



Financial Monitoring Unit (FMU)
Government of Pakistan
2nd Floor, SBP Main Building, I.I Chundrigar Road, Karachi

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May 20, 2020

The Presidents/ Chief Executives,
All Reporting Entities

Dear Sirs/Madams,

Money Laundering and Terrorism Financing Risks in Covid-19 Predicament

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.

2. In this regard, the FATF has issued a document which identifies challenges, good practices and policy responses to new money laundering and terrorist financing threats and vulnerabilities arising from the COVID-19 crisis. Following ML/TF risks and vulnerabilities have been highlighted in the document:

- Bypass customer due diligence measures;
- Increase misuse of online financial services and virtual assets to move and conceal illicit funds;
- Exploit economic stimulus measures and insolvency schemes as a means for natural and legal persons to conceal and launder illicit proceeds;
- Increase use of the unregulated financial sector, creating additional opportunities for criminals to launder illicit funds;
- Misuse and misappropriation of domestic and international financial aid and emergency funding;
- Exploit COVID-19 and the associated economic downturn to move into new cash-intensive and high-liquidity lines of business in developing countries.

The FATF document is attached as **Annexure-I** and is also available on the following link:

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

3. Keeping in view the FATF guidelines, NACTA has also issued Directive/Guidance on Money Laundering/ Terrorism Financing (ML/TF) Risks in COVID-19 Scenario, which identifies following ML/TF risks and require due attention and enhanced vigilance by the financial institutions:

- Misuse of charitable sector/donations by undesirable elements
- Increase in Cybercrimes and abuse of social media by the criminal elements
- Use of virtual assets for money laundering and financing of terrorism
- Increase in financial frauds and scams
- Exploiting Banking and other financial services to conceal or launder funds
- Increase in physical cash transactions
- Use of unregulated financial sector
- Recruitment by criminal/ terrorism organization
- Increase in Narco-Trade/Trafficking

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The Directive/Guidance on Money Laundering/ Terrorism Financing (ML/TF) Risks in COVID-19 Scenario issued by NACTA is attached as **Annexure-II**.

4. In order to mitigate the money laundering/ terrorism financing threats arising from the Covid-19 crises, the reporting entities are advised to enhance risk assessment and comply with the guidelines and directives issued by FATF and NACTA. Further, reporting entities should consider to file the suspicious transaction report and/or suspicious activity report having element of ML/TF to the FMU, in the light of risks and vulnerabilities identified in 'COVID-19 related ML/TF Risks and Potential Policy Responses' issued by FATF and 'Directive/Guidance on Money Laundering/ Terrorism Financing (ML/TF) Risks in COVID-19 Scenario' issued by NACTA.

Yours truly,

Sd/-
(Sumera Baloch)
Additional Director

Copy to:

- 1) The Executive Director, Banking Policy & Regulations Group, State Bank of Pakistan, Karachi.
- 2) The Executive Director, Anti-Money Laundering, Securities & Exchange Commission of Pakistan, Islamabad.