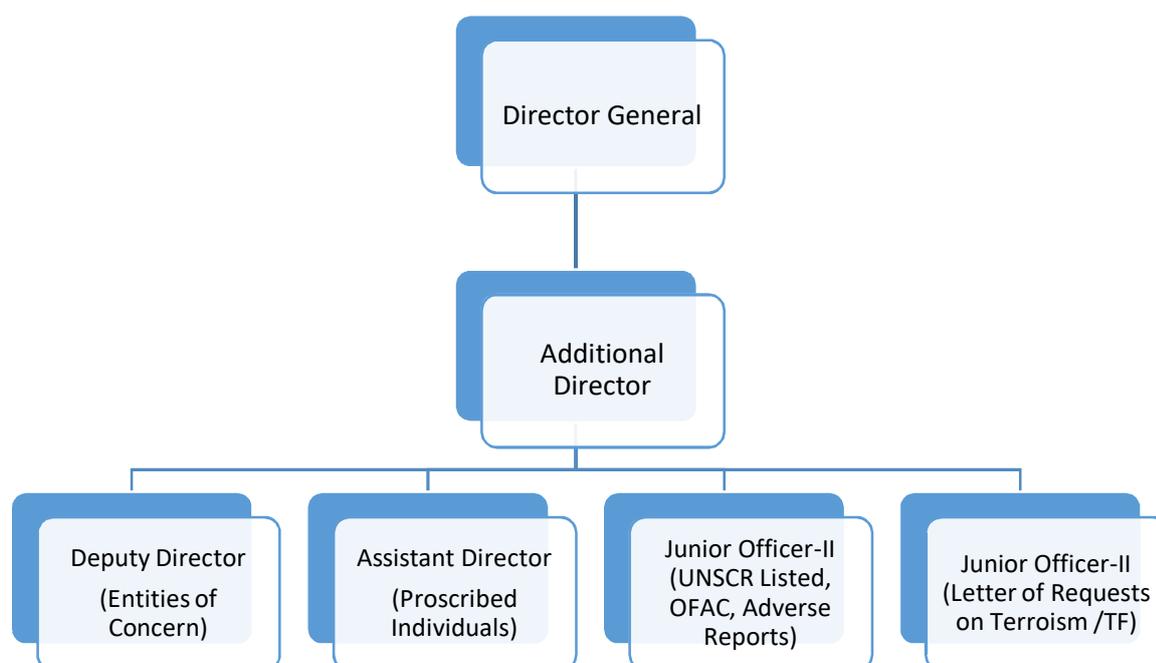
Financial Monitoring Unit, Government of Pakistan

2nd Floor, Main SBP Building, II Chundrigar Road, Karachi – www.fmu.gov.pk

FMU News and Updates

Countering Terrorism Financing (CTF) Task Force

A dedicated Task Force, headed by Additional Director, has been setup at Financial Monitoring Unit which is responsible for processing of STRs relating to Terrorism and Terrorism financing on a priority basis and will ensure that there is no delay in processing of these STRs. Moreover, this Task Force will also be responsible for developing an effective coordination mechanism with other stakeholders for countering terrorism and terrorism financing.



Discontinuation of Hard Copies of STRs

In terms of Section 7 of Anti-Money Laundering Act, 2010, Financial Monitoring Unit (FMU) prescribes the manners for filing of Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) for the reporting entities.

In order to make STR reporting fully electronically, FMU has issued Circular No.2 on the subject matter of discontinuation of Hardcopies of STRs on December 30, 2019. The reporting entities are directed to submit suspicious transaction reports only through goAML, which is a state of the art all-encompassing AML suite for Data Collection, Analysis and Dissemination. FMU had implemented this automated reporting system goAML w.e.f. January 01, 2019. However, the Reporting Entities were simultaneously required to submit the hardcopies of the STRs in order to ensure the quality of STRs during the transition phase.

As per FMU's Circular 2 of 2019, FMU has now discontinued the manual reporting (STR Form and Hard Copies) of STRs from January 01, 2020, which has automated the process of STR reporting. This change will enable reporting entities to file STRs in timely manner with quality reporting. The captioned circular and relevant reporting guidelines on discontinuation of STR forms and hardcopies is available on the FMU website.

<http://www.fmu.gov.pk/wp-content/uploads/2020/01/FMU-Circular-No.2-Discontinuation-of-Hardcopy-of-STRs.pdf>

FMU News and Updates

Rollout of goAML System for LEAs & Regulators for dissemination of Financial Intelligence

Financial Monitoring Unit (FMU) has successfully rolled out the goAML System to Law Enforcement Agencies & Regulators for dissemination of Financial Intelligence in December 2019. In this regard, all the relevant stakeholders have been registered on goAML and FMU has started disseminating its financial intelligence electronically through the goAML from January 1, 2020. This has enabled FMU to automate the process of dissemination to its designated agencies and regulators. Further, the stakeholders can also share and request information from FMU via goAML. It is an important step forward as all Law Enforcement Agencies, Regulators and FMU have been connected through goAML, which will result in effective and efficient coordination.

AML /CFT Guidelines for DNFBPs Developed by FMU

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/regulations-guidelines/>

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/>

Feedback Exercise on the Disseminated Financial Intelligences

FMU conducted an extensive exercise for seeking feedback on more than 1200 Financial Intelligences disseminated to different stakeholders since January, 2015. Prompt responses were received from all the stakeholders and the feedback received on the financial intelligences was also shared with FMU analysis team which led to improvements in the quality of analysis being carried out and helped in developing case studies and typologies.

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/>

FMU News and Updates

Data Accessibility / Integration Project

Financial Monitoring Unit (FMU) initiated the process of acquiring access to information &/or integration of databases available with different investigation agencies, regulators and other authorities having related databases. The project was largely motivated by the decisions undertaken during 'National Consensus Building Workshop for Data Connectivity and Development of a Terrorism & Anti-Money Laundering Intelligence Task Force (TAMLIT)' held on 31st October 2019 in Islamabad which was chaired by the honorable Minister for Economic Affairs (EAD) Mr. Hammad Azhar. Many senior level officers of different government organizations participated in the workshop. The said workshop was organized by United Nations Office on Drugs & Crime (UNODC) and a delegate from UNODC Vienna also explained the process of integration. A presentation was also delivered by Director General, FMU elaborating the needs and benefits of access of information or integration of databases which is also aligned with the requirements laid out in Recommendation 29 of FATF Recommendations and Immediate Outcome 6 of Mutual Evaluation of countries by FATF.



In this regard, FMU initially targeted the government authorities holding the critical information which can be used to augment and expand the scope of analysis of Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) which is the core function of FMU. At this time, the access of information or database has been made available by many of the agencies/departments. However, FMU has initiated the process of integration of available databases and has also approached other agencies for integration of their databases. The integration of these databases will be made with goAML system of FMU through a middleware goIntel. Once the integration of these databases is done, FMU will be able to directly inject the relevant data from the available databases into its analysis system goAML which will enable the FMU's analysts to directly link such information with the subjects (persons, accounts or entities) of concern.

FMU News and Updates

Visits by Foreign Delegations

Visit of Officials of Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), Financial Intelligence Unit of Indonesia (17-19 December, 2019)

A senior level delegation comprising of officials from FIU Indonesia, on the invitation of Pakistan, visited Pakistan from 17-19 December, 2019. The purpose of the visit of Indonesia delegation to Pakistan was to seek guidance and learn from Indonesia's experiences in reforming Pakistan's AML/CFT framework. During the visit to Pakistan, the Indonesian delegation interacted with key stakeholders responsible for AML/CFT related work. This visit provided an opportunity to highlight the actions taken by Pakistan for implementation of the FATF Action Plan and further strengthen relations between technical sides of both countries dealing with AML/CFT issues.



Visit of Delegation of UK Government Officials (1-2 October, 2019)

A delegation of officials of United Kingdom (UKFIU) accompanied by the NCA's International Corruption Unit and the NCA International Team visited FMU, Karachi during 1-2 October 2019. During the visit, the UKFIU delegation held multiple meetings with Senior Officials of the Regulatory Bodies and Law Enforcement Agencies to discuss coordination among authorities on AML/CFT and FMU. The UK Delegation also briefed the participants about the JMLIT Model and the idea of forming a similar model in Pakistan was also discussed. Earlier this year in May 2019, the Financial Monitoring Unit signed an MOU with the UK Financial Intelligence Unit.



FMU News and Updates

Capacity Building and Awareness Sessions:

During the year 2019, more than 90 Capacity Building and Awareness sessions on AML /CFT were conducted by FMU's resource personals. These training sessions were either arranged by FMU or in coordination with different stakeholders which includes Securities & Exchange Commission of Pakistan (SECP), State Bank of Pakistan (SBP), SBP-Banking Services Corporation (SBP-BSC), United Nations Office on Drugs & Crime (UNODC), National Institute of Banking & Finance (NIBAF), Central Directorate of National Savings (CDNS), Pakistan Post and National Police Academy, National Accountability Bureau (NAB), Anti-Narcotics Force (ANF) etc. These sessions were conducted in major cities of Pakistan which include, Karachi, Lahore, Peshawar, Quetta, Islamabad, Multan and Mirpur AJK.

More than 2300 participants from financial sectors including, Banks, Exchange Companies, DFIs, Brokerage Houses, Insurance Companies, Modaraba Companies, Commodities Brokers, CDNS, Pakistan Post Non-Profit Organizations (NPOs) and Designated Non-Financial Businesses & Professions (DNFBPs) participated in the sessions. Moreover, the participants from Law Enforcement Agencies and Regulators including FBR-IR, FBR- Customs, NAB, Provincial CTDs, Pakistan Customs, FIA, SECP and SBP attended the sessions.

During these sessions, the participants of the training were initially briefed regarding ML/TF and its context in light of FATF recommendations &/or domestic laws and regulations. The risks associated with their sectors in light of findings of National Risk Assessment (NRA) on ML of Pakistan were communicated. The implementation of UNSCRs, specifically UNSCR 1267 & UNSCR 1373, was widely discussed. A detailed training was imparted to the participants with respect to registration process on goAML and reporting of STRs/CTRs through goAML.

The participants raised various questions with respect to laws and regulations in Pakistan. The implementation of UNSCRs, specifically UNSCR 1267 & UNSCR 1373, was widely discussed and questions related to identification of individuals/entities listed under UNSCRs or domestic laws were addressed. The major focus of LEAs participants was the analytical process of FMU, Pakistan Mutual Evaluation Process and FATF action plan. The major focus of the questions raised by the participants was the 'source of funds' and the scenarios for reporting of STRs to FMU.



A special awareness workshop covering AML-CFT & NRA was conducted by FMU Islamabad Office in collaboration with SBP-BSC Islamabad on 1st January 2020. The Chief Manager Mr. Umar Farooq Minhas & his team attended and expressed their appreciation for the informative session.

FMU News and Updates

FMU efforts for capacity building of Public and Private Sector



DNFBPs and NPOs awareness sessions were conducted in Lahore in collaboration with UNODC. FMU was represented by Mr. Abdul Wahid (Director).



AML-CFT Workshop for Financial Institutions was held in collaboration with NIBAF, Peshawar. FMU was represented by Mr. Adnan Imran (Director).



AML/CFT workshop for Judges was held at Judicial Academy, Karachi. FMU was represented by Ms. Sumera Baloch (Addl. Director) & Mr. Assad Farman Ali (Assistant Director).

FMU News and Updates



Mr. Waqas Hamid (Addl. Director, FMU) conducted AML-CFT Awareness Session in Islamabad.



AML-CFT Workshop held for LEAs at ANF Academy Islamabad. FMU was represented by Mr. Abubakar Minhas (Deputy Director).



FMU was represented by Mr. Assad Farman Ali (Assistant Director) in a two-day program on AML-CFT arranged by National Institute of Banking & Finance & SBP-BSC in Multan.

FMU News and Updates



FMU regularly participates in local and inter-regional workshops for capacity building of National Savings (CDNS) officers in collaboration with National Savings Training Institute (TINS) Islamabad. The participants include branch managers, audit officers and regional office staff. The Director General CDNS Mr. Muhammad Khalil (seated in center) appreciated and encouraged the knowledge sharing and capacity building efforts by FMU.



Inter-Agency Coordination meetings with LEAs were conducted by FMU in Karachi. FMU was represented by Mr. Muneer Ahmad (Director) and FMU Analysis Team.

FMU News and Updates



DNFBPs and NPOs Awareness Session in Collaboration with UNODC was held at Quetta. FMU was represented by Mr. Abdul Wahid (Director).



Mr. Abubakar Minhas (Deputy Director) represented FMU in inter-regional refresher course for the officers of National Accountability Bureau (NAB) at NAB Headquarters, Islamabad.

FMU News and Updates

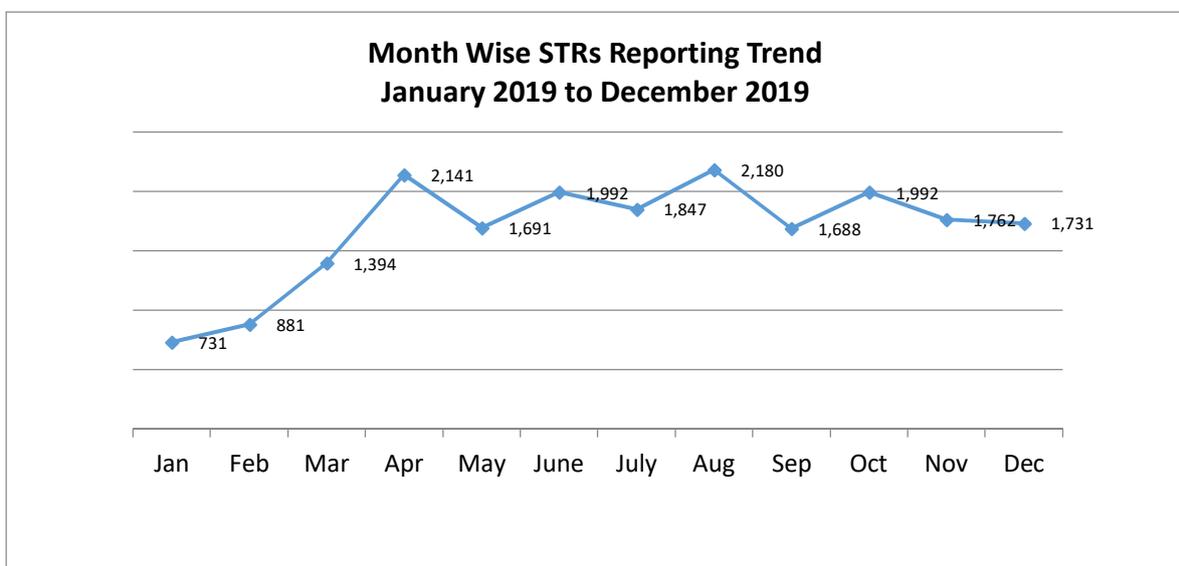
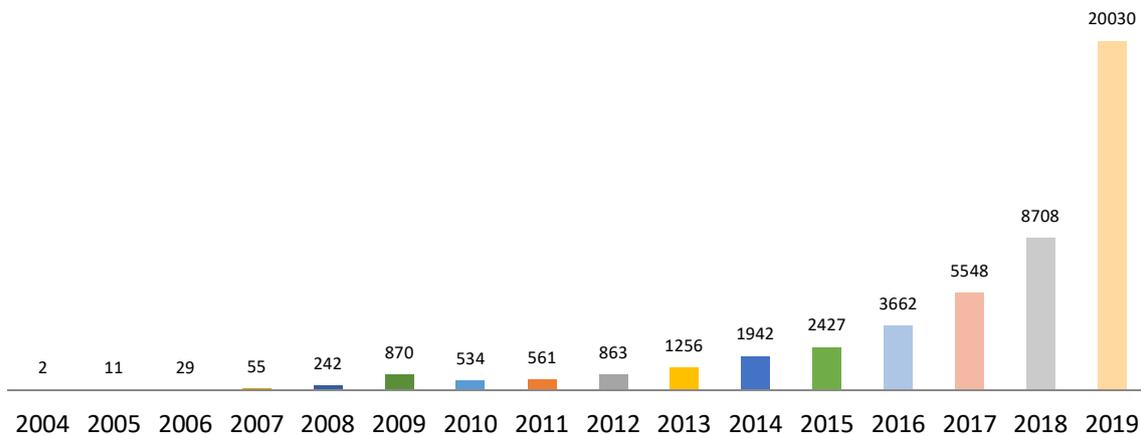
Summary / Trends in STR & CTR Reporting

A steep rise in the reporting of STRs was observed during the year 2019 where the highest number of STRs were reported from the Banking Sector followed by the Exchange Companies Sector. Top three STR reporting districts during the year 2019 were Lahore, Karachi and Islamabad while top three STR reporting institutions were Habib Bank Limited, Link International Exchange Co. Ltd. and Telenor Microfinance Bank Ltd. respectively.

A significant increase in the reporting of STRs from SECP regulated entities was also witnessed during the last Quarter i.e. Oct-19 to Dec-19. The increased reporting from SECP regulated entities is due to their improved awareness and capacity building.

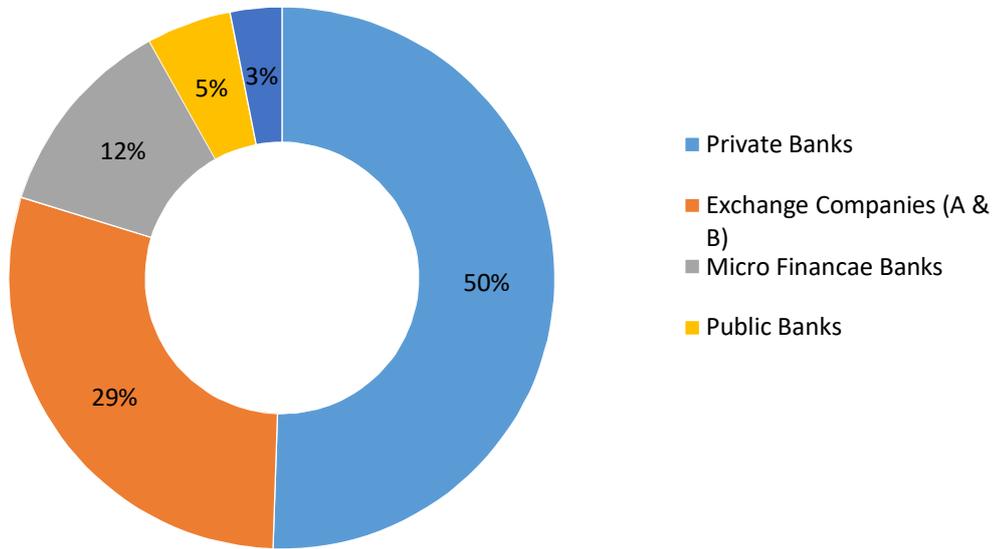
A 23% increase in the reporting of CTRs as compared to the previous year 2018 was also observed in 2019. The graphical representation of the trends in STRs and CTRs during the year 2019 is provided below:

STRs Received by FMU since 2004

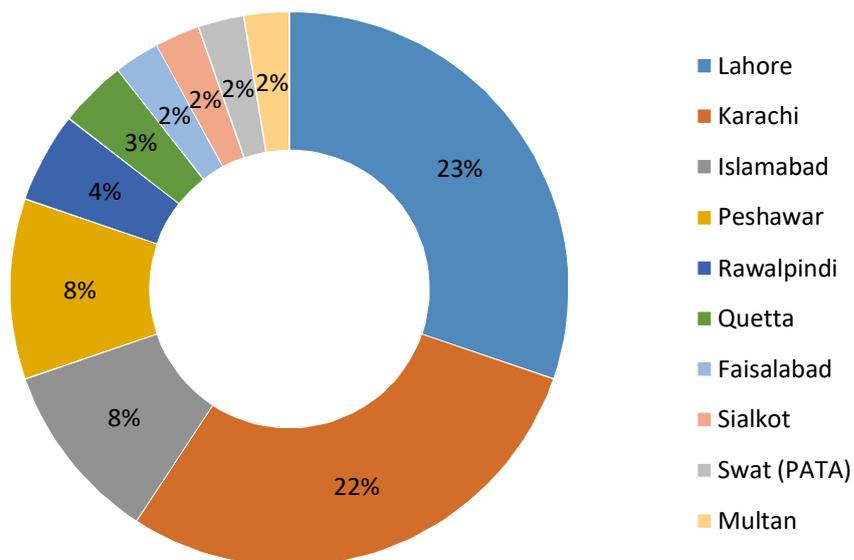


FMU News and Updates

Top Five STR Reporting Sectors during 2019



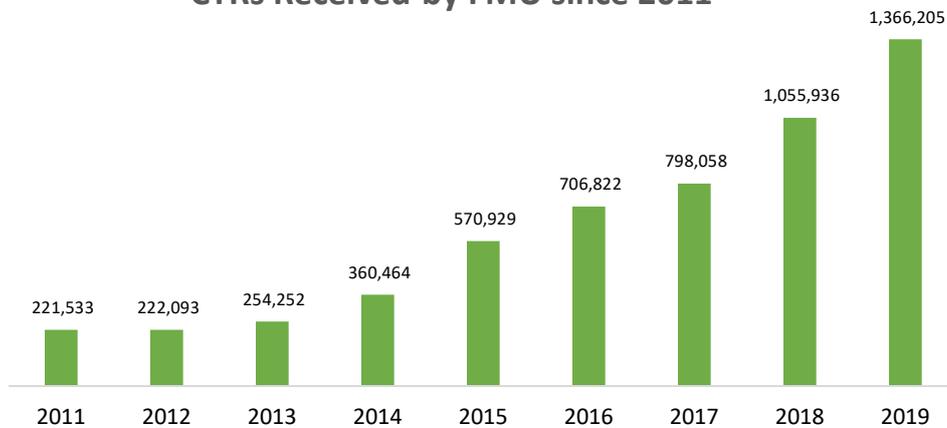
Top Ten STR Reporting Districts during 2019



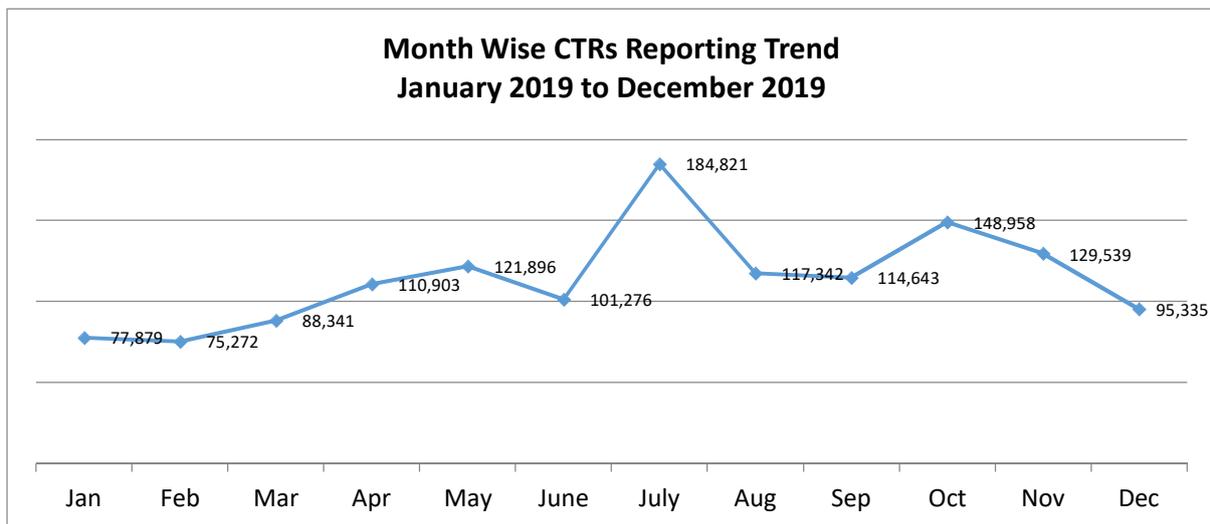
FMU News and Updates

Currency Transaction Reports (CTRs)

CTRs Received by FMU since 2011



Month Wise CTRs Reporting Trend January 2019 to December 2019



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

GoAML (Anti-Money-Laundering System)

The goAML application is a fully integrated software solution developed specifically for use by Financial Intelligence Units (FIU's) 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

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

Strategic Analysis

Strategic Analysis on Currency Smuggling and Cash Couriers

In context of the recent wave of terrorism as well as efforts to launder money from corruption, smuggling, extortion and other illegal means have compelled the government of Pakistan to take appropriate measures for monitoring /deter cash couriers and cross border currency smuggling. In order to monitor cross-border currency, bearer negotiable instruments and other precious commodities (i.e. gold, precious stones) movement following steps have been taken by Pakistani authorities which also include provision of FBR Customs Currency Declaration System (WeBOC) access to Financial Monitoring Unit (FIU of Pakistan).

Analysis of Currency Declaration Records:

After getting the access to WeBOC Currency Declaration Record, FMU has decided to conduct strategic analysis on the data of currency declaration records of individuals travelling outside of Pakistan. The following are some prime objectives of this strategic analysis. During this analysis, total 18086 Currency Declaration Records for the period between 01-Jan-19 to 30-Sep-19 with approx. equivalent declared amount of PKR 6,674,106,891/- were analyzed.

Analytical Parameters:

While conducting analysis of WeBOC Currency Declaration Records following key analytical parameters were adopted:

- Time Period of Data Analysis
- Number and Amount of Records
- Top Travel Destination
- Exit Border Points / Airports
- Frequent Travelers
- Category wise Frequent Travelers
- Amount Declared by Frequent Travelers
- Destination Countries of Frequent Travelers

Important Observations:

- While analyzing the Suspicious Transaction Reports, found on frequent travelers following observations are worth mentioning:
- It was observed that 26 STRs have been found in FMU database which are reported on 14 Individuals frequently travelling outside of Pakistan. The details of some these suspects are provided below:
- One suspect was found under investigation by FIA CTW for his alleged involvement in terrorism and terrorism financing related activities. He has travelled four times during the analysis period (01-Jan-19 till 30-Sep-19) and have declared total sum equivalent to PKR 3,724,120/- which is very high. The suspect has travel twice to USA, another two visits are of UAE and Malaysia respectively.

Strategic Analysis

- One suspect was found under inquiry with NAB. The suspect have visited twice to UAE during the analysis period and declared total equivalent sum of PKR 2,255,639/-.
- One suspect was found under inquiry with Model Customs Collectorate of Preventive Air Freight Unit, Jinnah International Airport Karachi for tax fraud of PKR 300,000/- It was observed that the suspect have travelled to Thailand and Taiwan and declared total sum equivalent of PKR 941,477/-
- It was found that legal proceeding has been initiated against a suspect in Provincial Accountability Anti-Corruption Court (PACC). It is pertinent to mention that the suspect has have travelled two countries UAE and Turkey during the analysis period and have declared total sum equivalent of PKR 3,000,880/-
- Total 05 STR has been found on one suspect. He is a salaried individual and frequently engaged in purchasing FCY. The suspect has travelled twice to UAE and declared total sum equivalent of PKR 1,886,600/-
- Total 08 STRs has been found on one suspect which are reported by different banks. The suspect is a real estate agent conducting transactions with unrelated counterparties. The suspect has travelled twice to UAE but declared negligible amount in currency declaration forms.

Recommendations /Suggestions:

Based on the above analysis and important observations following are some suggestions/Recommendations:

- Pakistan Customs should also obtain and provide nationality details especially in case of foreigners this will be helpful to segregate between foreigners and Pakistan Nationals CDRs (Currency Declaration Reports).
- It was observed that only currency details is provided however, BNI (Bearer Negotiable Instruments) or gold / precious metals are either not declared or not being part of currency declaration records provided to FMU. It is suggested that gold/precious metals declaration should also be obtained and provided to FMU.
- Purpose of foreign Trip or Purpose of visit should also be part of the currency declaration form.
- In addition to provision of access of currency declaration system to FMU, Pakistan Custom and FMU should also technically collaborate to add these records on goAML. Since, FMU's goAML application is capable to add another report type for these currency declaration records by which these currency records will automatically become part of the individuals profiles reported to FMU in STRs.

Strategic Analysis

Strategic Analysis on Use of Banking Channel by Illegal Arms and Ammunition Businesses

Multiple suspicious transactions reports have been filed by different banks on basis that customers are doing high risk business of Arms and Ammunition, while ongoing monitoring of their accounts they failed to provide any valid licensing documents to the banks. Almost 139 accounts have been reported through these STRs which are maintained by the individuals who are engaged in arms and ammunition business. These STRs were analyzed on the following parameters:

- Purpose of Accounts
- Transactional Pattern in the Accounts
- Turnovers in the Accounts
- Nature of Accounts
- Status of Accounts
- Geographic Location of individuals
- Profession/ Occupation
- Age of Individuals

Important Observations:

While analyzing the reported accounts of Arms and Ammunition dealers on above parameters, following observations are worth mentioning:

- The account holders have failed to provide any valid licensing documents issued by the competent authority for doing Arms and Ammunition Business. Apparently, they are engaged in illegal Arms and Ammunition Business.
- Most of the account holders are doing business in Dara Adam Khel, which is prone to Illegal Arms and Ammunition manufacturing and trading.
- The turnovers in some of the accounts were significant which do not commensurate with the business profile.
- All reported personal accounts (individual and joint) were used for business transactions.
- The transactional patterns of most of the accounts do not commensurate with stated business profiles.
- Some individuals are very young in age but high volume of transactional activity was carried out in their accounts.
- There is also probability that the reported arms and ammunition dealer might also be engaged in other criminal activities such as Hawala/Hundi, Terrorism and Drugs Trafficking, etc.
- Only few banks are found to be vigilant enough to report STRs to FMU on this risky business segment.

Recommendations:

Keeping in view the above analysis and observation following are some suggestions:

- Though SBP has issued general guidelines for AML/ CFT risk based approach to the banks. It is suggested that SBP may also issue specific risk based guidance to the banks

Strategic Analysis

for conducting Enhance Due Diligence (EDD) for high risk business of Arms and Ammunition.

- Only few of the banks have reported STRs on Arms and Ammunition business segment. It is suggested that SBP may conduct thematic inspection of the banks for the accounts maintained by the individuals and entities associated with Arms and Ammunition Business. The findings in this regard may also be shared with FMU.
- Keeping in view, the high risk of Arms and Ammunition business w.r.t. Terrorism and criminal activities, it is suggested that relevant Law Enforcement agency may conduct ground check and other necessary measures to eradicate or regulate the reported Arms and Ammunition dealers.
- It is suggested that steps should be taken to regularize and develop arms manufacturing into a full-fledged industry in Pakistan's northwestern Darra Adam Khel region. It is important to issue licenses to the manufacturers and sellers to mainstream the business.

Strategic Analysis on Fourth Schedulers and Associates.

Financial Monitoring Unit has carried out strategic analysis on significant number of suspicious transaction reports (1020 STRs in numbers) received during September 2019 to December 2019. These STRs were submitted to FMU by different reporting entities i.e. banks, exchange companies, micro finance banks, insurance and brokerage houses on various individuals who are domestically proscribed under Fourth Schedule of Anti-Terrorism Act,1997,as well as associates of these proscribed individuals i.e. family members or business partners/ counter parties.

During analysis of these STRs following key analytical parameters were analyzed:

- Time Period of Data Analysis
- Geographic analysis of individuals
- Professional and occupation background
- Age diversity of individuals
- Financial Products and channels used by individuals
- Freezing Actions taken by the financial institutions
- Sanction Screening mechanisms of financial institutions

Based on the strategic analysis the findings were shared with the respective CTDs for investigation purpose and following Recommendations were shared by FMU for reporting entities, regulators and other stakeholders.

The briefs of the above strategic analysis are also accessible from below link:

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

Legal & Structural Reforms

Notification of AML-CFT Regulatory authorities for DNFBPs

AML/CFT Regulatory and Supervisory Authorities for DNFBPs were notified on 23 December 2019 by General Committee under AMLA 2010 as a result of efforts by the DNFBP working group which comprised of representatives from public & private sectors. The working group also proposed regulatory and supervisory framework for Lawyers, Accountants, Gem & Jewelers and Real estate dealers.

http://www.fmu.gov.pk/docs/DNFBP_Notification_Dec_23_2019_2.pdf

AML-CFT Regulations for DNFBPs

FMU recommended AML-CFT Regulations for DNFBPs on 11 January 2020 to their designated AML CFT Regulatory and Supervisory Authorities for issuance of their respective regulations including requirement to identify, assess, understand, document and report MT/TF risk (in line with NRA 2019).

<http://www.fmu.gov.pk/wp-content/uploads/2020/01/Updated-Revised-Draft-Regulations-DNFBPs.pdf>

Issuance of AML-CFT Regulations for CDNS and Pakistan Post

The concerned Ministries regulating Central Directorate National Savings (CDNS) and Pakistan Post have issued AML/CFT Regulations duly approved by the Federal Cabinet. AML/CFT regulations include implementation of all UNSC resolutions including 1267 and 1373 obligations.

Accordingly, CDNS & Pakistan Post have established and are in process of implementing mechanisms and procedures for CDD, EDD, TFS Obligations, transaction reporting, Record Keeping, Internal Risk Assessments, Monitoring and Supervisory Controls, etc.

AML/CFT Rules for CDNS: <http://savings.gov.pk/national-savings-schemes-aml-cft-rules2019-information-general-public/>

AML/CFT Rules for Pakistan Post: [http://www.pakpost.gov.pk/images/2020-01-29-Pakistan-Post-\(AML&CFT\)-Rules.pdf](http://www.pakpost.gov.pk/images/2020-01-29-Pakistan-Post-(AML&CFT)-Rules.pdf)

Notification of AML-CFT Supervisory Board for CDNS

AML CFT Supervisory Board has been notified to provide independent oversight for implementation of AML / CFT rules:

http://www.finance.gov.pk/notifications/F_16_01_GS_I_23012020.pdf

Legal & Structural Reforms

Model Charity Law for NPOs

Pakistan carried out detailed survey of all NPOs (64,946) across the country from July to October 2019 and updated registration Process. As a result of the survey, 48,464 inactive NPOs have been deregistered while 15,980 remaining NPOs are active. During the Sectoral Risk Assessment, 1307 NPOs were identified as high risk, their enhanced inspection/ audit has been scheduled and underway. Furthermore, all provinces and Federal Capital have promulgated Charity Laws. Under respective provincial Charity Laws, Charity Commission have been notified. These commissions are now being operationalized.

KPK Province: <https://www.pakp.gov.pk/wp-content/uploads/The-KP-Charities-Act-2019.pdf>

Sindh Province: <http://www.pas.gov.pk/uploads/acts/Sindh%20Act%20No.XVI%20of%202019.pdf>

Punjab Province: <http://punjablaws.gov.pk/laws/2697.html>

Baluchistan Province: http://pabalochistan.gov.pk/pab/pab/tables/alldocuments/actdocx/2020-01-22_12:46:32_f9a0b.pdf

Central Registry of NPOs

To promote effective supervision and monitoring of Non-Profit Organizations, a central registry has been set-up. It has been made mandatory for Provincial NPOs to register with the Federal Board of Revenue (FBR), the nominated Authority to maintain Central Registry before registration in the respective province.

This will help populate a central data of all NPOs at FBR. Moreover, the requirement of documentation in case of obtaining registration with FBR and annual information returns has been especially expanded for NPOs to further strengthen the regime. SECP already has a centralized database of NPOs registered under Section 42.

Central Registry Database: <https://www.fbr.gov.pk/nonprofitableorganizations/132224>

AML-CFT Local Resources

SBP Issues AML/CFT Guidelines on Risk Based Approach for Banks, DFIs and MFBs

Under powers conferred in Section 41 of Banking Companies Ordinance (BCO) 1962 and Section 31 of the Microfinance Institutions Ordinance 2001, State Bank of Pakistan (SBP) has been endeavoring to prevent the possible use of the banking sector for money laundering, terrorist financing and other illicit activities. With a view to further align AML/CFT Regulations with requirements embodied in FATF recommendations and observations highlighted in Pakistan's Mutual Evaluation Report 2018, SBP has decided to amend various provisions of the regulations. Circular No. 8 of 2019 on Anti-Money Laundering and Combating the Financing of Terrorism Guidelines on Risk Based Approach for Banks/DFIs/MFBs available at <http://www.sbp.org.pk/bprd/2019/C8.htm>

SBP Updates AML/CFT Regulations for all its Regulated Financial Entities

Banks and Developmental Financial Institutions

In terms of powers conferred on State Bank of Pakistan under Section 41 of Banking Companies Ordinance (BCO) 1962 Banking Policy & Regulations Department has issued Circular No. 7 of 2019 on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Regulations. 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.

The Regulations are available at <http://www.sbp.org.pk/bprd/2019/C7.htm>

Micro Finance Banks

In terms of powers conferred on State Bank of Pakistan under Section 31 of the Microfinance Institutions Ordinance 2001, Agricultural Credit & Micro Finance Department has Circular No. 04 of 2019 on Compliance of AML/CFT Regime for MFBs available at <http://www.sbp.org.pk/acd/2019/C4.htm>

Exchange Companies

In terms of powers conferred on State Bank of Pakistan under Section 3AA of Foreign Exchange Regulation Act, 1947 Exchange Policy Department has issued EPD Circular Letter No. 19 of 2019 Amendments in Exchange Companies Manual, 2018 - AML CFT Regulations. AML/CFT related regulations have been updated and further aligned with the Financial Action Task Force (FATF):

- i) Alignment of **AML/CFT instructions** for Exchange Companies/Exchange Companies of 'B' Category with FATF Recommendations.
- ii) Introduction of comprehensive **Fit & Proper Criteria** for Shareholders, Directors, CEO and Key Executives of Exchange Companies/Exchange Companies of 'B' Category.
- iii) Guidelines on **Risk Based Approach** for Exchange Companies Sector.
- iv) Revised guidelines for Exchange Companies Sector on **Compliance of Government of Pakistan's Notifications issued under United Nations Security Council (UNSC) Resolutions.**

Available at the following link <http://www.sbp.org.pk/epd/2019/FECL19.htm>

AML-CFT Local Resources

Public Disclosure of Enforcement Actions by SBP

To bring more transparency and strengthen market discipline, SBP has decided to publicly disclose significant enforcement actions especially related to AML / CFT as per following format through SBP website. Enforcement actions are an integral part of regulatory regime which involves imposition of monetary penalties and other actions against institutions and individuals for violations of laws, rules, regulations, guidelines or directives issued by SBP from time to time.

Circular: <http://www.sbp.org.pk/osed/2019/C1.htm>

SBP updates Red Alerts on Suspicious Transactions

With a view to further align AML/CFT Regulations with the Financial Action Task Force (FATF) Recommendations SBP has provided detailed Red Alerts, Examples or Characteristics of Suspicious Transactions in Annexure II of AML/CFT Regulations available at:

<http://www.sbp.org.pk/bprd/2019/C7-AML-CFT-Regulations.pdf>

SECP AML CFT Regulations and 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. SECP has also updated its Risk Based Approach in the light of NRA and has issued revised guidelines. Further, SECP issued Directive SRO 55(I)/2020 dated 28 January 2020 requiring Regulated Persons to undertake and submit their internal annual risk assessment which should be aligned with the risks identified in the latest National Risk Assessment. The SRO can be accessed at: <https://www.secp.gov.pk/document/s-r-o-55-i-2020-amendments-in-a-ml-regulations-2018/?wpdmdl=38236>

SECP Warning Signs / Red Flags on Suspicious Transactions

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. The complete document may be downloaded from: <https://www.secp.gov.pk/document/guidelines-on-secp-aml-cft-regulations-2018/?wpdmdl=32289>

SECP AML-CFT FAQs 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/>

AML-CFT Local Resources

SECP instructions on ultimate beneficial owners

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

Further, SECP has also issued FAQs for Ultimate Beneficial Ownership for reference of regulated entities as well as financial institutions.

<https://www.secp.gov.pk/document/faqs-on-ultimate-beneficial-ownership-2/?wpdmdl=33741>

SECP AML CFT Guidelines For Non Profit Organizations (NPOs)

Like other regulated entities in the financial and corporate sectors, Non Profit Organizations (NPOs) are not immune to ML/TF abuses. Many instances locally and worldwide have revealed terrorist abuse of NPOs to raise and move funds, provide logistic support, encourage terrorist recruitment or otherwise cultivate support for terrorist organizations and operations. Terrorist elements also try to exploit every system from where they can collect money and fund their terrorist activities, including corporate sector. Keeping in view the gravity of the ML/TF issues at the global level, Government of Pakistan has taken various legislative measures to strengthen the Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) regime in Pakistan. To mitigate ML/TF risks in respect of NPOs under its regulatory purview, the Securities and Exchange Commission of Pakistan (SECP) has also issued the Associations with Charitable and not for Profit Objects Regulations 2018.

<https://www.secp.gov.pk/document/aml-cft-guidelines-for-npos-2018/?wpdmdl=32268>

Local Updates on TFS

STRATEGIC EXPORT CONTROL DIVISION (SECDIV)

Proliferation of Weapons of Mass Destruction (WMDs) poses a threat to international peace and security. In pursuance of its commitment to non-proliferation, Pakistan has instituted a comprehensive legislative, regulatory and implementation system on transfer of sensitive goods and technologies and ensuring their safety and security at all stages, Export Control on Goods, Technologies, Material and Equipment related to Nuclear and Biological Weapons and their Delivery Systems Act - 2004 (SECA-2004) was passed by the National Assembly on 14 September 2004. The Act further strengthens controls over exports of sensitive goods and technologies particularly related to Nuclear and Biological Weapons and their means of delivery, and enables governmental controls over export, re-export, transit, and transshipment of goods, technologies, material and equipment related therewith.



Pursuant to Export Control Act 2004, the Strategic Export Control Division (SECDIV) was set up in 2007 as part of the Ministry of Foreign Affairs (SRO 499(I)/2009), to administer export controls. SECDIV is the licensing Authority for items mentioned in the Control Lists and those non-listed items which could possibly be used in WMDs or their delivery systems. Official Website: <http://www.secdiv.gov.pk>

Lists of goods and technologies subject to regulatory controls were first published in 2005 and is periodically revised. The lists are consistent with the scope of export controls maintained by the Nuclear Suppliers Group, Missile Technology Control Regime and Australia Group. These are periodically reviewed/revised by a standing Joint Working Group.

Latest list is available at: <http://www.secdiv.gov.pk/uploads/Control Lists 4th-f55d.pdf>

Updates on Proliferation Financing related obligations by SECDIV

Updated delisting procedure now contains the address of Focal Point and is available on SECDIV website for ready reference of the relevant stakeholders as well as the public:

<http://secdiv.gov.pk/uploads/Procedure%20for%20Delisting%20and%20Exemption%20from%20Assets%20Freeze%20for%20EntitiesIndividuals-bd04.pdf>

Local Updates on TFS

Guidance on de-conflicting false positives and obligations related to de-listing have been made available on SECDIV's website.

[http://secdiv.gov.pk/uploads/Procedure%20for%20Unfreezing%20the%20FundsAssets%20Inadvertently%20Frozen%20\(False%20Positive\)-a795.pdf](http://secdiv.gov.pk/uploads/Procedure%20for%20Unfreezing%20the%20FundsAssets%20Inadvertently%20Frozen%20(False%20Positive)-a795.pdf)

For access to funds in case of Iranian designated entities, the procedure is covered in SRO. 14921(I)/2019 issued on 04 December 2019 and made available on SECDIV's website.

<http://www.secdiv.gov.pk/uploads/Consolidated%20SRO%201492%20dated%2004%20December%202019%20pursuant%20UNSCR2231-d8d6.pdf>

The reference and link to procedures of delisting established pursuant to UNSC 1730 (2006) and procedures for exemptions, including inter alia, requests for access to funds in case of DPRK have been covered in S.R.O.1465(I) /2019 dated 28 November 2019, which is available at: [http://secdiv.gov.pk/uploads/SRO1465\(I\)-d668.pdf](http://secdiv.gov.pk/uploads/SRO1465(I)-d668.pdf)

SBP updates Red Flags on Proliferation Financing

National authorities and academic institutions have identified a number of situations, which may indicate possible proliferation financing activities. Detailed annexure on situations indicating possible Proliferation Financing Activities elements that may indicate potential proliferation financing and sanctions evasion activities are available at <http://www.sbp.org.pk/bprd/2019/C9-UNSC-Compliance-Guidelines.pdf>

Guidelines issued by MOFA for UNSC 1267

MoFA has developed Guidelines 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) and 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 implementing Pakistan's legal obligations regarding the implementation of the Targeted Financial Sanctions (TFS) pursuant to the United Nations Security Council 1267 Sanctions Regime.

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

Local Updates on TFS

Updates on Terrorist Financing related obligations by MOFA

United Nations Security Council (UNSC) has decided that all States are required to take all possible measures, in accordance with their domestic laws and practices, to notify or inform in a timely manner the listed individual or entity of the listing as provided in the relevant resolutions, the Committee's procedures for considering delisting requests, including the possibility of submitting such a request to the Ombudsperson in accordance with paragraph 43 of resolution 2083 (2012) and the provisions of resolution 1452 (2002) regarding available exemptions, including the possibility of submitting such requests through the Focal Point mechanism. Details of the procedure for delisting and exemptions is available on following links:

- i. http://www.mofa.gov.pk/documents/sro/Delisting_Procedure_Alqaida.pdf
- ii. <http://www.mofa.gov.pk/documents/sro/Exemptions.pdf>

UNSC Freezing and Seizure Order of 4 March 2019 requires all natural and legal persons to implement freezing actions and report attempted transactions. The term "All Concerned" has also been replaced by "All Persons" and "Without Delay" with "promptly". The definition of "All Persons" have also been elaborated in the UNSC (Freezing and Seizure) Order, 2019. Aspects related to timely issuance of freezing order, its public knowledge, guidelines in case of inadvertent freezing/ seizing of assets, and procedure for review petition / delisting have been thoroughly updated and covered in UNSC (Freezing and Seizure) Order, 2019. The link to this can be found at:

<http://mofa.gov.pk/wp-content/uploads/2020/01/UNSC-Freezing-Seizure-Order-2019-1.pdf>

SROs related to UNSC Sanctions:

<http://mofa.gov.pk/unsc-sanctions/>

The delisting procedures related to 1988 committee can be found at:

<http://mofa.gov.pk/wp-content/uploads/2020/01/Delisting-Procedure-UNSC-1988-Committee.pdf>

The exemptions from travel ban related to 1988 committee can be found at:

<http://mofa.gov.pk/wp-content/uploads/2020/01/Exemption-from-Travel-Ban.pdf>

The exemption from assets freeze measures for the 1988 sanctions can be found at:

<http://mofa.gov.pk/wp-content/uploads/2020/01/Exemption-from-Asset-Freeze.pdf>

Local Updates on TFS

NACTA Guidelines on implementation of UNSCR 1373

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/>

Since Sept 2018, NACTA has streamlined its procedure to publish list of proscribed entities / individuals on its website. Presently, the list of proscribed individuals has been updated to contain CNIC numbers as key identifying information. NACTA has also continued to update the list of proscribed individuals without delay, on its website in accordance with the protocols. The proscribed person list is available on the official website at: <https://nacta.gov.pk/pp/>

SBP enhances understanding of Targeted Financial Sanctions under UNSC Resolutions

To further enhance the understanding of Targeted Financial Sanctions regimes for Terrorism Financing and Proliferation Financing, under UNSC Resolutions, and to further align said regimes with the requirements embodied in FATF Recommendations SBP further updates Guidelines on Compliance of Government of Pakistan's Notifications issued under United Nations Security Council (UNSC) Resolutions.

The updated guidelines on the subject are for compliance by all banks/ DFIs/ MFBs. Circular No. 9 of 2019 Guidelines on Compliance of Government of Pakistan's Notifications issued under United Nations Security Council (UNSC) Resolutions available at <http://www.sbp.org.pk/bprd/2019/C9.htm>

SECP's directive on compliance with UNSC Resolutions

SECP regulations require each Regulated Persons to immediately scan its customer data bases and their Beneficial Owners /associates for any matches with the stated designated/proscribed person(s)/entity(ies) on receipt of SROs issued by MOFA, NACTA/LEAs/Provincial Home Departments/MOI and file the compliance report within three days with the Commission. The relevant Directive under SRO 55(I)/2020 dated 28 January 2020 is available at: <https://www.secp.gov.pk/document/s-r-o-55-i-2020-amendments-in-a-ml-regulations-2018/?wpdmdl=38236>

International Resources

FATF Best Practices on Beneficial Ownership for Legal Persons

The results of FATF Mutual Evaluations indicate that jurisdictions find it challenging to achieve a satisfactory level of transparency regarding the beneficial ownership of legal persons. This best practice paper aims to provide suggested solutions, supported by cases and examples of best practices from delegations, in response to challenges faced by delegations in implementing FATF Recommendation 24. Countries' experience shown in the FATF mutual evaluations echoes that jurisdictions using a single approach is less effective in making sure that competent authority can obtain accurate and up-to-date BO information to in a timely manner. Instead, a multi-pronged approach using several sources of information is often more effective in preventing the misuse of legal persons for criminal purposes and implementing measures that make the beneficial ownership of legal persons sufficiently transparent.

<https://www.fatf-gafi.org/media/fatf/documents/Best-Practices-Beneficial-Ownership-Legal-Persons.pdf>

Latest FATF Guidance on Risk Based Approach

The risk-based approach (RBA) is central to the effective implementation of the FATF Recommendations. Between 2007 and 2019, in order to assist both public authorities and the private sector in applying a risk-based approach, the FATF has adopted a series of guidance in co-operation with relevant sectors.

The FATF is now in the process of reviewing its set of RBA guidance papers to bring it in line with the requirements of the revised FATF Recommendations, and to reflect the experience gained by public authorities and private sector over the years. In 2019 two sets of guidance were issued by FATF, Guidance for a Risk-Based Approach Guidance for Legal Professionals (26 Jun 2019) and Risk Based Approach Guidance for Legal Professionals (25 Feb 2019).

[http://www.fatf-gafi.org/documents/riskbasedapproach/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/documents/riskbasedapproach/?hf=10&b=0&s=desc(fatf_releasedate))

FATF Guidance on counter Proliferation Financing

The FATF guidance on counter proliferation financing provides a starting point to the public and private sectors in understanding the threats and situations where customers, transactions and other account activities may be involved in proliferation financing. The implementation of financial provisions of United Nations Security Council Resolutions to counter the proliferation of weapons of mass destruction are available at

<http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Countering-Proliferation-Financing.pdf>

International Resources

FATF Guidance on Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers

In response to the increasing use of virtual assets for money laundering and terrorist financing FATF strengthened its standards to clarify the application of anti-money laundering and counter-terrorist financing requirements on virtual assets and virtual asset service providers. Countries are now required to assess and mitigate their risks associated with virtual asset financial activities and providers; license or register providers and subject them to supervision or monitoring by competent national authorities. Virtual asset service providers are subject to the same relevant FATF measures that apply to financial institutions.

<http://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidance-rba-virtual-assets.html>

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>

Public consultation on FATF draft guidance on digital identity

The Financial Action Task Force (FATF) is developing guidance to clarify how digital identity (digital ID) systems can be used for customer due diligence (CDD). The draft guidance intends to help governments, financial institutions and other relevant entities apply a risk-based approach to the use of digital ID for CDD.

The FATF is consulting private sector stakeholders before finalising the guidance. We welcome your views on the areas of focus below, in addition to specific proposals to the text of the guidance. We primarily seek views from banks, virtual asset service providers and other regulated entities, but also welcome views from authorities.

<http://www.fatf-gafi.org/publications/fatfrecommendations/documents/consultation-digital-id-guidance.html>

International Resources

FATF Case study on the misuse of a legal person or arrangement

US authorities identified front companies used to conceal the ownership of certain US assets by Bank Melli, which was previously designated by the US authorities for providing financial services to entities involved in Iran's nuclear and ballistic missile program. Bank Melli was also subject to a call for enhanced vigilance in UNSCR 1803.

The Department of Justice obtained the forfeiture of substantial assets controlled by the Government of Iran. These assets included a 36-story office tower in Manhattan at 650 5th Avenue having an appraised value of more than USD 500 million, other properties, and several million dollars in cash. The ownership of the office tower was split between Bank Melli (40%) and the Alavi Foundation (60%), which provided services to the Iranian government, such as transferring funds from the office tower to Bank Melli.



More details can be accessed at the FATF website: <http://www.fatf-gafi.org/publications/methodsandtrends/documents/concealment-beneficial-ownership.html>

UNSC consolidated list

The Consolidated List includes all individuals and entities subject to measures imposed by the Security Council. The inclusion of all names on one Consolidated List is to facilitate the implementation of the measures, and neither implies that all names are listed under one regime, nor that the criteria for listing specific names are the same. For each instance where the Security Council has decided to impose measures in response to a threat, a Security Council Committee manages the sanctions regime. Each sanctions committee established by the United Nations Security Council therefore publishes the names of individuals and entities listed in relation to that committee as well as information concerning the specific measures that apply to each listed name.

<https://www.un.org/securitycouncil/content/un-sc-consolidated-list>

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%20Manual%20TF%20Risk%20Assessments.pdf)

International Resources

Egmont on Combatting Terrorism Financing

During the 26th Egmont Group Plenary meeting in 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>

Important Links

List of bills passed by the National Assembly of Pakistan

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

FATF Publications / Reference Material

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

The State Bank of Pakistan

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

The Securities and Exchange Commission of Pakistan

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

National Counter Terrorism Authority

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

Proscribed Persons List by NACTA

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

The Ministry of Foreign Affairs

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

Ministry of Foreign Affairs SRO Updates

<http://202.83.172.66/app/signup/index.php>

Strategic Export Control Division (SEC DIV)

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



Financial Monitoring Unit

www.fmu.gov.pk