

PRESS RELEASE

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SECP's risk based approach improve STR reporting of AML/CFT

ISLAMABAD, October 9: The Securities and Exchange Commission of Pakistan (SECP)'s risk based approach for effective implementation of AML/CFT regulatory framework ensued significant improvement in filing of Suspicious Transactions Reports (STR) with FMU.

To align itself with FATF's standards (40 recommendations), SECP developed a single set of regulations namely SECP AML/CFT Regulations in June 2018. SECP also developed a comprehensive guideline to help regulated persons in creating an effective AML/CFT risk assessment and compliance framework. Since the promulgation of consolidated AML/CFT regulations, the financial institutions have generated a total of 219 STRs, as compared to only 13 in the last eight years. The SECP conducted 167 inspections focusing on AML/CFT compliance in the cases of 72 Securities Brokers, 27 NBFCs, 13 Insurance Companies and 55 High Risk NPOs. Significant penalties have been imposed for non-compliances with the said Regulations. Financial Institutions have undertaken remedial measures to ensure effective compliance with the said Regulations. Automated screening software has been deployed by many Financial Institutions to screen the proscribed persons. The regulated entities now also have access to GoAML system of the FMU for online filing of STR.

The SECP successfully made transition from one-size fits all to a risk based approach to implement a consolidated AML/CFT regulatory framework in its regulated financial sector comprising of stock and commodity brokers, NBFCs, Modarabas and the Insurers/Takaful operators.

Further to effectively identify assess and understand the ML/TF risks that Pakistan faces, a National ML/ TF Risk Assessment was undertaken in 2019 to assess ML/TF vulnerabilities that are inherent within the financial sector including banking, NBFC, brokers and insurance. NRA aimed to put in place actions and control measures to mitigate those risks. FMU led the task in collaboration with stakeholders including ministries, law enforcement agencies, SBP and SECP.

The risk assessment and understanding enabled SECP and the regulated entities to implement the much needed control mechanism to check potential abuse by money launderers and terrorist financiers. Subsequent to NRA, SECP embarked on a comprehensive awareness raising program to develop the risk understanding and AML Obligations of the regulated sectors and shared the NRA 2019 with its regulated sectors.

SECP's continuous efforts have resulted in improvement in compliance level of the regulated entities and effective control measures are now implemented to combat money laundering and terrorist financing. The SECP has also revamped its overall risk based supervisory mechanism and works closely with national stakeholder's inter-alia FMU, SBP etc. for mutual peer review and evaluation of SECP's regulated financial sector.

Eversince the Commission has adopted a risk-based approach to supervision and monitoring in the area of AML/CFT, it has completed sector risk assessment and enhanced risk based supervisory activities encompassing all high-risk entities and is spreading the scope of supervision to next tier moderate risk entities. Remedial actions and dissuasive sanctions on non-compliance are now part of it's enforcement regime.

Recently, the Asia-Pacific Group of Money Laundering (APG) has adopted Pakistan's Mutual Evaluation Report (MER) in its 22nd Annual Meeting held in Canberra, Australia from 18-23 August 2019, which has now been uploaded on APG's website as per procedure. It is pertinent to mention that Pakistan's Mutual Evaluation Report (MER) provides a summary of the AML/CFT measures in place in Pakistan as of October 2018. A large component of the above reforms were implemented after October 2018 and are not reflected in the MER published now by APG.