

FATF obligations: SECP unveils anti-money laundering framework for NPOs

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ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) on Wednesday unveiled guidelines to help non-profit organisations (NPOs) comply with international standards of anti-money laundering (AML) and combating the financing of terrorism (CFT).

SECP said the guidelines contain an elaborate explanation of the terrorist financing process, AML/CFT risk factors for NPOs, fundamental principles of good practice, measures to enhance good governance and ensure transparency and financial accountability.

The framework outlines red flags/high risk indicators, including illustrative characteristics of high-risk NPOs.

“These guidelines would also contribute to effective implementation of the Associations with Charitable and not for Profit Objects Regulations, 2018, issued by the SECP earlier,” the commission said in a statement.

NPOs have remained in focus considering their inherent risk of money laundering and terrorist financing. Many instances locally and worldwide have revealed terrorist abuse of charitable organisations to raise and move funds, provide logistic support, encourage terrorist recruitment or otherwise cultivate support for terrorist organisations and operations.

Terrorist elements also try to exploit every system from where they can collect money and fund their terrorist activities, including corporate sector.

“The guidelines have been issued on the basis of the recommendations of the Financial Action Task Force (FATF), while also keeping in view the evolving threats and challenges faced by NPO sector in the country,” the SECP said.

Pakistan came on the watch list of the global financial system’s watchdog after the country managed to avert being blacklisted on failure to control money laundering and terrorists financing.

FATF, an inter-governmental body, formed to coordinate efforts on AML/CFT, issued a set of 40 recommendations, which serve as international standards for combating money laundering and terrorist financing.

Pakistan is a member of Asian Pacific Group, a FATF-styled regional body, and required to adopt FATF standards as per membership obligations, and also to comply with the United Nations resolutions.

The SECP is actively pursuing implementation of anti-money laundering and counter-terrorist financing regime in its regulated sectors, including the NPOs.

The guidelines have been issued by the SECP to assist NPOs licensed under section 42 of the Companies Act, 2017, in combating money laundering and terrorist financing.

These may also be adopted by other NPOs registered under other laws as best practices on the subject.

“These guidelines will not only assist in improving Pakistan’s outlook by encouraging increased adherence to the applicable standards and recommendations but will also complement enhancing the level of understanding about the due diligence required with respect to AML/CFT in the NPO sector,” the commission said.