



## SECP brings new regulations to satisfy FATF

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**ISLAMABAD: Complying with the recommendations of Financial Action Task Force (FATF) — a mandatory requirement Pakistan as a member of Asia Pacific Group on Money Laundering — the Securities and Exchange Commission of Pakistan (SECP) on Wednesday notified the Anti- Money Laundering and Countering Financing of Terrorism Regulations 2018.**

“Though almost all these requirements were enforced in Pakistan but they were scattered in various circulars and notifications,” the SECP spokesman said, adding that now the commission has streamlined the FATF recommendations by formulating a single set of regulations.

These regulations supersede all earlier circulars and notifications which had separate anti-money laundering (AML) and countering financial of terrorism (CFT) requirements for financial institutions regulated by the SECP.

### *Correspondent banking relationships impacted*

These circulars were issued to various sectors falling under the regulatory framework of the SECP such as the stock brokers, insurance companies, non-banking finance companies and modarabas. These regulations will harmonise the AML/CFT regime.

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However, there are certain changes and additional provisions in the regulations that make it substantially better equipped in serving its purpose than the previous regime.

Under the new regulations, focus has been enhanced towards high-risk areas and taking a risk-based approach towards combating money laundering and financing of terrorism.

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.

The new regulations have introduced simplified due diligence for low risk customers. This will allow 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.

The low risk customers have been identified as customers dealing in pension schemes, limited services financial products and insurance products with annual premium of Rs100,000 or a single premium of Rs250,000.

The high-risk categories inter alia include politically exposed persons, legal persons and legal arrangements with complex ownership structures and not for profit organisations.

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.

The SECP had placed the draft version of the regulations for soliciting public comments and the relevant feedback has incorporated in the final version.

*Published in Dawn, June 21st, 2018*