

SECP Policy Board approves new legal changes to prevent money laundering

ISLAMABAD: The SECP Policy Board on Friday approved legal changes to put off misuse of companies and limited liability partnership for money laundering and terrorist financing.

The SECP Policy Board (SECB), in a meeting, approved the proposed amendments to the Companies Act 2017 and the Limited Liability Partnership (LLP) Act 2017 in respect of a Financial Action Taskforce (FATF) recommendation on transparency of legal persons.

“These are aimed to prevent misuse of companies and LLPs for money laundering and terrorist financing for prohibiting the issuance of bearer shares and the obligation to trace ownership by 25 percent shareholders to reach the original natural persons,” a statement, citing the decision, said. SECB Khalid Mirza presided over the meeting.

In February, global financial system’s watchdog extended timeline for Pakistan till June to implement the action plan to come out of the grey list of jurisdictions with deficiencies in anti-money laundering and combating of terrorist financing standards.

The board approved the significant amendments relating to revamping the Listed Companies (Further Issue of Shares) Regulations 2018 to facilitate and promote the mobilisation of capital.

The Securities and Exchange Commission of Pakistan (SECP) was further asked to reconsider removal of the underwriting requirement in respect of rights shares. The meeting endorsed amendments pertaining to Non Banking Financial Company Regulations 2008, finalised after public consultation.

SECP Chairman Aamir Khan apprised the board of implementation of the practice of index-based market halts at Pakistan Stock Exchange as per international best practice which triggers a 45 minute suspension of trading once the KSE-30 Index moves 4 percent either way for more than five minutes enabling market participants to cool off, settle margins and regroup.

Additional measures have been approved to facilitate and reduce cost of doing business for market participants in the matter of collection of market-wide concentration margin, use of “near cash” instruments as acceptable collateral by National Clearing Company of Pakistan Limited, and close-out mechanism plus release of 50 percent margin in deliverable futures contract market.

Khan said the commission improved its internal governance by conducting comprehensive root cause analysis to identify governance shortcomings within the organisation as well as structural and operational review of the SECP to identify and initiate a number of significant measures to upgrade institutional performance.

“Some other initiatives in-pipeline include chatbot, repository of laws, secured transactions registry, LEAP (leading efficiency through automated prowess) – the commission’s wide-ranging initiative towards achieving end to end digitalisation of SECP – and the recently introduced sandbox facilitation for entrepreneurs,” he said.

The board said a more aggressive adoption of digitalisation modes is warranted. The meeting was told about Asian Development Bank’s (ADB) financial market development program and its draft policy matrix. Some board members expressed reservations with the recommendations of ADB, which they felt were rather light and perhaps, did not seek to resolve the fundamental issues of the capital market. It was noted with regret that the policy board was inadequately consulted by the ADB consultants.

The SECP Policy Board discussed the National Accountability Bureau’s (NAB) response to the commission’s letter regarding transfer of cases and secondment of SECP officers and decided to take legal opinion in the matter, particularly interpretation of the expression full and complete assistance (and what it entails) used in NAB’s governing statute with respect to what NAB can require from anybody

Mutual Funds Association of Pakistan (Mufap) made a presentation on the progress achieved by the mutual funds industry following acceptance of MUFAP’s demands and reduction in the SECP levied fee on assets under management.

The policy board said mutual fund managers are needed to reach desirable goal posts over the next two to three years, although the mutual funds industry displayed growth. Mufap told the meeting that the industry’s assets under management increased to Rs692 billion from Rs578 billion in six months, while 40,000 to 50,000 mutual fund investors were added during the period.

The SECB decided not to make any change in the regulatory fees currently charged by SECP. The SECB comprises ex-officio members of the ministries of finance, commerce, and law, SBP, SECP and persons of eminence from the private sector.