

PRESS RELEASE

Seminar on Developing Anti-Money Laundering Measures

ISLAMABAD – 11 May 2004: Dr. Tariq Hassan, Chairman, Securities and Exchange Commission of Pakistan (SEC) has identified a three-pronged strategy for countering money laundering. The strategy involves: cooperation among domestic agencies and international bodies for exchange of information, resources and training; criminalizing laundering of money and terrorist financing through legislation in all countries; and bringing cultural shift within financial sectors so that transparency and anti-money laundering practices are encouraged.

Dr. Hassan said this during his concluding address while chairing the seminar on 'Developing Anti-Money Laundering Measures' organized by the SEC in Karachi on Tuesday. He said that these measures would involve necessary due diligence at the time of opening of accounts by financial institutions (know-your-customer), adopting the strategy of know-your-employee, establishment of financial intelligence units (FIUs), and appointment of compliance officers.

Enumerating the economic and social damages of money laundering for developing countries, Dr. Hassan said that it could lead to: (i) potential increase in crime and corruption; (ii) potential damage to reputation of financial institutions and markets; (iii) less foreign private investment; (iv) possible destabilization of financial markets and weaker financial institutions; (v) weakened legitimate private sector; (vi) potential economic distortion; (vii) loss of tax revenue; and (viii) weakened control over economic policy.

In Pakistan, an anti-money laundering legislation is being drafted to provide the necessary legal framework to effectively deal with the issue. Dr. Hassan informed the seminar participants that the SEC and other regulatory agencies were providing the institutional support to the Government for developing the necessary framework. He also urged the financial and corporate sectors to come forward with their input and contribute towards promoting transparency in the financial markets.

Dr. Hassan also informed the audience of the various measures taken by the SEC to counter money laundering. These include:

- Development of a comprehensive account opening form focusing at "knowing-your-customer" (KYC) by the stock exchanges for introduction at the time of account opening at the broker level.
- Designation of compliance officers, whose responsibilities would not only be to ensure compliance by companies with regulations and laws of the Commission but also to monitor adherence to the anti-money laundering procedure.
- Payment by NBFIs through cheques or negotiable banking instruments for money transactions above Rs. 50,000.
- Restriction on physical settlement of shares.

Earlier, Mr. Mahmood Mandviwalla spoke on the need for anti-money laundering legislation in Pakistan; Mr. Naseem Baig, Chief Executive of Arif Habib Investment Management highlighted the various avenues of money laundering in the securities market and made recommendations on countering them; and Mr. Agha Saeed Khan, Division Compliance Head of Citigroup Global Corporate and Investment Bank addressed the need to incorporate anti-money laundering measures in the banking sector.