SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Press Release

June 20, 2018

For immediate release

SECP notifies AML and CFT Regulations, 2018

ISLAMABAD, June 20: The Securities and Exchange Commission of Pakistan (SECP) notified Anti Money Laundering and Countering Financing of Terrorism Regulations, 2018. The Regulations are fully compliant with Financial Action Task Force (FATF) Recommendations, which are mandatory to adopt for Pakistan as a member of the Asia Pacific Group on Money Laundering.

The regulations supersede all earlier circular/notifications which had separate anti money laundering (AML) and countering financial of terrorism (CFT) requirements for financial institutions regulated by the SECP, namely Securities Brokers, Insurance Companies, Non-Banking Finance Companies and Modarabas. These Regulations provide a single set of Regulations for all the aforementioned financial institutions with the aim to harmonize the AML/CFT regime.

Earlier, draft version of the Regulations were placed on the SECP website for soliciting public comments. The relevant comments have been duly incorporated in the final version.

There are certain changes and additional provisions in the regulations that make it substantially better equipped in serving its purpose than the previous regime. The focus has been enhanced towards high-risk areas and taking a risk based approach towards combating money laundering and financing of terrorism. The introduction of simplified due diligence for low risk customers shall allow such customers to avail services of financial institutions with relative ease, whereas it will enable financial institutions to focus their resources on high risk customers, which are subject to enhanced due diligence. Low risk customers inter alia include customers dealing in pension schemes, limited services financial products and insurance products with annual premium of Rs. 100,000 or a single premium of Rs250,000, while high-risk categories inter alia include politically exposed persons, legal persons and legal arrangements with complex ownership structures and not for profit organizations.

In order to ensure that criminals are not able to hide their identity through use of complex ownership structure of companies, partnerships, trusts or other similar forms, the financial institutions are required to identify the ultimate beneficial owner, who is a natural person, of all legal persons and legal arrangements before offering their services to them.

Moreover, financial institutions are now required to carry out self-risk assessment relating to money laundering and terrorist financing risks faced by them. This requirement envisages instilling greater self-awareness in financial institutions and accordingly, enabling them to implement internal control measures that commensurate with their risk profile. Other new provisions cover correspondent relationship between Pakistani financial institutions and their foreign counter parts, assessment of money laundering risks by the financial institutions of any new product or technology before its launch, implementation of AML/CFT controls at financial group level and AML/CFT requirements for foreign branches and subsidiaries of Pakistani financial institutions.