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PART II

Statutory Notifications (S. R. O.)

GOVERNMENT OF PAKISTAN

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 9th September, 2020

DIRECTIVE

S. R. O. 881(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 (RPs) to 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 designated/proscribed persons or entities under the United Nations (Security Council) Act, 1948 (XIV of 1948) & the Anti-Terrorism Act, 1997 (XXVII of 1997) and their associates.

(1933)

Price : Rs. 6.00

[6034(2020)/Ex. Gaz.]

NOW THEREFORE, in exercise of the powers conferred under section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Commission hereby directs all the Regulated Persons to comply with following requirements of Red Flags/ indicators for identification of persons or entities suspected to be acting on behalf of or at the direction of designated/proscribed individuals or entities:—

A. Red Flags Applicable to all SECP Sectors:

The following indicators should be used to identify suspected persons:

- (a) A customer appears to have conducted transactions on behalf of or at the direction of a designated/ proscribed individual.
- (b) A customer is an office bearer (trustee/ member/ director/ authorized signatory etc.) of a designated/ proscribed entity.
- (c) A customer is a business partner of an office bearer (trustee/ member/ director etc.) of a designated/ proscribed entity.
- (d) A customer is a close family member of a designated/ proscribed individual who is also suspected to be associated with the business of the designated/ proscribed individual by way of financial or other assistance.
- (e) An entity has a designated/ proscribed individual on its board or management.
- (f) Unilateral sanctions listing identify linkage/ association of a customer with a designated/ proscribed individual or entity.
- (g) Media (Broadcast/ Print/ Social) news highlights customer's involvement in providing financial or other assistance to designated/proscribed individual or entity.
- (h) Inquiry from law enforcement agency/ intelligence agency indicating linkage of a customer with designated/ proscribed individual or entity.

B. Red Flags that specifically relate to Non-banking financial institutions (NBFIs)

- (i) The customer declares a proscribed person as a guarantor of loan or nominee of the customer.
- (j) Customer has obtained a loan from an NBFC, but the loan shall be utilized by a proscribed person.

- (k) Repayment of a loan to the customer is made by a proscribed person.
- (l) In case of Mutual Funds account to account transfer involving transfer to a proscribed individual or entity.
- (m) A customer who is refused financial services/ loan due to association with a proscribed person approaches another financial institution for securing a loan.

C. Red Flags based on behaviour of an Account Holder associated with proscribed individuals or entities:

- (a) A customer has provided the same residential/ office address that matches the known residential/ office address of a designated/ proscribed individual or entity.
- (b) A customer has provided the same personal contact number that matches the contact number provided earlier by a proscribed/ designated customer.
- (c) A customer depositing funds in the account of a person or entity listed in an international or foreign jurisdiction's sanctions lists maintained in accordance with UNSC resolution 1373.
- (d) A customer listed in an international or foreign jurisdiction's sanctions list maintained in accordance with UNSC resolution 1373, is depositing funds in another customer's account.

D. Any person to whom this directive applies and who contravenes or fails to comply with the requirements of this directive or submits a compliance report which is false in material respect or where under a misstatement 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.

[File No.SY/SECP/8/13.]

BILAL RASUL,
Secretary to the Commission.