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

GOVERNMENT OF PAKISTAN
MINISTRY OF COMMUNICATIONS
(Pakistan Post AML & CFT Supervisory Board)

NOTIFICATION

Islamabad, the 16th June, 2020

S.R.O. 618(I)/2020.—In pursuance of vetting/concurrence of Ministry of Law & Justice to the Enforcement Strategy duly approved by the Pakistan Post AML & CFT Supervisory Board , the Secretary, Ministry of Communications is hereby pleased to notify the same in the Gazette of Pakistan:—

PAKISTAN POST AML & CFT SUPERVISORY BOARD
ENFORCEMENT STRATEGY

1. In the APG’s Pakistan Mutual Evaluation Report (MER)-2019, it has been recommended by APG to:—

   Develop, implement and effectively enforce an AML/CFT regulatory and supervisory framework for Pakistan Post ....and establish supervisory controls with regard to ML/TF risks ..... (IO-3/APG-1)
   and

   Review the existing penalty framework and the policy by which penalties are imposed to ensure that applicable administrative, civil and criminal sanctions are proportionate, effective and dissuasive and are applied consistently to fast-track improved compliance. (IO-3/APG-5)

   (1435)

Price: Rs. 6.00

[5725(2020)/Ex. Gaz.]
and

To enhance REs compliance of their AML/CFT obligations, supervisors should apply proportionate and dissuasive sanctions in relation to breaches of the requirements above. (IO-4/APG-5)

2. As per recommendations given in the MER-2019 and FAT Faction Plan, supervisors are required to develop a robust and structured AML/CFT sanctions enforcement framework. This warrants availability of such enforcement regime for Pakistan Post.

3. To address the above recommendations, Pakistan Post AML and CFT Supervisory Board (the “Supervisory Board”) constituted under Chapter IX of the Pakistan Post (AML and CFT) Rules, 2019 (the “Rules”) needs to develop an enforcement strategy and define parameters for proportionate and dissuasive sanctions for non-compliance of the Rules.

4. As provided under sub-rule (4) of Chapter IX of the Rules, the Supervisory Board may advise such enforcement actions as it may deem necessary. Sub-rule (4) is reproduced for reference:

   (4) The Supervisory Board shall have powers to issue appropriate SOPs, demand receipt of appropriate Management Information System (MIS) on periodical basis, direct Pakistan Post to take such actions as may be required to address deficiencies pointed out during such assessments and advise such enforcement actions as it may deem necessary.

5. Furthermore, Rule 11(8) of Chapter IX of the Rules states that:

   (8) If any other provisions of these rules are contravened, or if any default is made in complying with any requirement of these Rules or orders, or SOPs issued there under, by any office or official of Pakistan Post, the person who contravened shall be punishable in accordance with the law for the time being in force.

6. As provided above, the Supervisory Board shall provide independent oversight of implementation of the Rules and take necessary enforcement actions against violations thereof. The Supervisory Board shall demonstrate that the remedial actions and effective, proportionate and dissuasive sanctions are being applied on the Pakistan Post, if any non-compliance is reported. The enforcement actions shall range from formal warnings to administrative sanctions, civil penalties and criminal proceedings.

7. In the aforesaid background, following enforcement strategy developed in light of “FATF Guidance for a Risk Based Approach, Effective Supervision and Enforcement by AML/CFT Supervisors of the Financial Sector and Law Enforcement” and sub-rule (4) of Chapter IX of the Rules shall be applicable:
(i) The CA firm or independent audit units, as part of the on-site process, shall record any violation of the Rules and shall assess its severity;

(ii) At end of the on-site inspection, the findings shall be clearly communicated to the management of Pakistan Post so that they understand their shortcomings, Supervisory Board’s expectations and the timeframe within which possible remedial actions must be completed. Specify what actions are appropriate to correct deficiencies or violations with a time bound outlook;

(iii) The inspection findings shall be communicated to the Supervisory Board, through Report Evaluation Memo, providing details on violations against each rule separately given in the Rules;

(iv) The Supervisory Board shall issue Show Cause notice(s) to the Pakistan Post based on the regulatory violations highlighted in the inspection report or other non-compliances observed by the Supervisory Board itself;

(v) The Supervisory Board shall follow the following timelines for adjudication process:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Process to be followed in the following steps</th>
<th>Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Supervisory Board (SB) receives Inspection Report</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>SB completes initial assessment</td>
<td>0-5</td>
</tr>
<tr>
<td>3</td>
<td>SB issues Show Cause Notice and seeks reply</td>
<td>5-10</td>
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<tr>
<td>4</td>
<td>SB receives reply</td>
<td>10-15</td>
</tr>
<tr>
<td>5</td>
<td>SB examines reply/ issue hearing notices</td>
<td>15-20</td>
</tr>
<tr>
<td>6</td>
<td>SB holds hearing</td>
<td>20-25</td>
</tr>
<tr>
<td>7</td>
<td>SB issues an Order</td>
<td>25-30</td>
</tr>
</tbody>
</table>

(vi) The Supervisory Board in order to ensure compliance with the Rules shall impose penalty including a range of other penal/administrative actions against Pakistan Post for its violations highlighted during offsite and onsite monitoring. A three tier penalty matrix shall be applicable keeping in view the severity of non-compliance by the Pakistan Post;

(d) Tier-1: Non-compliance with any of the Rules (excluding six Key FATF Recommendations: R3- ‘ML Offence, R5-TF Offense, R6- TFS, R10- CDD, R11- Record Keeping and R20- STR);

(e) Tier-2: Non-compliance with any of the Rules addressing six Key FATF Recommendations; and

(f) Tier-3: Non-compliance with more than 50% of the Rules.
(vii) The following penalty matrix shall be applicable:

<table>
<thead>
<tr>
<th>S. #</th>
<th>Violation of Pakistan Post (AML and CFT) Rules, 2019</th>
<th>Penalty</th>
<th>Limit of penalty</th>
<th>Penalty/Day During which default continues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rule 03, 04, 05, 07, 09 and 10</td>
<td>Tier 1</td>
<td>Rs. 50,000 to Rs. 500,000</td>
<td>Upto Rs. 5,000</td>
</tr>
<tr>
<td>2</td>
<td>Rule 6 (Transaction Monitoring)</td>
<td></td>
<td>Rs. 200,000 to Rs. 2,000,000</td>
<td>Upto Rs. 20,000</td>
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<tr>
<td></td>
<td>Rule 8 (Record Keeping)</td>
<td></td>
<td></td>
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<td></td>
<td>Rule 5 (sub-rule 23 &amp; 24) (chapter IV) (PEPs)</td>
<td>Tier 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Non-compliances observed in 50% or more</td>
<td>Tier 3</td>
<td>Rs. 1,000,000 to Rs. 10,000,000</td>
<td>Upto Rs. 100,000</td>
</tr>
</tbody>
</table>

(viii) The adjudication orders of the Supervisory Board, in addition to the penalty (if any), shall include time bound action plan for corrective measures;

(ix) The Supervisory Board will seek comments of senior management of Pakistan Post where proper remedial actions to address high impact issues not taken or where effective compliance of Supervisory Board’s decision not carried out;

(x) The tasks completed shall be validated either, through offsite supervision and onsite monitoring through the CA Firm, or independent audit to ensure correction of weaknesses and adequacy of remedial measures taken.

[F.No. 9-2/2018-P.O-I.]

WAQAR MAQSOOD,
Section Officer (PO-I).