



## External Relations Department

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### **SBP takes media on-board over its meeting with CEOs of commercial banks**

State Bank of Pakistan, for the first time, took electronic and print media on-board after Governor State Bank of Pakistan Mr. Ashraf Mahmood Wathra addressed CEOs of commercial banks at SBP headquarters I.I Chundrigar Road, Karachi.

Thanking media representatives for arriving on short notice, Governor SBP said this is the first time that we have invited media as a follow on to such a meeting with the presidents and CEOs of banks. "The reason being there have been so many rumors for the last few days regarding one important measure taken by the State Bank over unnecessary foreign travel of the banks' staff," said the Governor adding, "Somehow this was linked to one particular bank causing panic like situation over the weekend. Governor SBP said SBP wished to clear the air with these rumors by sharing our conversation with the media.

The Governor went on to add that today's meeting, however, was not limited to this issue only but was called to discuss many important issues faced by the economy in general and the financial sector, in particular.

Following are the main issues discussed during the meeting.

**Trade Based Money Laundering:** It is well known fact that trade transactions have the elements of under invoicing and over invoicing which facilitates transfer of value across the borders. Primary responsibility in this regard lies with Pakistan Customs, however, since documents are negotiated and L/Cs are settled through formal banking sector, banks are required to enhance their capacity to process foreign trade transactions with extreme care and diligence.

**Banking services to unlicensed forex operators:** Illegal forex operators may have accounts with banks through which they may be conducting illegal remittance business. Banks are required to enhance their customer due diligence processes so that such relationships could be avoided. In this regards, banks should monitor the transaction patterns of their customers and report suspicious activities to FMU.

**To minimize money laundering through banking channels, banks should take the following measures:**

- Implement an in-house system to detect differences between the values declared in the documents and prevailing market prices. In addition, banks need to set out escalation procedures to manage transactions where significant differences in prices are identified.
- Perform additional due diligence when international trade transactions involve any related parties. The banks must put in place subjective and objective controls to identify related parties trade transactions. In such cases if there are deviations then these should be brought to SBPs attention and/or STRs may be raised.



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- Must have more specific guidance, policies and procedures in place to address the overall risks of trade-based money laundering.
- Ensure that their transaction monitoring processes and systems are robust to flag suspicious transactions. Such transactions are properly investigated and escalated. Regular compliance checks, especially on transactions that were not escalated, should be performed for quality assurance purposes.
- Provide adequate and specific trainings on the financial crime risks prevalent in the trade financing and forex operations to relevant staff. SBP/SBP-BSC will support and guide any exercises by banks/financial institutions to achieve this objective.

In the end the Governor reiterated SBP's resolve that it will continue to encourage banks to send their staff abroad for advanced trainings, technology acquisition and occasional board of directors meetings or to manage their overseas networks. "We will give banks 90 days to submit their foreign travel policy," said the Governor.

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