



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

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ALL MEMBERS OF THE INSTITUTE

Dear Member

Professional Accountants' Obligations in Combating Money Laundering and Terrorist Financing

As you are aware, the Anti-Money Laundering (AML) Act 2010 along with international standards require professional accountants to adopt measures for combating money laundering and terrorist financing in accordance with their role and Financial Action Task Force (FATF) Recommendations and Related Guidance.

In this context, the Institute of Chartered Accountants of Pakistan (ICAP) aims to draw members' attention and create awareness on the obligations under the AML Act 2010, international standards on Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT), Pakistan's global obligations on AML/CFT, Pakistan's legislation on AML/CFT and the role of Financial Monitoring Unit.

Pakistan's AML legislation

Pakistan introduced first standalone Anti Money Laundering law in September 2007 through promulgation of Anti-Money Laundering Ordinance 2007 (AMLO) followed by Anti-Money Laundering Ordinance 2009 and Anti-Money Laundering Act 2010. The AML law criminalizes money laundering and provides a wide range of predicate offences.

Furthermore, the AML Act 2010 creates obligations on reporting entities (including the Designated Non-Financial Businesses and Professions (DNFBPs)) to report STRs/CTRs to Financial Monitoring Unit along with Customer Due Diligence (CDD), Record Keeping, Confidentiality of information and other ancillary provisions. Moreover, the AML Regulations 2015, prescribe detailed procedure and forms in respect of reporting of STR and CTR to FMU along with provisions incidental thereto.

Financial Monitoring Unit

Under the above stated AML law, Pakistan established an independent and administrative financial intelligence unit known as Financial Monitoring Unit (FMU). FMU is mandated to receive and analyze the STRs and CTRs reported through the reporting entities (including DNFBPs) and further disseminate to the investigatory and supervisory authorities, disclosures of financial information concerning suspected proceeds of crime and alleged money laundering offences and the financing of any activities or transactions related to financing of terrorism.

Members can access FMU website at <http://www.fmu.gov.pk/>

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FATF and Asia Pacific Group on Money Laundering

FATF is the global standard-setter inter-governmental body formed in 1989 to combat money laundering and terrorist financing having 37 members, and with the participation of over 180 countries through a global network of FATF Style Regional Bodies (FSRB). The objectives of FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. FATF has developed a series of Recommendations and Guidance that are recognized as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction.

Pakistan is a member of Asia Pacific Group on Money Laundering (APG), an FSRB, consisting of 41 member jurisdictions. APG is focused on ensuring that its members effectively implement the *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation* (international/ FATF standards) issued by FATF.

APG also assesses the compliance by its members with the international AML/CFT standards through a mutual evaluation (peer review) programme.

The FATF recommendations are applicable to the Financial Sector and the DNFBPs. DNFBPs include real estate agents, jewelers, dealers in precious metals and precious stones, lawyers, notaries and other legal professionals, accountants, trust and company service providers etc.

Members can access FATF website at: <http://www.fatf-gafi.org/>

Members can access APG website at: <http://www.apgml.org/>

FATF Standards related to Accountants

The FATF recommendations include requirements for “Accountants”, as our profession falls under the category of DNFBPs. Following FATF recommendations are applicable to DNFBPs:

- Recommendation 22 (DNFBPs: Customer Due Diligence) and its Interpretive Notes read with Recommendations 10 (Customer due diligence), 11 (Record keeping), 12 (Politically exposed persons), 15 (New technologies) and 17 (Reliance on third parties).
- Recommendation 23 (DNFBPs: Other measures) and its Interpretive Notes read with Recommendations 18 (Internal controls and foreign branches and subsidiaries), 19 (Higher-risk countries), 20 (Reporting of suspicious transactions) and 21 (Tipping-off and confidentiality).
- Recommendation 28 (Regulation and supervision of DNFBPs) and its Interpretive Notes.



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ICAP's role

ICAP being the leading statutory body of professional accountants has been requested by FMU to create awareness and understanding of the obligations upon its members under the AML Act 2010 and FATF recommendations relating to the accountancy profession. In this context, ICAP will develop and issue guidelines to members on AML/CFT and also hold awareness seminars on AML/CFT and FATF recommendations through the regional committees, in due course.

Members are advised to take note of the above.

Yours truly

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