

SBP tells banks, DFIs to carry out biometric verification

In order to mitigate the money laundering and terrorist financing risks, the State Bank of Pakistan (SBP) Friday advised banks/DFIs to carry out biometric verification of the existing customers. Regulation-1 (Customer Due Diligence-CDD) of AML/CFT Regulations require banks/DFIs, on on-going basis, to perform such CDD measures as may be appropriate to its existing customers having regard to their own assessment of materiality and risk but without compromise on identity and verification requirements. Thus, ongoing CDD is an essential part of an effective AML/CFT regime.

The State Bank of Pakistan (SBP) with the objective to preserve the integrity, soundness and safety of the financial system, has been endeavoring to prevent the possible use of the banking sector for money laundering, terrorist financing and other illicit activities. Towards this end, the SBP has issued various instructions/guidelines to the banks/DFIs from time to time.

In this context, SBP has reiterated that banks/DFIs must ensure strict observance of all applicable instructions including identification and verification of customers and their beneficial owner(s) and obtain information on the purpose and intended nature of business relationship.

The monitoring mechanism in place at banks/DFIs should be adequately resourced and strengthened to ensure that the transactions being conducted in the accounts are consistent with the banks/DFIs' knowledge of their customer, business, risk profile and the source of funds.

With the objective to know the ultimate beneficial ownership of accounts/transactions, the banks/DFIs have been asked to enhance their efforts to obtain relevant information and examine background and purpose of all complex, unusual large transactions and unusual patterns of transactions, which do not commensurate with customer profile or have no apparent economic or visible lawful purpose.

The SECP has also directed all companies to enhance their efforts to obtain and maintain up-to-date information relating to their ultimate beneficial owners, ie, natural persons or individuals who ultimately own or control the company. The banks/DFIs may seek such ultimate beneficial ownership information from their relevant customers during CDD process.

Therefore, with the view to further strengthen the measures already in place and mitigate the money laundering and terrorist financing risks, banks/DFIs have been advised to immediately ensure optimal utilization of biometric technology and carry out biometric verification of the existing customers, if already not done.

As per timelines given by the SBP, on high priority basis biometric verification of listed/Public Limited Companies with account turnover exceeding PKR 1,000 million for any of the calendar year 2016, 2017 or for a period since January 1, 2018 to September 30, 2018 should be ensure

30th

November

2018.

Biometric verification of Private Limited Companies having account turnover exceeding PKR 500 million for any of the calendar year 2016, 2017 or for a period since January 1, 2018 to September 30, 2018 and all customers except Public/Private Limited Companies with account turnover exceeding PKR 250 million for any of the calendar year 2016, 2017 or for a period since January 1, 2018 to September 30, 2018 should also completed by 30th November 2018.

biometric verification of Listed/Public Limited Companies with account turnover from PKR 500 million to PKR 1000 million for any of the calendar year 2016, 2017 or for a period since January 1, 2018 to September 30, 2018, Private Limited. Companies with account turnover from PKR 250 million to PKR 500 million for any of the calendar year 2016, 2017 or for a period since January 1, 2018 to September 30, 2018 and all customers except Public/Private Limited Companies with an account turnover from PKR 100 million to PKR 250 million for any of the calendar year 2016, 2017 or for a period since January 1, 2018 to September 30, 2018 up to January 31, 2019.

While, as normal process all other accounts not covered should be verified by 30th June 2019 According to SBP, biometric verification of persons authorized to open and operate the account of legal entities or legal arrangements shall be conducted.

In case of customers whose eligible identity documents are other than biometrically verifiable documents, re-validation/verification of identity shall be done based on documents, data or information obtained from customer and/or from reliable and independent sources having regard to bank/DFIs own assessment of materiality and risk.

The SBP has made it clear that during the course of inspection will particularly assess the compliance of above requirements and non-compliance will attract appropriate enforcement action in accordance with relevant laws.

RECORDER REPORT