INTERNATIONAL THE NEWS

SECP unveils anti-money laundering regulations ahead of FATF June meeting

Page NO.15 Col NO.06

ISLAMABAD: Securities and Exchange Commission of Pakistan (SECP) on Wednesday unveiled new regulations to curb money laundering and counterfeiting financing terrorism as the caretaker government is racing to avert being placed on the grey list in June by a global watchdog.

The anti-money laundering and countering financing of terrorism regulations 2018 "are fully compliant with the Financial Action Task Force (FATF) recommendations, which are mandatory to adopt for Pakistan as a member of the Asia Pacific Group on Money Laundering," SECP said in a statement.

In February, Paris-based Financial Action Task Force (FATF) had decided to place Pakistan in the grey list of countries that lack measures to prevent money laundering and terror financing. The final decision will be taken in FATF's plenary meeting scheduled to take place in Paris from June 24 to June 29 where Pakistan is required to submit the action plan for review.

Pakistan was listed as grey in 2012 but was removed in 2015 after it made efforts to address the concerns of the group.

SECP said the regulations supersede all earlier circular/notifications which had separate anti-money laundering (AML) and countering financial of terrorism (CFT) requirements for financial institutions regulated by the SECP, namely securities brokers, insurance companies, non-banking finance companies and modarabas.

"These regulations provide a single set of regulations for all the aforementioned financial institutions with the aim to harmonise the AML/CFT regime," the commission said.

The SECP placed the draft version of the regulations on the commission's website for soliciting public comments. The relevant comments have been duly incorporated in the final version.

"There are certain changes and additional provisions in the regulations that make it substantially better equipped in serving its purpose than the previous regime," it added. "The focus has been enhanced towards high-risk areas and taking a risk based approach towards combating money laundering and financing of terrorism."

The commission said the introduction of simplified due diligence for low risk customers will allow such 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".

“Low risk customers inter alia include 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, while high-risk categories inter alia include politically exposed persons, legal persons and legal arrangements with complex ownership structures and not for profit organisations,” it added.

“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.”

The SECP further said 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,” it added.

“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.”