



# Securities and Exchange Commission of Pakistan

## Press Release

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For immediate release

### **SECP to enforce world's best legislative framework for AML/CFT**

ISLAMABAD, November 22: The Securities and Exchange Commission of Pakistan (SECP) is enforcing world's best practices, legislative framework, technological enhancements, and streamlining of procedures to apply national anti-money laundering and countering financing of terrorism (AML/CFT) regime and develop effective risk assessment/compliance framework.

This was emphasized by the SECP's officials during a workshop on SECP's anti-money laundering regime and framework to detect beneficial owners of companies, organized by the SECP here on Thursday.

Ms. Khalida Habib, the head of SECP's anti-money laundering and international relations departments, briefed journalists on FATF AML/CFT recommendations, legal framework for AML /CFT and about SECP's procedures for monitoring implementation on FATF recommendations and the challenges therein. Mr. Waseem Ahmad Khan, additional director, Corporatization and Compliance Department, gave a briefing on SECP's regulatory framework for beneficial ownership.

The SECP's obligations under FATF action plan include identifying and assessing terror financing risks, in relevant sectors, geographic locations, channels and products, in consultation with FMU, LEAs, and other stakeholders. The SECP is also required to apply risk assessment in supervisory actions, including inspections and periodic review risk assessments.

Accordingly, Khalida said, the SECP's AML regime is aimed at protecting financial system and the economy from the threats of money laundering and terror financing. The regime is being implemented through a comprehensive legal framework, effective implementation of preventive measures, effective financial intelligence and enforcement and through strong domestic and international cooperation.

The FATF recommendations, which are actually global standards for AML/CFT, require Pakistan to implement AML/CFT policies, criminalize ML/TF; detect, freeze, seize, confiscate proceeds and funding, freeze terrorist assets, and financial sanctions related to proliferation. It also required to introduce preventive measures in financial institutions and designated non-financial businesses and professions that include CDD, record keeping, STR, internal control, regulatory and supervisory measures. Introduce measures for transparency in arrangements for ownership of legal persons and enhance international cooperation through mutual legal assistance, extradition and information exchange. The FATF promotes adoption and monitors implementation of these recommendations and Pakistan being a member of APG and UN is obliged to comply with FATF recommendations.

She recalled that FATF had observed deficiencies in Pakistan's implementation of AML/CFT regime in February 2018. In June 2018 Pakistan was placed on FATF's gray list- Jurisdictions with strategic deficiencies which commit to implement action plan and the non-implementation of action plan may result in blacklisting –high risk jurisdictions. She told the participants that Pakistan gave high level

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political commitment to implement the action plan agreed with FATF to address the notified deficiencies. FATF has placed Pakistan under ICRG review to monitor progress against the agreed upon action plan that would be completed by September 2019.

She said that two parallel FATF monitoring processes are currently underway, the first is Pakistan's mutual evaluation by Asia Pacific Group-against FATF 40 recommendations and the second is FATF Action Plan (27 Actions).

The FATF Action Plan (27 Actions) has identified four key areas of concerns, i.e, deficiencies in the supervision AML/CFT regime (FI and NPO), cross-border illicit movement of currency by terrorist groups, progress on terrorism financing investigation and prosecution by LEAs and effective implementation of the UNSCR on TFS. The SECP has issued guidelines for FIs on AML/CFT obligations and for not-profit organizations (NPOs) on ML/TF vulnerabilities, risks and best practices to counter TF. Moreover, the SECP also conducted awareness sessions for NPOs and FIs on AML/CFT obligations.

Regarding the mutual evaluation review (MER) to assess Pakistan's implementation of FATF 40 recommendations, the APG during onsite visit last month assessed Pakistan's compliance status to take account of status of technical compliance as well as its effectiveness as of October 21. Timeline for completion of evaluation process is July 2019. To comply with MER, the SECP has notified the Companies (General Provision and Forms) Regulations 2018. It also issued directive to companies on beneficial ownership and completed regulated NPO sector risk assessment. The SECP also started proceedings against the non-compliant FIs.

Under the SECP's AML regime, the financial institutions in Pakistan are required to report suspicious transaction, currency transactions and fulfil record keeping requirements, said Ms. Habib. They are also required to provide details of Safe Harbor Provision, obliged to assist in enforcement of AML Act.

To implement the AML regime, the financial institutions should establish AML/CFT policies and procedures and provide KYC/CDD for all new and existing customers with elements of identification, verification, ongoing monitoring, etc. they are have to do risk profiling of customers, establishing source of wealth and source of funds for high risk customers and obtaining sufficient information to determine expected source of funding for the account.

Waseem Ahmad Khan said that beneficial owners are natural persons who ultimately own or control a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. The legal persons can also take the form of offshore companies as any shareholder can form a company or its permitted under bearer share certificates and many other factors.

The information of beneficial ownership ensures an accurate disclosure regime, helps in detection and prevention of financial crimes, enhances investor confidence in financial and capital markets and protect the interests of minority shareholders, he said. The FATF recommendation 24 require countries to take measures to prevent the misuse of legal persons for ML/TF purposes, and ensure that there is adequate, accurate and timely information available with the companies on the ultimate (actual) beneficial ownership and control of legal persons that can be accessed in a timely manner by



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competent authorities. Legal person refers to any entity other than natural person that can establish a permanent customer relationship with a financial institution or otherwise own property, he explained.

FATA require member countries to have mechanisms that identify and describe different types, forms and basic features of legal persons, processes for the creation of those legal persons, and processes for obtaining and recording of basic and beneficial ownership information which should be publicly available.

He said that the SECP acquires the information of BO under the Companies Act, 2017, as well as limited liability partnerships under LLP Act, 2017, which is publicly available at the office of the registrar concerned from where it can either be inspected or certified true copies of the statutory returns be obtained on payment of a nominal fee.

Moreover, the SECP also issued a circular that required companies having legal persons as members or shareholders to take reasonable measures to obtain and maintain up-to-date information relating to their ultimate beneficial owners in a register of ultimate beneficial ownership. Ultimate beneficial owners have been defined as natural persons or individuals who ultimately own or control the company through direct or indirect ownership of not less than 10% shares, voting rights, ownership or controlling interest in that company.