

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, Dated 22th February, 2019

NOTIFICATION
DIRECTIVE

S.R.O. 245 (I)/2019.- Whereas the Securities and Exchange Commission of Pakistan (the "Commission") has notified the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the "Regulations") vide SRO 770(I)/2018 dated June 13, 2018 upon recommendation of Financial Monitoring Unit, established under section 6 of the Anti Money Laundering Act, 2010 (VII of 2010), which require all Regulated Persons to conduct self-risk assessment, have appropriate mechanisms to provide the risk assessment information to the Commission, and ensure implementation of targeted financial sanctions under the United Nations Security Council Resolutions, adopted by the Government of Pakistan, and refrain from forming business relationship with proscribed persons and entities under the Anti Terrorism Act, 1997 (XXVII of 1997) and related matters.

AND WHEREAS the term Regulated Person has been defined in the Regulations as "regulated person" for the purposes of these regulations means securities brokers, futures brokers, Insurers, Takaful Operators, NBFCs and Modarabas".

AND WHEREAS the Commission has issued Guidelines for implementation of AML /CFT framework as contained in the Regulations in September, 2018 for assistance and guidance of Regulated Persons. These Guidelines supplement the Regulations and the AML/CFT regime by clarifying and explaining the general requirements of the AML Law to help Regulated Persons in applying AML/CFT measures, developing an effective AML/CFT risk assessment and compliance framework suitable/compatible to their business, and in particular, in detecting and reporting suspicious activities. The Guidelines also contain four (4) detailed Annexures, which provide guidance for preparing AML/CFT Risk Assessment; AML/CFT Compliance Assessment Checklist; ML/TF warning signs/ red flags; proliferation financing warning signs/red alerts.

NOW THEREFORE, in exercise of the powers conferred under section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Commission hereby directs all the Regulated Persons to comply with following reporting requirements and submit information in the manner prescribed below to the respective supervisory departments of the Commission, in consonance with the requirements of the Regulations and Guidelines namely:-

- i. **Annual risk assessment and control/compliance assessment framework** to be filed by 30th June of each financial year ("FY"), starting from the date of notification of this directive.
 - a) **Risk Assessment Framework:**

Regulated Persons should submit their annual risk assessment report which should cover the process adopted for risk identification. The risk assessment methodology should cover the risk emanating from customers, products, geography and delivery channels, elaborate risk tolerance level and assess residual risk after implementation of mitigation measures. Regulated Persons may use the template given in Annex 1 to the Guidelines for reference, but may choose their own risk assessment methodology that best suits or represents their business, in light of the AML Act, 2010 and the Regulations.

The risk assessment report should be reviewed and approved by the board of directors of the Regulated Persons and shall be signed by the chief executive officer/ company secretary.

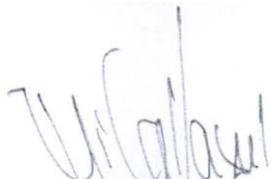
b) Compliance Assessment Checklist:

Regulated Persons should submit their annual compliance assessment checklist to demonstrate adequacy and effectiveness of AML/CFT compliance framework in light of the Regulations, and may use the checklist provided in Annex 2 to the Guidelines for this purpose.

- ii. Six monthly information/ data on 30th June, along with the annual risk assessment and compliance check list, and on 31st December of each FY year, starting from the date of notification of this directive:
- a) Extracts of the discussion / deliberations on Know Your Customer (KYC) / AML / CFT by board of directors and/or management committees;
 - b) Number of new customer accounts opened during the period according to risk categorizations i.e. high, medium and low;
 - c) Total number of foreign and domestic politically exposed persons (PEP) and their total value of investments/deposits/financing etc. during the period;
 - d) Details of all the accounts which were refused to be opened during the period;
 - e) Documentation of any activity for which a STR was considered but not filed along with rationale, during the period;
 - f) Copies of reports/mechanism to identify unusual transactions warranting further review;
 - g) Number of suspicious transaction and currency transaction reports submitted to Financial Monitoring Unit, during the period;
 - h) Detail of complaints received on account of KYC / AML, including its status i.e. in process/ resolved / closed, during the period;
 - i) Details of trainings conducted on AML/CFT of staff, during the period;
 - j) Record of transferring customers from one risk category to another, during the six month period.
- iii. Compliance report on statutory regulatory orders issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions and intimation from National Counter Terrorism Authority/Ministry of Interior regarding updates in list of proscribed persons under the Anti-Terrorism Act, 1997, shall be submitted within three day of receiving the same, through email to aml.dept@secp.gov.pk by authorized officer of the Regulated Person.

Any person to whom this directive applies and who contravenes or fails to comply with the requirements of this directive or submits a return which is false in material respect or where under a misstatement is made shall be liable to imposition of penalty under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), which may extend to ten million rupees and where such contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

No. SY/SECP/8/13


(Bilal Rasul)
Secretary to the Commission