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PART II

Statutory Notifications (S. R. O.)
GOVERNMENT OF PAKISTAN
MINISTRY OF FINANCE

NOTIFICATION *Islamabad, the 1st October, 2020 #*

S.R.O. 951(I)/2020.—In exercise of the powers conferred by section 43 of the Anti-Money Laundering Act, 2010 the Federal Government, in consultation with the National Executive Committee (NEC), is pleased to make the following rules, namely:—

1. Short title and commencement.—(1) These Rules may be called the Counter-measures for High Risk Jurisdictions Rules, 2020,

(2) These rules shall come into force at once.

2. Definitions.—(1) In these Rules, unless there is anything repugnant in the subject or context,—

- (i) “Act” means the Anti-Money Laundering Act, 2010;
- (ii) “FATF” means Financial Action Task Force; and
- (iii) “high risk countries” as provided under Rule 3.

(2) All terms and expressions used but not defined in these rules, shall have the meanings as are assigned to them in the Anti-Money Laundering Act, 2010.

3. Composition and review of the high-risk countries list.— (1)The National Executive Committee (NEC) shall notify a list of high-risk countries keeping in view the following:—

- (i) countries which are subject to a call for application of countermeasures by the FATF.
- (ii) countries identified by the National Executive Committee as having deficiencies in their AML/CFT regimes and/or posing a risk to the AML/CFT regime of Pakistan. The identification of such high-risk countries shall be made by the National Executive Committee based on recommendations by the competent authorities of Pakistan or based on internationally acknowledged instruments or other reliable sources such as the FATF or FATF-Style regional bodies.

(2) For the purposes of clause (ii) of sub-rule (1) of Rule 3 high-risk countries identified shall be subject to periodic reviews by the National Executive Committee. The periodic reviews shall also be based on the recommendation of competent authorities of Pakistan or based on internationally acknowledged instrument or other reliable sources such as the FATF or FATF-Style regional bodies.

4. Publication and updation of the high-risk countries list.— (1) The Financial Monitoring Unit shall publish the list of high-risk countries on its official website. The Financial Monitoring Unit shall also promptly publish any subsequent updates to the list on its official website.

(2) The list of high-risk countries shall be promptly updated by the Financial Monitoring Unit as and when there are:

- (i) any amendments to the FATF's list of countries subject to a call for countermeasures; or
- (ii) any revisions to the list identified by the National Executive Committee as per clause (ii) of sub-rule (1) of rule 3.

5. Country risk advisories to reporting entities.—The National Executive Committee, through the Financial Monitoring Unit and the AML/CFT regulatory authorities, shall advise the reporting entities of concerns about weaknesses in the AML/CFT systems of other countries.

6. Application of Enhanced Due Diligence.—(1) Every reporting entity shall, proportionate to the money laundering and/or the terrorist financing risks, apply enhanced due diligence measures to business relationships and transactions with natural and legal persons (including financial institutions) from any country on the high risk countries list.

- (2) These Enhanced Due Diligence measures may include *inter-alia*:
- i. obtaining additional information on the customer (e.g. occupation, volume of assets, information available through public databases, internet, etc.), and updating more regularly the identification data of customer and beneficial owner.
 - ii. obtaining additional information on the intended nature of the business relationship.
 - iii. obtaining information on the source of funds or source of wealth of the customer.
 - iv. obtaining information on the reasons for intended or performed transactions.
 - v. obtaining the approval of senior management to commence or continue the business relationship.
 - vi. conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.
 - vii. requiring the first payment to be carried out through an account in the customer's name with a bank subject to similar due diligence standards.

7. Counter-measures for high risk countries.—(1) Pursuant to clause (c) of subsection (2) of section 5 of the Act, the Federal Government on recommendations of the National Executive Committee shall, proportionate to the risks, call for specific countermeasures to be applied by the reporting entities against high-risk countries, including the mandatory application of enhanced due diligence measures.

- (2) Other countermeasures may include *inter-alia*:—
- i. limiting business relationships or financial transactions with the high- risk countries or with persons located in the country concerned;
 - ii. reviewing and amending or, if necessary, terminating the agreement

or arrangement governing the correspondent banking or business relationships with financial institutions or other counterpart institutions in the country concerned;

- iii. conducting enhanced external audit, by increasing the intensity and frequency, for branches and subsidiaries of the reporting entity located in the country concerned;
- iv. prohibiting reporting entities from relying on third parties located in the country concerned to conduct elements of the due diligence process; and
- v. conducting any other measures as may be specified by the Federal Government.