



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Strategy, Development and External Relations Department

Press Release

SECP introduces anti-money laundering and counter-financing of terrorism regime in the capital market

Islamabad, February 1: The SECP has introduced a regulatory framework for implementation of anti-money laundering (AML) and counter-financing terrorism (CFT) regime in the capital market of the country. It places ample focus on effective customer due diligence/know your customer policies and seeks to remove deficiencies in the current system for ensuring adherence to the best international practices in the brokerage business. The SECP has already introduced similar legal framework for the mutual fund industry and insurance sector.

Over the recent years, there has been an increasing focus by the international community towards formulation of a financial system that efficiently counters risks of money laundering and terrorist financing. The Financial Action Task Force (FATF) being an inter-governmental body is entrusted with the responsibility of developing and promoting policies to combat money laundering and terrorist financing. The 40+9 recommendations of the task force form the basis for effective AML/CFT framework across jurisdictions and are used as a yardstick to evaluate compliance of countries with the AML regime.

The recent amendments approved by SECP to the General Regulations of the Karachi Stock Exchange make it mandatory for brokers to comply with the AML/CFT guidelines issued by the regulator. The guidelines are based on the FATF recommendations and cater for significant areas such as customer identification, customer profiling, ongoing due diligence, risk assessment, enhanced due diligence for high risk customers, requirements relating to politically exposed persons and staff training/screening etc. The guidelines require brokers to ensure identification of actual beneficial owner of an account, conduct risk assessment, monitor transactions executed and detect any unusual activity that does not correspond to the profile and expected trading pattern of the customer.

The introduction of this framework will not only assist in improving Pakistan's outlook through increased compliance with the AML and CFT standards set internationally but will also complement the objective of creating a general culture of documentation in our economy operations to promote transparency and disclosure.

Shakil Ahmad Chaudhary

Head, Internal and External Communication
Securities and Exchange Commission of Pakistan
NIC Building, 63 Jinnah Avenue, Islamabad
Tel: 921-4005 or 921-4009 ext. 378
Fax: 920-6459
Cell: 0302-855-2254
email: shakil.chaudhary@secp.gov.pk