PART II
Statutory Notifications (S.R.O.)

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
NOTIFICATION

Islamabad, the 28th January, 2020

S. R. O. 55(I)/2020.—WHEREAS the Securities and Exchange Commission of Pakistan (the “Commission”) has notified the Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the “Regulations”) vide SRO 770(I)/2018 dated June 13, 2018 upon recommendation of Financial Monitoring Unit, established under section 6 of the Anti-Money Laundering Act, 2010 (VII of 2010), which require all Regulated Persons to conduct self-risk assessment, have appropriate mechanisms to provide the risk assessment information to the Commission, and ensure implementation of targeted financial sanctions under the United Nations Security Council Resolutions, adopted by the Government of Pakistan, and refrain from forming business relationship with proscribed persons and entities under the Anti-Terrorism Act, 1997 (XXVII of 1997) and related matters.

AND WHEREAS the term Regulated Person (“RP”) has been defined in the Regulation as “regulated person” for the purposes of these regulations means securities brokers, futures bromers, Insurers, Takaful Operations, NBFCs and Modarabas”.

(127)

Price : Rs. 6.00

[5092(2018)/Ex. Gaz.]
AND WHEREAS the Commission has issued Guidelines for implementation of Anti-Money Laundering/Counter Financing of Terrorism (“AML/CFT”) framework as contained in the Regulations in September, 2018 for assistance and guidance of Regulated Persons. These Guidelines supplement the Regulations and the AML/CFT regime by clarifying and explaining the general requirements of the AML Law to help RP in applying AML/CFT measures, developing an effective AML/CFT risk assessment and compliance framework suitable/compatible to their business, and in particular, in detecting and reporting suspicious activities. The Guidelines also contain four (4) detailed Annexures, which provide guidance for preparing AML/CFT Risk Assessment; AML/CFT Compliance Assessment Checklist; ML/TF warning signs/red flags; proliferation financing warning signs/red alerts.

NOW THEREFORE, in exercise of the powers conferred under section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) and in supersession of Commission’s earlier notification S.R.O. No. 245 (1)/2019 dated February 22, 2019, the Commission hereby directs all the Regulated Persons to comply with following reporting requirements and submit information in the manner prescribed below to the respective supervisory departments of the Commission, in consonance with the requirements of the Regulations and Guidelines namely:—

A. **Annual risk assessment and control/compliance assessment framework based on data and information as on 30 June**, to be filed by 31st July of each financial year (“FY”), starting from the date of notification of this directive, and as instructed from time to time by the Commission.

(a) **Risk Assessment Framework:**

Regulated Persons should undertake and submit their internal annual risk assessment which should be aligned with the risks identified in the latest National Risk Assessment of the country and cover the process adopted for risk identification. The risk assessment methodology should cover the risk emanating from customers, products, geography and delivery channels, elaborate risk tolerance level and assess residual risk after implementation of mitigation measures. Regulated Persons are encouraged to use the template given in Annex-1 to the Guidelines for reference, but may choose their own risk assessment methodology that best suits or represents their business covering the aforementioned risks, in light of the AML Act, 2010 and the Regulations.

The risk assessment report should be reviewed and approved by the board of directors of the Regulated Persons and shall be signed by the chief executive officer/company secretary.

(b) **Compliance Assessment Checklist:**

Regulated Persons should submit their annual compliance assessment checklist to demonstrate adequacy and effectiveness of AML/CFT compliance framework in light of the Regulations, and are encouraged to use the checklist provided in Annex-2 to the Guidelines for this purpose.
B. Quarterly information/ data on 30th of the subsequent month of every quarter, containing the following information:

(a) Extracts of the discussion / deliberations on ML/TF risks and issues, by board of directors and/or management committees;

(b) Number of new customer accounts opened during the period according to risk categorizations i.e. high, medium and low and their respective investment amount;

(c) Total number of foreign and domestic politically exposed persons (“PEP”) and their total value of investments/deposits/financing etc. during the period;

(d) Number of accounts/transactions closed and rejected for non-compliance of Customer Due Diligence (“CDD”) process and due to identification in proscribed person/Targeted Financial Sanction (“TFS”);

(e) Documentation of any activity for which a Suspicious Transaction Report (“STR”) was considered but not filed along-with rationale, during the period;

(f) Copies of reports/mecahnism to identify unusual transactions warranting further review;

(g) Number of suspicious transactions, attempted transactions and currency transaction reports submitted to Financial Monitoring Unit (“FMU”);

(h) Detail of complaints received on account of Know Your Customer (“KYC”) / AML, including its status i.e. in process/ resolved / closed, during the period;

(i) Details of trainings conducted on AML/CFT for new and existing staff including number of participants and topics covered;

(j) Number of customers transferred from one risk category to another and their amount of investments;

(k) Confirmation of having an automatic Transaction Monitoring System (“TMS”) or otherwise? If yes, the name of TMS used;

(l) Do you have automatic name screening solution? If yes, then what is the name of screening solution? If not, what are your future plans w.r.t to automation;

(m) Upgradation in AML CFT policies/manuals during the reporting period;

(n) How much human resource is deployed for AML CFT and Compliance Function? Details of increase in number of employees during the period.

C. Each RP is required to immediately scan its customer data bases and their Beneficial Owners /associates for any matches with the stated designated/ proscribed person(s)/entity(ies) on the receipt of notifications issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions or intimation from National
Counter Terrorism Authority/Law Enforcement Agencies/ Home Departments of Provinces/Ministry of Interior regarding updates in list of proscribed persons under the Anti-Terrorism Act, 1997. In case of a true match or suspicion of a proscribed/designated person following actions shall be taken by the RP immediately:

(a) Freeze without delay the customer's fund/ policy or block the transaction, without prior notice if it is an existing customer;

(b) Reject the customer, if the relationship has not commenced;

(c) Lodge a STR with the FMU, and simultaneously;

(d) Notify SECP and the Ministry of Foreign Affairs in case that person is designated under United Nations Security Council Resolutions, or the National Counter Terrorism Authority ("NACTA") in case that person is designated under the Anti-Terrorism Act, 1997.

D. Compliance report on statutory regulatory orders issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions or intimation from National Counter Terrorism Authority/Law Enforcement Agencies/ Home Departments of Provinces/Ministry of Interior regarding updates in list of proscribed persons under the Anti-Terrorism Act, 1997, shall be submitted to the Commission within three day of receiving the same in the manner as may be instructed from time to time by the Commission.

Any person to whom this directive applies and who contravenes or fails to comply with the requirements of this directive or submits a return which is false in material respect or where under a mis-statement is made shall be liable to imposition of penalty under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), which may extend to ten million rupees and where such contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

This directive shall not affect anything done, order made, show cause issued, proceeding commenced, penalty imposed, investigation, inspection or inquiry conducted or any other action taken or done under or in pursuance of above referred superseded directive shall be valid and under lawful authority.

[No. SY/SECP/8/2013.]

BILAL RASUL,
Secretary to the Commission.