



The Institute of  
Chartered Accountants  
of Pakistan

**CA**  
**PAKISTAN**

# ICAP AML / CFT Framework

May 2020

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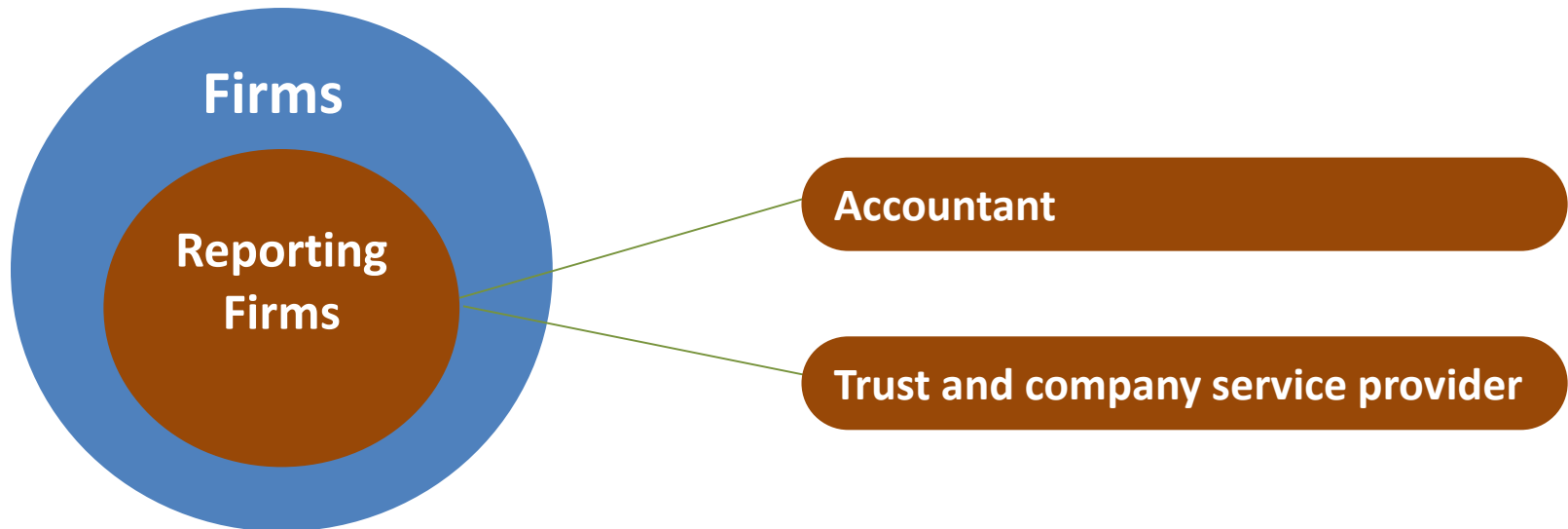
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## **AML Supervisory Framework**

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# Scope of AML

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# FATF Recommendations

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- **International Standards** on combating Money Laundering and the Financing of Terrorism & Proliferation
- **Implementation assessed** through Mutual Evaluation Review (MER)

## FATF Recommendations related to DNFBPs

### Recommendation 1 - Assessing Risks and Applying a Risk-Based Approach

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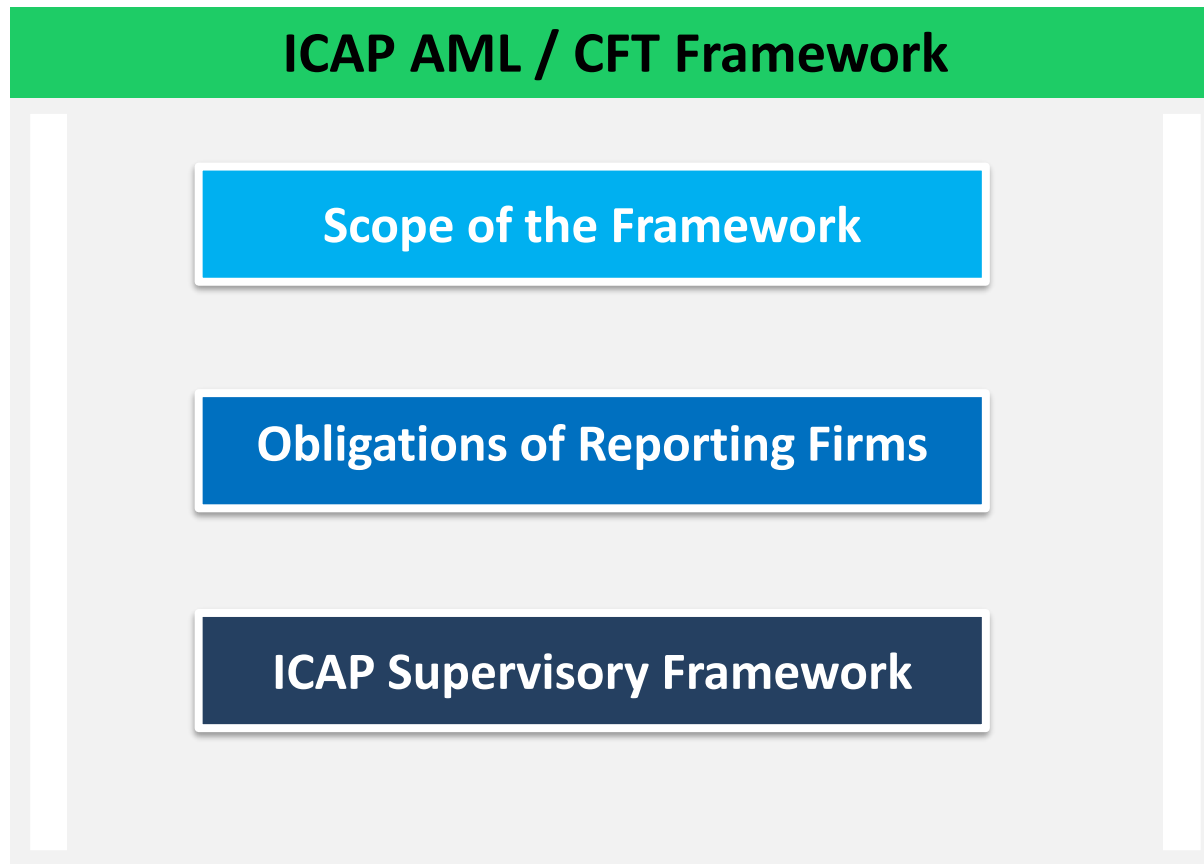
**Pakistan MER**

**DNFBPs Non-Compliant**

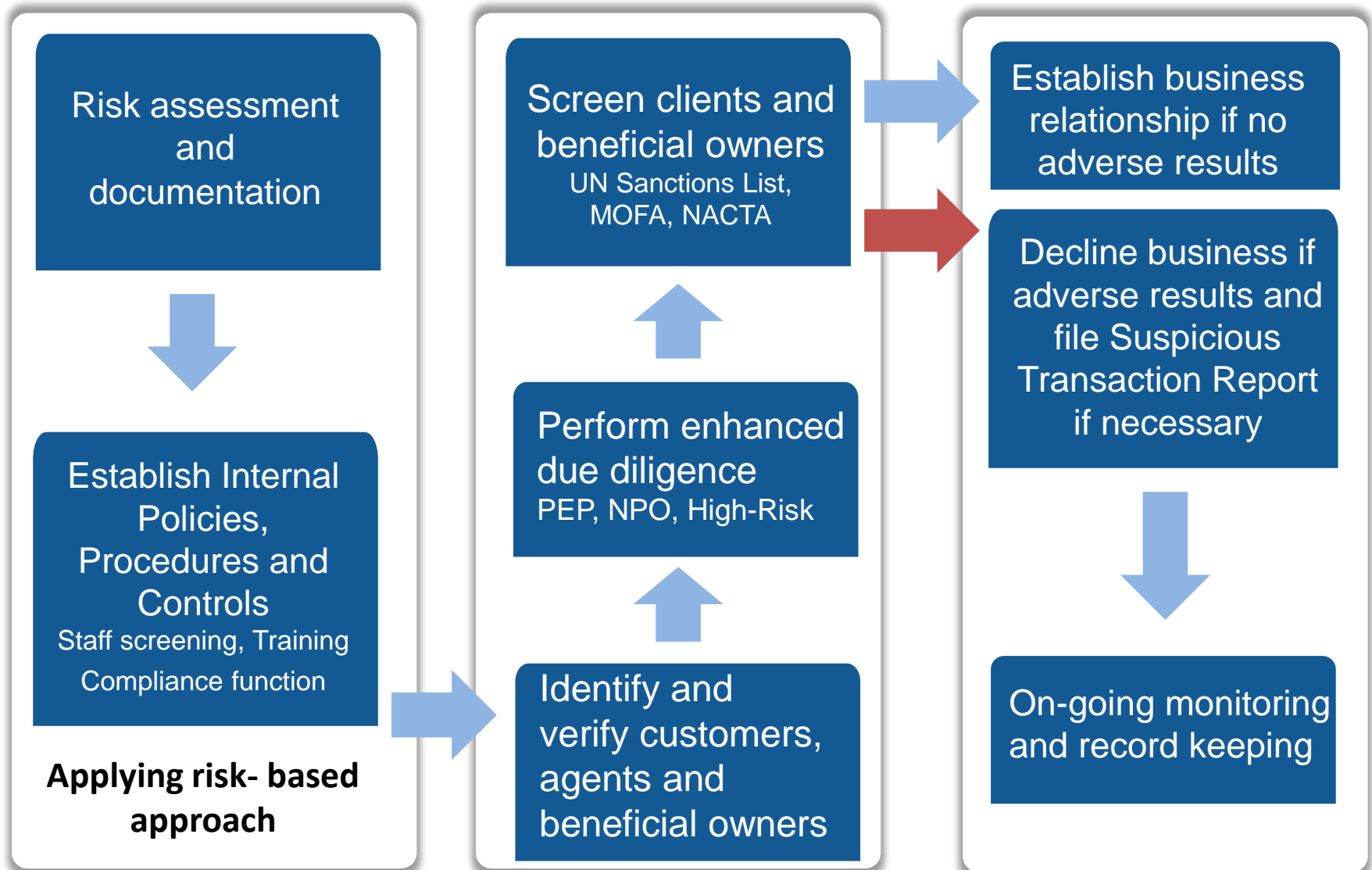
# ICAP AML Framework

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**ICAP made AML Self-Regulatory Body (SRB) under the AML Act**



# Obligations of Reporting Firms



# Risk Assessment & AML Programme

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## Consider risk factors related to

- Your clients
- The services you provide
- The countries that your clients operate in
- The delivery channels

# Risk Assessment & AML Programme

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- **AML Programme includes**
  - Risk assessment and management
  - Customer due diligence
  - Records keeping
  - Reporting
  - Employee hiring and ongoing training
  - Compliance management
- **Use Risk-Based Approach (RBA)**
- **Written and updated**
- **Communicate to staff**
- **Senior management responsibility**



# Customer Due Diligence

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## CDD is undertaken of

- Client
- Beneficial owner of client
- Any person acting on behalf of the client

## When to do CDD

- **Establishing** business relations (All new clients)
- A **significant change** in the nature of business relationship or the ownership and control structure of the client's business
- When there is a **suspicion** of money laundering or terrorist financing
- **Doubts** the veracity or adequacy of documents or information previously obtained

# Customer Due Diligence

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## Timing of CDD

Before or during the course of business relationship

## CDD involves

- Obtaining information about **identify** of
  - Client
  - Beneficial owner
  - Person acting on behalf of client
- Obtaining information about **nature and purpose** of the business relationship
- **Verification** of information through reliable available resources (including online registers / databases)
- On going **monitoring** and **screening**
- Maintaining **documentary record**

# Customer Due Diligence

**NO** business relationship with following entities and/or individuals:

- (a) Persons **designated** under UN Security Council Resolutions.
- (b) Persons **proscribed** under the Anti-Terrorism Act, 1997 (XXVII of 1997).
- (c) Persons acting on behalf of or at the direction of, above (a) and (b).

**How to ensure  
that no business  
relationship is  
with the above**

- Immediately screen existing Clients, their Beneficial owner, Person acting on behalf of client
- Screen against the Designated / Proscribed information (S.RO.s and platform of Ministry of Foreign Affairs / Ministry of Interior, Independent databases)
- Screen against the readily available information
- If true match or suspicion found
  - Freeze without delay the client's fund or block the transaction
  - Reject / discontinue the client
  - Lodge STR with FMU
  - Notify the Ministry of Foreign Affairs / Ministry of Interior
  - Inform ICAP

# Enhanced Customer Due Diligence

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- **Politically Exposed Person (PEP)**
- **High Risk Jurisdictions**
- **NGOs / NPOs**

## Examples of EDD

- Obtaining information on the source of funds or source of wealth of the client
- Obtaining the approval of senior management to commence or continue the business relationship
- Conducting enhanced monitoring of the business relationship
- Requiring the first payment to be carried out through an account in the client's name with a bank subject to similar customer due diligence standards

# Reporting

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- **STR** - Reporting of suspicious transactions **to FMU**
  - Knows or suspects
  - Promptly (Max within 07 days)
  - Di minimis
- **CTR** - Reporting of currency transactions **to FMU**
- **Protected by law** from criminal and civil liability for breach of disclosure any restriction on disclosure of information
- **No tipping-off** (Tipping-off is an offence)

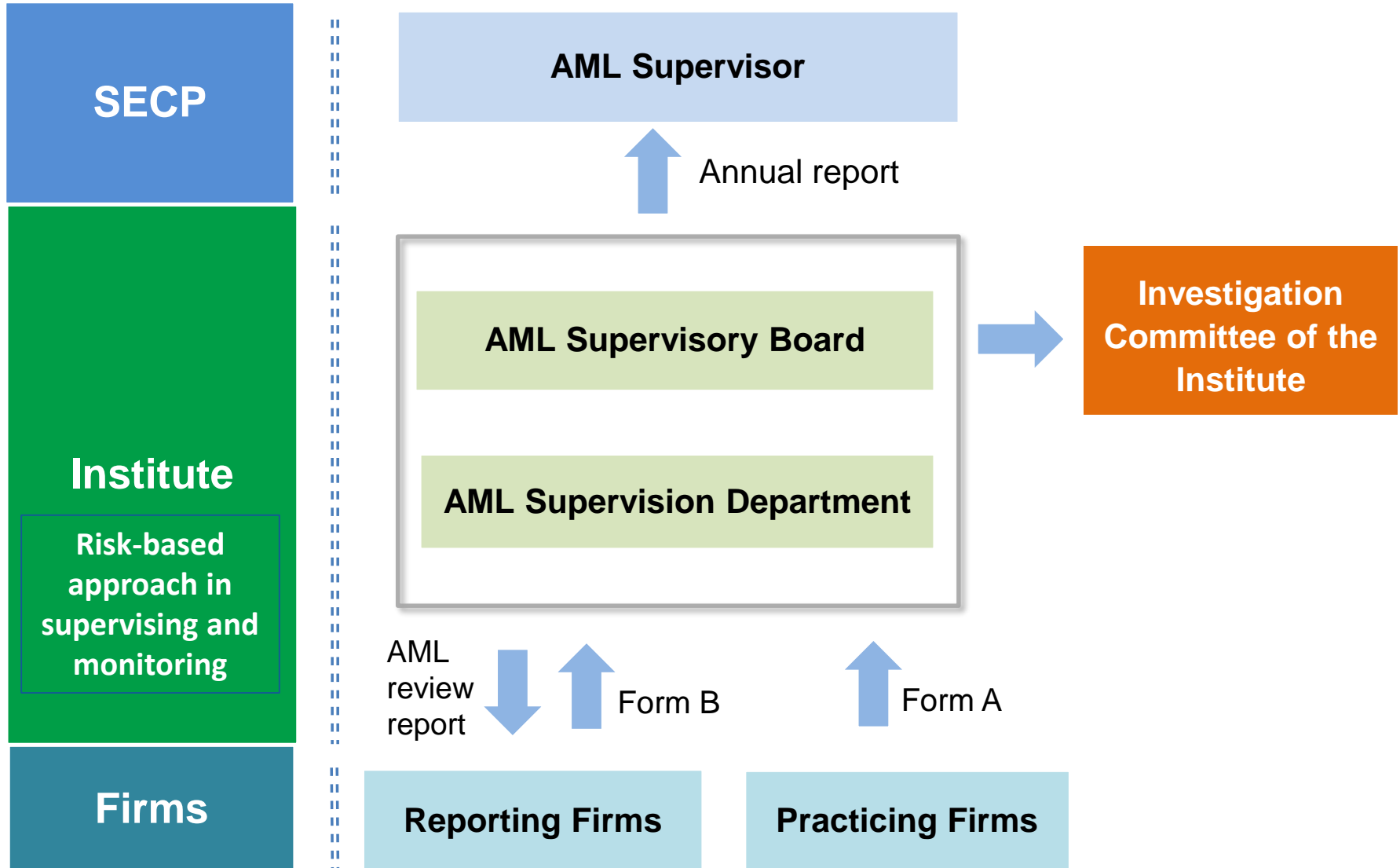
# Record Keeping

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<b>CDD records</b>	<b>Five years</b>
<b>STR and CTRs</b>	<b>Ten years</b>
<b>Matter under litigation</b>	<b>Longer period</b>

- Record in sufficient detail
- In paper or electronic form
- To be made available (if required) to the Institute, FMU, law enforcement agencies and court of law

# AML Supervisory Framework



# AML Supervisory Framework

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**ALL Firms** submit Form A (in prescribed format and timeline)

**Reporting Firms** also submit Form B (in prescribed format and timeline)

**Institute** conducts on-site reviews of Reporting Firms to:

- Monitor the extent of AML/CFT compliance
- Provide guidance to Reporting Firms to improve their level of AML/CFT compliance
- Address the ML/TF risks and weaknesses of the accountancy sector

**Institute** approves and issues AML Review report of the Reporting Firm

**Institute** depending on the outcome of the annual AML Review, may

- Conduct further review
- Require training
- Conduct fresh review
- Initiate investigation
- Refer matter (under AML legislation) to AML Supervisor / FMU / any other agency



Thank you