

Following Paras/sentences in the relevant Chapters of Exchange Companies Manual, 2018 stand revised, replaced, added, deleted and updated, as applicable.

Chapter 3

1. Para 5 stands revised as under:

Shareholders, Directors, CEO and Key Executives

Exchange Companies shall

- (i) Ensure fitness and propriety of Shareholders, Directors, CEO and Key Executives in accordance with criteria given at **Annexure-2A**.
- (ii) Conduct prior self-assessment of fitness and propriety for all fresh inductions/appointments of Shareholders, Directors and CEO before seeking approval of SBP.
- (iii) Forward all requests for seeking approval of SBP for Shareholders, Directors and CEO along with information/affidavit as per **Annexure-2AI and 2AII**. Every shareholder, Director and CEO of the Exchange Company shall require prior written clearance/approval from State Bank.
- (iv) Appointment of Key Executives will not require prior approval/clearance of SBP, however, the Exchange Company must ensure that they qualify relevant FPT criteria in letter and spirit and submit information to SBP as per **Annexure-2AI and 2AII**, within seven working days of assumption of the charge of the post by the incumbent.
- (v) Obtain annually a declaration from all Shareholders, Directors, CEO and Key Executives as per **Annexure-2AIII** that the information provided has not undergone change and where there is any change, requisite details have been furnished to State Bank within 15 days of the change.
- (vi) Screen, on an ongoing basis, the Shareholders, Directors, CEO and Key Executives for designated/proscribed entities/persons and maintain proper record of screening. Accordingly, any shareholders, Directors, CEO and key Executives shall become disqualified if they are designated/proscribed or associated directly or indirectly with designated/proscribed entities/persons under related United Nations Security Council Resolution(s) or Anti-Terrorism Act 1997.
- (vii) Not provide any loan/credit or deferred payment to any of its Shareholder and Director.
- (viii) Preferably appoint professionals from diversified field/industry as Directors.
- (ix) Ensure that the functions of Audit and Compliance are headed by different individuals and shall be independent of other operational functions.

2. A new Para 8A is added as under:

Prohibition to Deal with Legal Persons and Legal Arrangements

- (i) The Exchange Companies are authorized to deal with individuals (natural persons that are walk-in customers without establishing permanent/on-going relationship) only.
- (ii) Exchange Companies shall not carry out any transactions with legal persons or legal arrangements except with regulated/supervised banks and exchange companies for permissible businesses as given in Para 9 below, within and outside Pakistan.
- (iii) For entering into any type of relationship with banks and exchange companies outside Pakistan, Exchange Companies are required to ensure the following:
 - (a) Determine the identity of the natural person(s) (if any) who ultimately has a controlling ownership interest in a Bank/Exchange Company;
 - (b) To the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, determine the identity of the natural person(s) (if any) exercising control of the Bank/Exchange Company through other means; and
 - (c) Where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official shall be determined.
 - (d) Gather sufficient information about banks and exchange companies to understand fully the nature of their business, and to determine from publicly available information about their reputation and the quality of supervision, including whether it has been subject to a ML/TF investigation or regulatory action.
 - (e) Assess banks/exchange companies AML/CFT controls, obtain approval from Board of Director before establishing relationship and ensure clarity in respective AML/CFT responsibilities of each entity.
 - (f) Exchange Companies shall not establish any type of relationship with shell banks.

3. Para 9(i)(c) stands revised as under:

For all foreign currency 'Buy' transactions equivalent to USD 500/- or above Exchange Company will retain copies of identification documents i.e., Computerized National Identity Card (CNIC) /National Identity Card for Overseas Pakistanis (NICOP)/ Pakistan Origin Card (POC) / Passport (having valid visa on it or any other proof of legal stay of a foreigner in Pakistan) after having seen the document in original.

4. Para 9(i)(d) stands deleted and numbering of existing Paras 9(i)(e) - (h) are re-numbered accordingly.

5. Para 9(i)(f) is re-numbered as Para 9(i)(e) and stands revised as under:

For all foreign currency sale transactions equivalent to USD 500/- or above Exchange Company will retain copies of identification documents i.e., Computerized National Identity Card (CNIC) /National Identity Card for Overseas Pakistanis (NICOP)/ Pakistan Origin Card (POC) / Passport (having valid

visa on it or any other proof of legal stay of a foreigner in Pakistan) after having seen the document in original.

6. Para 9(ii)(c) stands revised as under:

Funds/Cover Payments against all individual inward remittances must first be received in Exchange Company's accounts maintained with commercial banks in Pakistan. Further, Funds/Cover Payments accompanying message needs to contain accurate and meaningful originator(s) (including beneficial owner(s)) information which should remain with the wire transfer or related message throughout the payment chain. In case of any suspicion, Exchange Companies shall file an STR with Financial Monitoring Unit.

7. Para 9(iii)(b) stands deleted and numbering of existing Paras 9(iii)(c) – (j) are re-numbered accordingly.

8. A new Para 9(viii)(b) is added as under and the existing Para 9(viii) (b) is re-numbered as Para (viii)(c).

Exchange Companies are not allowed to open/maintain any Nostro account(s) with banks and exchange companies abroad.

Chapter 4

1. Word "3rd party" stands deleted from Para 2(ii).

2. Para 2(ii)(a) stands revised as under:

The below instructions are applicable to existing Franchise arrangements between Franchiser (Exchange Companies) and their Franchises. Exchange Companies are not allowed to enter into new franchise arrangements (agents).

3. Para 2(iii)(a) stands revised as under:

The below instructions are applicable to existing payment booth arrangements of Exchange Companies. Exchange Companies are not allowed to enter into new payment booth arrangements (agents).

4. Para 4 stands revised as under:

Transfer of License

License/permission of Franchise/Payment Booth (agents) shall be non-transferable other than to the company itself.

5. Word "third party" stands deleted from Para 7(ii).

Chapter 6

1. Title of Chapter 6 stand revised as “INSTRUCTIONS FOR ANTI-MONEY LAUNDERING AND COMBATING FINANCING OF TERRORISM”.

2. Word “guidelines” shall stand replaced with word “instructions” in Para 1(i).

3. Para 1(ii) stand revised as under:

ECs and ECs-B are completely responsible for implementing AML/CFT instructions throughout their network. Moreover, Exchange Companies shall also ensure to monitor their franchisees/payment booths and are responsible for their compliance with AML/CFT instructions.

4. A new Para 1(v) is added as under:

ECs and ECs-B are not allowed to rely on third party institutions to perform any element of KYC/CDD or to introduce business even if the third party belongs to the same financial group.

5. A new Para 1(vi) is added as under:

ECs and ECs-B are required to develop and implement programs against Money Laundering (ML)/ Terrorism Financing (TF), which have regard to their ML/TF risks based on customer, product, channel, geographies and the size of the business.

6. A new Para 1(vii) is added as under:

ECs and ECs-B are required to obtain prior approval of SBP before offering any new product/service. Further, ECs and ECs-B shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products. Additionally, ECs and ECs-B shall take appropriate measures to manage and mitigate the risks that may arise thereon.

7. A new Para 1A is added as under:

Risk Assessment, Policy for Combating Money Laundering and Terrorism Financing and Risk Mitigation through Effective Internal Controls

(i) Risk Assessment

- (a) ECs and ECs-B shall take appropriate steps to identify, assess, and understand their ML/TF risks (for customers, Product & Services, Channels and geographies).
- (b) ECs and ECs-B shall follow Risk Based Approach to focus on the areas where the risks of ML/TF are high in order to allocate resources in most effective way. For this purpose, guidelines on Risk Based Approach for Exchange Companies Sector are placed at **Annexure-9A**.
- (c) ECs and ECs-B shall document their risk assessments and consider/document all the relevant risk factors (including those identified in the Pakistan’s National Risk Assessment) for determining overall risk and the appropriate level and type of mitigation including enhanced measures to manage and mitigate the risks where ML/TF risk is high. For this purpose, ECs/ECS-B shall develop

Internal Risk Assessment Report which should be updated periodically and in any case when their circumstances changes or relevant new threats emerges.

- (d) ECs/ECs-B shall also ensure that their Internal Risk Assessment and its report assesses effectiveness of AML/CFT controls/preventive measures in the areas including Terrorism Financing (TF), Proliferation Financing (PF), Targeted Financial Sanctions (TFS) and reporting of Suspicious Transactions and Currency Transactions (STRs/CTRs) etc. Internal Risk Assessment Report may also assess major international/domestic ML and terrorism incidents posing ML/TF risks to the ECs/ECs-B. Internal Risk Assessment Reports shall be comprehensive and may guide towards actions such as:

- (i) Development or update of AML/CFT strategy & policy framework approved by the Board.
- (ii) Development or update of AML/CFT compliance program manuals/procedures/SOPs, including TFS and reporting of STRs/CTRs approved by the senior management.
- (iii) Effective and empowered organizational structure for compliance function with clear responsibilities and reporting lines.
- (iv) Report on the risks posed to the entity, vulnerability of the entity and the available preventive measures shall be submitted to the board on periodical basis, preferably on quarterly basis. Any critical violations e.g. failure to reject transactions of designated and proscribed entities & persons, failure to take counter proliferation measures, delay in reporting of STRS/CTRs etc. shall invariably be a part of the report.
- (v) The internal risk assessment should be complimented by improvement in STRs reporting.
- (vi) One of the Directors of the Board should specifically be assigned oversight and monitoring of ML/TF risks and AML/CFT obligations.

(ii) Policy for Combating Money Laundering and Terrorism Financing

- (a) ECs/ECs-B shall develop Policy for anti-money laundering and combating financing of terrorism in line with FATF recommendations specially the preventive measures and AML/CFT obligations including related to targeted financial sanctions and proliferation financing, Pakistan's National Risk Assessment(s) on money laundering and terrorism financing, related SBP instructions and any other laws, rules & regulations.
- (b) The policy for anti-money laundering and combating financing of terrorism shall be duly approved by the ECs/ECs-B Board of Directors and shall be cascaded down the line to each and every outlet and their employees including agents i.e. Franchises and Payment Booths for strict compliance.
- (c) The Policy shall be reviewed periodically by ECs/ECs-B keeping in view the prevailing SBP instructions, company's internal policies/procedures, FATF recommendations, Pakistan's National Risk Assessment(s) on money laundering and terrorism financing and international best practices on AML/CFT.
- (d) The AML/CFT policy prepared/updated by ECs/ECs-B shall be assessed during on-site inspection by the SBP.

(iii) Risk Mitigation through Effective Internal Controls

- (a) ECs/ECs-B shall take steps to ensure that their AML/CFT policies and controls adhere to and are effective. To this end, their controls i.e. policies, procedures/SOPs, compliance programs, product

services & delivery channels, decision to operate in new geography, etc. should be monitored on an ongoing basis by the Board of Directors.

- (b) ECs/ECs-B shall ensure the use of adequate, reliable and efficient technologies/automated systems to ensure risk compliance and control requirements in the area of ML/TF risk identification/assessment and AML/CFT compliance and controls. In this regard, ECs/ECS-B shall implement automated system for customer risk profiling, name screening and transactions monitoring.
- (c) The compliance function shall ensure effectiveness of AML/CFT Controls, proactive monitoring on ML/TF threats from existing/new products, and suggest commensurate controlling measures. In this regard, guidance documents available at FATF, APG, Egmont, World Bank, Basel and IMF websites may be consulted.
- (d) The independent audit function at ECs/ECs-B shall test their AML/CFT program with a view to establish the effectiveness of their overall AML/CFT policies and processes and the quality of its risk management across its operations. The audit function needs to give assurance/recommendations to board and senior management on the adequacy of Governance, Risk, Compliance and Controls of ECs/ECs-B AML/CFT regime.
- (e) ECs/ECs-B shall ensure human resource and systems adequacy to comply with FATF recommendations, related SBP instructions and any other laws, rules & regulations applicable in area of AML/CFT and for ensuring mitigation of threats and vulnerabilities identified in Pakistan's National Risk Assessment(s) on Money Laundering (ML) and Terrorism Financing (TF) and ML/TF risks identified in Exchange Companies/Exchange Companies of 'B' Category own Internal Risk Assessment Reports.
- (f) ECs/ECs-B shall ensure that their training plan should adequately cover FATF recommendations, related SBP instructions and any other laws, rules & regulations applicable in area of AML & CFT, threats and vulnerabilities identified in Pakistan's National Risk Assessment(s) on money laundering and terrorism financing, and ML/TF risks identified in ECs/ECs-B own Internal Risk Assessment Reports.
- (g) ECs/ECs-B shall ensure that their audit and compliance independently review/assess to ensure effectiveness of AML/CFT controls and preventive measures recommended through FATF recommendations.
- (h) ECs/ECs-B shall ensure that they devise a judicious performance appraisal mechanism which account for the performance of those responsible for ensuring compliance of these rules and regulations and transparent accountability mechanism to ensure accountability of delinquents of these rules and regulations.

8. Following sentence of Para 3 stand revised as under:

ECs/ECs-B shall take all reasonable measures to perform Know Your Customer (KYC)/Customer Due Diligence (CDD) of all their customers (whether occasional or frequent) and shall resort to Enhanced Due Diligence when there is a suspicion of money laundering and terrorism financing.

9. Para 3(i) stand revised as under:

Identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from customer or any information from reliable and independent source documents, data or information (identification data).

10. A new Para 3(iii) is added as under, while the existing Para 3(iii) stand re-numbered as Para 3(iv):

Obtaining and verifying authority letter for any person purporting to act on behalf of the customer is so authorized, and identify and verify the identity of that person.

11. A new Para 3(v) is added as under:

For exchanging any currency equivalent to, or below, USD 500/-, ECs/ECs-B may resort to simple customer due diligence, wherein only name and number of identity document of the customer should be obtained at the minimum, if there are no circumstances of any suspicion.

12. Following sentence of Para 4(i) stand revised as under:

Every customer whether occasional or frequent shall be identified for conducting any business transaction.

13. Para 5 stands replaced as under:

Beneficial Ownership

In relation to a customer of an EC/EC-B, beneficial owner means the person who exercises ultimate effective control over the customer which can be a natural person on whose behalf the customer is acting or a legal person/legal arrangement on whose behalf the customer is acting or a transaction is being conducted. In this respect:

- (i) EC/EC-B shall inquire whether there exists any beneficial owner in relation to a customer.
- (ii) In case of beneficial owner, reasonable measures shall be taken to verify the identity of the beneficial owner.
- (iii) Once beneficial owner is identified, ECs/ECs-B shall not perform any transaction where the beneficial owner is a legal person or legal arrangement or designated/proscribed natural person. In case of such attempt by designated/proscribed natural person/entity, STR shall be filed with FMU.

14. Para 6 stands replaced as under:

Enhanced Due Diligence

- (i) ECs/ECs-B shall prepare their AML/CFT policies considering risk factors of their customers like customer's background, country of origin, public or high profile position, and other risk indicators. In this regard, some customers may pose higher than average risk which may be categorized as high risk customers. Examples of high risk customers are high net worth individuals with no clearly identifiable source of income, non-resident customers from countries or jurisdictions with inadequate AML/CFT laws and regulations such as high-risk and other monitored jurisdictions with weak measures to combat money laundering and terrorism financing (AML/CFT) identified by FATF from time to time or from countries for which this is called for by the FATF, customers from locations known for their high rates of crime (for example, terrorism, drug producing, trafficking, smuggling), Politically Exposed

Persons (PEPs), individuals associated with legal arrangements or unregulated industries, customers on which suspicion of ML/TF raised or any other information suggesting that the customer is of higher risk.

- (ii) For high risk customers, ECs/ECs-B shall conduct enhanced due diligence. Enhanced due diligence should include at least the following elements in customer due diligence:
 - (a) Obtaining more detailed information from the customer and through publicly available information, in particular, on the purpose of transaction and source of funds;
 - (b) Undertaking further verification procedures on the customer or beneficial owner to better understand the risk that the customer or beneficial owner may be involved in criminal activity;
 - (c) Taking reasonable measures to establish the source of funds and wealth involved in the transaction or business relationship to be satisfied that they do not constitute the proceeds from/for crime; and
 - (d) Obtaining approval from the Senior Management before establishing the business relationship/conducting transaction with the customer.
- (iii) ECs/ECs-B shall apply countermeasures proportionate to the risks:
 - (a) when called upon to do so by the FATF; and
 - (b) Independently of any call by the FATF to do so.

15. A new Para 6(A) is added as under:

Politically Exposed Persons (PEPs)

ECs/ECs-B shall ensure that they put in place risk management mechanism to determine whether a customers or the beneficial owner is a PEP and perform enhanced due diligence before conducting such transactions. For this purpose, following type of individuals may be considered PEP:

- (i) Foreign PEPs: Individuals who are or have been entrusted with prominent public functions by a foreign country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.
- (ii) Domestic PEPs: Individuals who are or have been entrusted domestically with prominent public functions, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.
- (iii) International organizations PEPs: Persons who are or have been entrusted with a prominent function by an international organization, refers to members of senior management or individuals who have been entrusted with equivalent functions, i.e. directors, deputy directors and members of the board or equivalent functions.
- (iv) Family members are individuals who are related to a PEP either directly (consanguinity) or through marriage.
- (v) Close associates are individuals who are closely connected to a PEP, either socially or professionally.

The definition of PEPs is not intended to cover middle ranking or more junior individuals in the foregoing relevant categories.

16. A new Para 8(ii) is added as under, while the existing Para is renamed as Para 8(i):

When ECs/ECs-B form suspicion of money laundering, terrorism financing or other criminal activity, and they reasonably believe that performing the CDD process will tip-off the customer, they may not pursue the CDD process, and instead file an STR with FMU.

17. Following sentences of Para 9 stand revised as under:

ECs/ECs-B shall maintain all necessary records of transactions (executed, attempted or rejected) including information obtained through CDD/EDD measures and results of any analysis undertaken for a minimum period of 10 years from completion of the transaction/analysis. ECs/ECs-B shall retain on record legible copies of all reference documents used for identification and verification as mentioned at para 4 (ii) above.

18. Para 11 stands revised as under:

Employee Due Diligence

The ECs/ECs-B shall develop and implement appropriate screening procedures to ensure high standards and integrity at the time of hiring all employees, whether contractual or permanent. In this respect, ECs/ECs-B shall inter alia invariably ensure that:

- (i) All the employees are screened, on an ongoing basis, for designated/proscribed persons and maintain proper record of screening. Accordingly, any employees shall become disqualified if they are designated/proscribed or associated directly or indirectly with designated/proscribed entities/persons under related United Nations Security Council Resolution(s) or Anti-Terrorism Act 1997.
- (ii) The employee has not been convicted/involved in any fraud/forgery, financial crime etc.
- (iii) The employee has not been associated with any illegal activity concerning foreign exchange business, financial dealing and other business.

19. A new Para 11A is added as under:

Franchise/Payment Booth Due Diligence

The Exchange Companies shall develop and implement appropriate screening procedures to ensure high standards and integrity for all Franchises/Payment Booth (agents). In this respect, Exchange Companies shall inter alia invariably ensure that:

- (i) All owners and employees of Franchise/Payment Booth are screened, on an ongoing basis, for designated/proscribed persons and maintain proper record of screening. Accordingly, any owner/employee shall become disqualified if they are designated/proscribed or associated directly or indirectly with designated/proscribed entities/persons under related United Nations Security Council Resolution(s) or Anti-Terrorism Act 1997.
- (ii) The owners and employees of Franchise and Payment Booth have not been convicted/involved in any fraud/forgery, financial crime etc.
- (iii) The owners and employees of Franchise and Payment Booth have not been associated with any illegal activity concerning foreign exchange business, financial dealing and other business.

20. Para 12 stands revised as under:

Training

ECs/ECs-B shall design and implement suitable training program for all relevant staff throughout their network including branches, currency exchange booths, franchises and payment booths etc., in order to effectively implement legal and regulatory requirements as well as company's own policies and procedures relating to combating money laundering and terrorism financing.

The effective application of AML/CFT policies and procedures depends on qualified and skilled human resources within ECs/ECs-B who understand not only the processes they are required to follow but also the risks these processes are designed to mitigate, as well as the possible consequences of those risks. It is therefore important that ECs/ECs-B staff throughout their network receive AML/CFT training, which should be:

- (i) Of high quality, relevant to the ECs/ECs-B ML/TF risks, business activities and up to date with the latest legal and regulatory obligations, internal controls including preventive measures as given in FATF Recommendations;
- (ii) Obligatory for all relevant staff;
- (iii) Tailored to particular lines of business within the EC/EC-B, equipping staff with a sound understanding of specialized ML/TF risks they are likely to face and their obligations in relation to those risks;
- (iv) Effective: Training should have the desired effect, and this can be checked for example by requiring staff to pass tests or by monitoring levels of compliance with the ECs/ECs-B AML/CFT controls and applying appropriate measures where staff are unable to demonstrate the level of knowledge expected;
- (v) Ongoing: AML/CFT training should be regular, relevant, and not be a one-off exercise when staff are hired;
- (vi) Complemented by AML/CFT information and updates that are disseminated to relevant staff as appropriate.
- (vii) Having a formal mechanism to obtain feedback on improvement of understanding after capacity building/training sessions.

21. Para 13 stand revised as under:

Appointment/Designation of Company Compliance Officer

The Board of Directors of an EC/EC-B shall appoint/designate a suitably qualified and experienced person as Company Compliance Officer (CCO). The CCO shall be responsible for effective compliance of regulatory requirements and Exchange Company's own policies and procedures relating to combating money laundering and terrorism financing. The CCO shall serve as a contact point between the Chief Executive Officer (CEO) and senior management with regard to implementation of company policy for combating money laundering and terrorism financing. It is the responsibility of Board of Directors and CEO to ensure adequate empowerment to the compliance function with regard to performance of their functions. In this regard provision of adequate qualified and skilled resource, clarity in jobs assigned i.e. conflicting functions and responsibilities shall not be assigned to compliance functionaries, and required systems shall be ensured by Board of Directors and CEO.

22. Para 14 (i) & (ii) stand revised as under:

- (i) The ECs/ECs-B should ensure strict compliance of legal and regulatory framework including the Statutory Notifications issued from time to time by the Government of Pakistan under United Nations (Security Council) Act, 1948 to apply certain measures without delay and without prior notice for giving effect to the decisions of United Nations Security Council.
- (ii) The ECs/ECs-B shall take necessary action without delay and without prior notice as per law in terms of list of First & Fourth Schedulers under Anti-Terrorism Act, 1997.

23. Word “Individuals” stand replaced with word “persons” in Para 14(iii) (a) & (b).

24. Para 14(iii)(c) stands revised as under:

The updated consolidated list of persons designated / proscribed under UNSC Act 1948 and ATA, 1997 respectively shall be updated in the company’s Information System and should be available throughout the company’s network including agents i.e. franchises and payment booths. SBP during the course of inspection would check the availability of these updated lists in ECs/ECs-B.

25. Para 14(iii)(d) stand revised as under:

Unique Identification Numbers e.g. CNICs, Passports etc. available in the UNSC Sanction Lists and lists of proscribed individuals/entities under ATA, 1997 shall be blocked in company’s information system. Any similarity between the identification information of the customer and that of designated / proscribed entities and persons should be properly investigated for necessary action, as per law, including reporting to the Financial Monitoring Unit (FMU).

26. A new Para 14(iii)(e) is added as under and numbering of existing Paras 14(iii)(e) – (h) are re-numbered accordingly:

ECs/ECs-B shall file an STR with Financial Monitoring Unit of any attempted or rejected transactions by designated or proscribed persons or their associates.

27. Para 14(iii)(g) stands revised as under and renamed as Para 14(iii)(h):

Antecedents of all company employees, franchises/payment booths owners and their employees along with the persons associated with the business relationships like e.g. landlords, vendors etc. shall be reviewed on an ongoing basis to ensure that no designated/proscribed individual/entity is associated/working with the ECs and ECs-B.

28. Word “third parties” stand replaced with words “franchise and payment booth” in re-numbered Para 14(iii)(i).

Chapter 7

1. Para 2 stands revised as under:

Various reports/returns shall be submitted by Exchange Companies as per the permissible scope of their business to State Bank. Where applicable, all the reports / returns and information shall include data / information of all outlets including agents i.e. Franchises and Payment Booths of Exchange Companies.

2. Para 3 (serial 13) of Chapter 7 stands deleted.

Chapter 8

1. Para 8 stands revised as under:

Shareholders, Directors, CEO and Key Executives

Exchange Companies of 'B' Category shall

- (i) Ensure fitness and propriety of Shareholders, Directors, CEO and Key Executives in accordance with criteria given at **Annexure-2A**.
- (ii) Conduct prior self-assessment of fitness and propriety for all fresh inductions/appointments of Shareholders, Directors and CEO before seeking approval of SBP.
- (iii) Forward all requests for seeking approval of SBP for Shareholders, Directors and CEO along with information/affidavit as per **Annexure-2AI and 2AII**. Every shareholder, Director and CEO of the Exchange Company of 'B' Category shall require prior written clearance/approval from State Bank
- (iv) Appointment of Key Executives will not require prior approval/clearance of SBP, however, the Exchange Company of 'B' Category must ensure that they qualify relevant FPT criteria in letter and spirit and submit information to SBP as per **Annexure-2AI and 2AII**, within seven working days of assumption of the charge of the post by the incumbent.
- (v) Obtain annually a declaration from all Shareholders, Directors, CEO and Key Executives as per **Annexure-2AIII** that the information provided has not undergone change and where there is any change, requisite details have been furnished to State Bank within 15 days of the change.
- (vi) Screen, on an ongoing basis, the Shareholders, Directors, CEO and Key Executives for designated/proscribed entities/persons and maintain proper record of screening. Accordingly, any Shareholders, Directors, CEO and key Executives shall become disqualified if they are designated/proscribed or associated directly or indirectly with designated/proscribed entities/persons under related United Nations Security Council Resolution(s) or Anti-Terrorism Act 1997.
- (vii) Not provide any loan/credit or deferred payment to any of its Shareholder and Director.
- (viii) Ensure that the functions of Audit and Compliance are headed by different individuals and shall be independent of other operational functions.

2. A new Para 11A is added as under:

Prohibition to Deal with Legal Persons and Legal Arrangements

- (i) The Exchange Companies of 'B' Category are authorized to deal with individuals (natural persons that are walk-in customers without establishing permanent/on-going relationship) only.
- (ii) Exchange Companies of 'B' Category shall not carry out any transactions with legal persons or legal arrangements except with regulated/supervised banks and exchange companies for permissible businesses as given in Para 12 below, within Pakistan.

3. A new Para 17(iii) is added as under:

Exchange Companies of 'B' Category are not allowed to enter into any type of relationship with Banks and Exchange Companies outside Pakistan including opening/maintaining any Nostro account(s) with Banks/Exchange Companies outside Pakistan.

ANNEXURES

1. Annexures-2A, 2AI, 2AII & 2AIII are added.
2. Word “third party” stands replaced with words “Franchise/Payment Booth name” in Annexure-3.
3. Word “third party” stands deleted in Annexure-4.
4. Annexure-9A is added, while the existing Annexure-9A stands renamed as Annexure-9B and existing Annexure-9B is replaced with new Annexure-9C.
5. Annexure-15 stand revised.
6. Codes ‘3220: Royalty and trade mark/Franchise fee” and “3230: Technical fee” stands deleted from Annexure-21.

Fit and Proper Test

Definitions

“Financial Institution” as defined under Companies Act, 2017.

“Director” includes any person occupying the position of a director, by whatever name called.

“Chief Executive Officer” means an individual who, subject to control and directions of the board, is entrusted with whole, or substantially whole, of the powers of management of affairs of the Exchange Company/ Exchange Company of ‘B’ Category and includes a shareholder/director or any other person occupying the position of a chief executive, by whatever name called.

“Key Executives” shall mean employees of Exchange Companies/ Exchange Companies of ‘B’ Category having functional responsibilities as a) Company Compliance Officer (CCO) b) Head of Operations c) Head of Audit d) Head of Finance e) Head of Human Resources and any other similar position(s).

“Franchisee” Owner of franchise of Exchange Company in accordance with relevant provisions of Chapter 4 of Exchange Companies Manual, 2018, as amended from time to time.

“Payment Booth” owner of payment booth of Exchange Company in accordance with relevant provisions of Chapter 4 of Exchange Companies Manual, 2018, as amended from time to time.

Assessment of Fitness and Propriety

1. Reputation, Integrity & Honesty

- (i) Has not been linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
- (ii) Has not been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
- (iii) Has not been convicted of any offence involving moral turpitude and has not failed to honor his/her liabilities towards banks, tax authorities or other government agencies and has not been declared bankrupt nor has been subjected to attachment of his/her assets by any court.
- (iv) Has not been involved with management or conduct of the affairs of an Exchange Company/ Exchange Company of ‘B’ category/ franchise of an Exchange Company/ any other financial institution or any other organization that has been refused authorization/license to carry foreign exchange business etc.
- (v) Has not been involved with management or conduct of the affairs of an Exchange Company/ Exchange Company of ‘B’ category/ franchise of an exchange company/ any other financial institution whose license has been revoked or cancelled or gone into liquidation or other similar proceedings due to mismanagement of affairs, financial misconduct or malpractices.
- (vi) Has not been debarred for being Shareholder, Director, CEO and Key Executive or in similar capacity of an Exchange Company/ Exchange Company of ‘B’ category/ franchise of an exchange company/ any other financial institution.

2. Track Record

- (i) Must have an impeccable track record in the companies served either in the capacity of an employee or Director/Chief Executive.
- (ii) Has not been demoted, dismissed or forced to resign from employment by the Exchange Company/ Exchange Company of 'B' category/ franchise of an exchange company/ any other financial institution, or has not been removed by any regulator or government body, in the capacity of employee, director, chairman of the Board of the Exchange Company/ Exchange Company of 'B' category/ franchise of an exchange company/ any financial institution or any other position of trust.

3. Financial Conduct

- (i) Has not been associated with any illegal activity concerning foreign exchange business, financial dealing and other business within and outside Pakistan.
- (ii) Has not been in default of payment of dues owed to any financial institution and/ or default in payment of any taxes in individual capacity or as proprietary concern or any partnership firm or in any private unlisted/listed company.
- (iii) Has not been associated as director and/or chief executive with the corporate bodies who have defaulted in payment of Government duties/taxes etc.

4. Qualification and Experience

This section shall apply separately for Directors, CEO and Key Executives as under:

- (i) The Directors on the board must have appropriate knowledge and management/business experience of at least 5 years at senior level in an active capacity.
- (ii) CEO should have appropriate qualification and at least 5 years of management experience at senior level in the Exchange Company/Exchange Company of 'B' Category/ any other financial institution.
- (iii) Key Executive must be a qualified professional possessing relevant experience & degree relating to the job/assignment.

5. Conflict of Interest

- (i) The CEO is not a Chairman of the Board of Directors of the same Exchange Company/Exchange Company of 'B' Category.
- (ii) The Directors on the Board should avoid conflict of interest in their activities with, and commitments to, other organizations.
- (iii) No person can become a Shareholder/Director/employee and Franchise/Payment Booth owner/employee of the Exchange Company/ Exchange Company of 'B' Category, if he/she is Shareholder/Director/employee and Franchise/Payment Booth owner/employee of any other Exchange Company/Exchange Company of 'B' Category.

6. Others

- (i) The shareholder should be the beneficial owner having no controlling interest of others and is able to exercise his/her control.

- (ii) No member of Senate, National/ Provincial Assembly, Local bodies shall be appointed/ recommended for appointment as Member of Board of Directors and/or Chief Executive Officer/Key Executive of any Exchange Company/ Exchange Company of 'B' Category.

Annexure-2AI

PROFORMA – FIT & PROPER TEST

Full Name:						
Father's Name						
Date of Birth			Place of Birth (City and Country)			
Nationality (ies)-Current			NTN Number			
Nationality (ies)-Previous						
C.N.I.C. No			Passport Number			
Present Residential Address in Full						
Permanent Residential Address in Full						
Residential Telephone Number(s)			Mobile Number			
If you have changed your name, state previous name and reason for change						
Academic						
Qualification		Name & Address of Degree Awarding Institution			Date of Completion	
Professional						
Qualification		Name & Address of Institution/ Professional Body			Date of Completion	
Please provide complete employment details with current & previous employer(s)						
Name & Address of Organization/ Employer	Nature of Business	Position Held	From (mm/yyyy)	To (mm/yyyy)	Department/ Division	Contact Number & Email

Please provide complete and true particulars of all business(es) (both within and outside Pakistan), including proprietary concern/partnership firms, companies, in which you have been associated as a proprietor, partner or a director thereof during the last ten years and the accounts maintained by them:		
Name of the Proprietary Concern/Partnership Firm/ Company	Name of Bank and/or NBFIs Together with Name of Branches	Account Number(s)
Please provide complete and true particular of bank accounts (if any) maintained outside Pakistan:		
Country and Bank Name	Account Number	Purpose of Account
Please provide list of relatives, if any, who are connected with Exchange Companies/ Exchange Companies of 'B' Category in Pakistan and MSB/Exchange Company outside Pakistan.		
Name	Relationship	Entity
Please provide details of any current/previous criminal/civil proceedings against yourself in the court (s).		

(Signature of the Company Secretary)

(Signature of concerned official)

(On Stamp Paper)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC No. _____ do hereby state on oath and solemnly affirm as under:-

- (i) that the deponent hereby confirms that the statement made and the information supplied through **M/s Exchange Company/ Exchange Company of 'B' Category Name** are correct and true.
- (ii) that the deponent undertakes that the State Bank of Pakistan may seek additional information from any third party it deems necessary for assessing the information supplied or any additional information required.
- (iii) that the deponent has not been linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
- (iv) that the deponent has not been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
- (v) that the deponent has not been convicted of any offence involving moral turpitude and has not failed to honor his/her liabilities towards banks, tax authorities or other government agencies and has not been declared bankrupt nor has been subjected to attachment of his/her assets by any court.
- (vi) that the deponent undertakes to bring to the attention of the State Bank of Pakistan promptly any matter which may potentially affect his/her eligibility as Shareholder/Director/ CEO of Exchange Company/ Exchange Company of 'B' Category; and
- (vii) that the deponent will perform in true letter and spirit deeds of covenants required as Shareholder/Director/CEO of M/s Exchange Company/ Exchange Company of 'B' Category Name.
- (viii) that whatever is stated above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

DEPONENT

Verified on oath and solemnly affirmed on _____ day of _____, 2019 at _____ that the contents of this Affidavit are true and correct to the best of my knowledge and belief.

DEPONENT

Sworn/ solemnly affirmed before me on this day _____.

Signature _____
**OATH COMMISSIONER FOR
TAKING AFFIDAVIT
(Name and Seal)**

(On Stamp Paper)

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC No. _____ do hereby state on oath and solemnly affirm as under:-

- (i) that the deponent hereby confirms that the statement made and the information supplied to **M/s Exchange Company/ Exchange Company of 'B' Category Name** are correct and true.
- (ii) that the deponent undertakes that **M/s Exchange Company/ Exchange Company of 'B' Category Name** may seek additional information from any third party it deems necessary for assessing the information supplied or any additional information required.
- (iii) that the deponent has not been linked to money laundering, terrorism financing, proliferation financing or any other criminal activity.
- (iv) that the deponent has not been convicted/involved in any fraud/forgery, financial crime etc., in Pakistan or elsewhere.
- (v) that the deponent has not been convicted of any offence involving moral turpitude and has not failed to honor his/her liabilities towards banks, tax authorities or other government agencies and has not been declared bankrupt nor has been subjected to attachment of his/her assets by any court.
- (vi) that the deponent undertakes to bring to the attention of the **M/s Exchange Company/ Exchange Company of 'B' Category Name** promptly any matter which may potentially affect his/her eligibility as Shareholder/Director/ CEO/ Key Executive of Exchange Company/ Exchange Company of 'B' Category; and
- (vii) that the deponent will perform in true letter and spirit deeds of covenants required as Shareholder/Director/CEO/Key Executive of **M/s Exchange Company/ Exchange Company of 'B' Category Name**.
- (viii) that whatever is stated above is true and correct to the best of my knowledge and belief and nothing has been concealed there from.

DEPONENT

Verified on oath and solemnly affirmed on _____ day of _____, 2019 at _____ that the contents of this Affidavit are true and correct to the best of my knowledge and belief.

DEPONENT

Sworn/ solemnly affirmed before me on this day _____.

Signature _____
**OATH COMMISSIONER FOR
 TAKING AFFIDAVIT
 (Name and Seal)**

Guidelines on Risk Based Approach
for Exchange Companies Sector

PREAMBLE

1. The regulatory framework for combating money laundering and terrorism financing is applicable in the form of AML/CFT Instructions for Exchange Companies and Exchange Companies of 'B' Category in Exchange Companies Manual as amended from time to time. Keeping in view the growing sensitivities on domestic and international front, there is need to focus on Risk Based Approach (RBA) to AML/CFT, Identification, Assessment and Understanding of ML/TF Risks including Transnational TF risks posed to and from Exchange Companies Sector. Accordingly, following guidelines are aimed at providing enabling environment for effective implementation of RBA considering ECs/ECs-B internal policies, procedures, risk parameters etc.

GENERAL REQUIREMENTS

2. ECs/ECs-B shall ensure identification, assessment and understanding of ML/TF risks including the Transnational TF, Proliferation Financing (PF) and other emerging risks posed to and from their companies in four areas, as under:
 - (i) Customers
 - (ii) Products & services.
 - (iii) Channels of transactions and
 - (iv) Riskier geographies.
3. For identifying and assessing the ML/TF risks to which they are exposed, ECs/ECs-B should consider a range of factors which may include:
 - (i) The nature, scale, diversity and complexity of their business.
 - (ii) Their target markets.
 - (iii) The customers risk profile.
 - (iv) The jurisdictions, the EC/EC-B is exposed to, either through its own activities or the activities of customers, especially jurisdictions with relatively higher levels of corruption or organized crime, and/or deficient AML/CFT controls and listed by FATF.
 - (v) The distribution channels, in which the EC/EC-B deals directly with the customer or the extent to which it relies.
 - (vi) The volume and size of its transactions/business, considering the usual activity of the EC/EC-B and the profile of its customers.
4. ECs/EC-B should complement the above information with information obtained from relevant internal and external sources such as :
 - (i) Pakistan's National Risk Assessment(s) – NRA(s) (Specifically Identified Threats, Vulnerabilities, Inherent Risks, Effectiveness of Controls and Residual Risks of the sectors relevant to ECs/ECs-B business and operational model/needs etc.)

- (ii) SBP's Regulations and Guidelines
 - (iii) SECP's applicable Regulations and Guidelines
 - (iv) Guidance from FMU, NACTA, MOFA and other GoP authorities. FATF/FATF SRBs Standards and Guidance
 - (v) World Bank NRA Methodology
 - (vi) Published AML/CFT Mutual Evaluation Report and follow-up reports by FATF or associated assessment bodies
 - (vii) Relevant typologies developed and disseminated by different sources and through ECs/ECs-B own internal risk assessment processes.
 - (viii) Guidance from Basel specially Basel AML Index and different recognized terrorism indices
 - (ix) United Nations Office on Drugs and Crime (guidance on risk of money laundering) etc.
 - (x) Joint Money Laundering Steering Group (JMLSG) Guidance
 - (xi) Any other source
5. Risk Assessment is generally based on perception, subjective judgment and experience of ECs/ECs-B about ML/TF risks posed to them. In this regard, following may be the suggested techniques for conducting Internal Risk Assessment by the ECs/ECs-B.
- (i) **Inherent Risk Assessment:** The inherent risk shall be measured on both external and internal ML/TF/PF risk factors without taking into consideration the efficacy of effectiveness of controls. While assessing inherent risk on external factors, the ECs/ECs-B may consider referring to the various sources of information as enumerated in these guidelines.
 - (ii) **Quantification of Risk through Risk Matrix:** A matrix which quantifies likelihood and impact/consequences on two dimensions may be developed thereby categorizing risk as low, medium, high or any appropriate scale. It is pertinent to mention here that without proper quantification of risks, it may be difficult to decide on the overall inherent risk for the EC/EC-B or which customer qualifies for Simple Customer Due Diligence, Customer Due Diligence (CDD) or Enhanced Due Diligence (EDD).
 - (iii) **Risk Register:** A risk register may be developed whereby risks emanating from various business aspects especially with regard to their ML/TF risks and the size of the business can be accounted for. These may include the following:
 - (a) Customers: Identifying risk determinants while establishing relationships with customer;
 - (b) Products & Services: Envisaging risk attributes resulting from customer's need for financial services and appropriate controls;
 - (c) Delivery Channels: Identifying risks associated with delivery channels which may vary from customer to customer depending on their needs;
 - (d) Geographic/Jurisdictional: Risks resulting from customer geographic presence and jurisdiction in which the customer is operating;

- (e) Structure of the Company: The ML/TF risk of ECs/ECs-B depends on its size, scope of business and structure. Therefore, assessment of its size, business model and structure may help EC/EC-B to appropriately identify its ML/TF risks; and
 - (f) Findings of the National Risk Assessment (NRA): EC/EC-B is expected to consider findings of NRA or any other risk assessments by relevant authorities shared with them or publically disclosed.
- (iv) **Controls**: After assessing the risks, the effectiveness of AML/CFT controls/obligations/preventive measures implemented including TFS for Terrorism , Terrorism Financing (TF) and Proliferation Financing (PF), and CTR/STR both in ML/TF area are also reviewed and assessed, so as to guide the ECs/ECs-B for ensuring mitigating measures/internal controls/preventive measures for AML/CFT commensurate to the level of risks identified in their internal risk assessment
- (v) **Residual Risk/Net Risk**: Residual risk is an outcome of assessment of inherent risks and the effectiveness of internal control framework. The ECs/ECs-B risk assessment framework should be able to quantify residual risks that would lead ECs/ECs-B to devise appropriate controls specifically where weaknesses are found and the residual risk is exceeding ECs/ECs-B approved risk appetite.
- (vi) **Risk decision**: The process of identification and quantification of inherent risks, assessment of effectiveness of AML/CFT controls and residual risks would support risk taking decisions of ECs/ECs-B such as:
- (a) Decision for taking customer(s) on-board with required level of control(s).
 - (b) Decisions for refusal of financial service(s).
 - (c) Decision for launching of product/service/delivery channel.
 - (d) Decision for selecting geographical location to operate.
 - (e) Decisions for upgrade of systems and controls etc.

Risk Profiling

6. ECs/ECs-B should risk profile every new customer using their own judgment and information obtained through KYC/CDD/EDD process. Further, customers may also be classified as occasional or frequent as per company's own policies.

Specific High Risk Elements and Recommendations for EDD

7. Some of the relatively high risk elements identified by SBP and recommended actions for EDD for ECs/ECs-B are given as under. The ECs/ECs-B are advised to take guidance as per their relevance in term of type of customers, products, delivery channels they deal in and riskier geographies they operate in and AML/CFT instructions given under Chapter 6 of Exchange Companies Manual. Further, these are general recommendations, ECs/ECs-B may modify the limits keeping in view their ML/TF risk and size of the business:

S. no	Customers	Recommendations for EDD
(i)	High Risk Customer	Without any limit/exception
(ii)	Occasional customer (Currency Sale/Purchase)	Occasional customer that want to sale/purchase foreign currencies above USD 10,000/- or equivalent in other foreign currencies.
(iii)	Frequent Customers (Currency Sale/Purchase)	Frequent customer that want to sale/purchase foreign currencies above USD 15,000/- or equivalent in other foreign currencies.
(iv)	Customer (occasional or frequent both) for Inward Home Remittances	Beneficiaries of home remittances receiving remittance above PKR. 500,000/- or equivalent in foreign currencies.
(v)	Customers (occasional or frequent both) for Outward Remittances	Remitters of amount above USD 3,000/- or equivalent in other foreign currencies.
S. no	Products & Channels	Recommendations for EDD
	Currency Sale/Purchase	(i) For sale/purchase transactions of above USD 10,000/- or equivalent in other foreign currencies in case of occasional customers or above USD 15,000/- or equivalent in other foreign currencies in case of frequent customers. (ii) High Risk Customers (iii) When there is suspicion of ML/TF Risk. (iv) Riskier Geographies
(ii)	Inward Remittance	(i) For transactions above PKR. 500,000/- (ii) High Risk Customers (iii) When there is suspicion of ML/TF Risk. (iv) Riskier Geographies
(iii)	Outward Remittance	(i) For outward remittance of USD 3,000/- or equivalent in other foreign currencies (ii) High Risk Customers (iii) When there is suspicion of ML/TF Risk. (iv) Riskier Geographies

General High Risk Scenarios/ Factors

8. In addition, following high risk elements/factors should also be considered as per international standards.

Customers	Products and Delivery Channels	Geography or Locations
<ul style="list-style-type: none"> • Non-resident customers from countries or jurisdictions with inadequate AML/CFT laws and regulations such as high-risk and other monitored jurisdictions with weak measures to combat money laundering and terrorism financing (AML/CFT) identified by FATF from time to time • PEPs • High net worth customers with no clearly identifiable source of income • Customers avoiding/ circumventing regulatory thresholds • There is reason to believe that the customer has been refused transaction by another EC/EC-B • When there is suspicion of ML/TF risk • Individuals associated with legal arrangements or unregulated industries or sectors identified in NRA as high risk • Individuals on which suspicion is raised that they may be involved with illegal MVTs (Hawala/Hundi) • Customers identified through Internal Risk Assessment (IRA) or any other risk assessment report. 	<ul style="list-style-type: none"> • Currency Sale/Purchase • Inward Remittances • Outward Remittances <p>All above for transactions above thresholds determined by the company itself or SBP or any relevant or applicable international standard.</p>	<ul style="list-style-type: none"> • The jurisdictions which have been identified for inadequate AML/CFT measures by FATF or called for by FATF for taking counter-measures • Countries identified by credible sources such as mutual evaluations or detailed assessment reports, as having inadequate AML/CFT standards • Countries subject to sanctions, embargos, for example, the United Nations • Countries identified by credible sources as having significant levels of corruption, or other criminal activity • Countries or geographic areas identified by credible sources as providing funding or support for terrorism activities • Areas within Pakistan identified through IRA or any other risk assessment report where the ML/TF risk is higher.

General Low Risk Scenarios/ Factors

9. Following are the low risk scenarios/factors, however, ECs/ECs-B may modify the limits keeping in view their ML/TF risk and size of the business:

Low risk factors for Customers	<ul style="list-style-type: none">• Travelers buying/selling foreign currencies below USD 10,000/-;• Students that want to remit fee to the University Abroad;• Patients want to remit funds abroad for medical purpose;
Low risk factors for Products and Transaction Channel	<ul style="list-style-type: none">• Inward Remittances through MTOs renowned for their effective AML/CFT programs equivalent to or below PKR. 500,000/-;• Outward Remittance through MTOs renowned for their effective AML/CFT programs equivalent to or below USD. 3,000/-;• Sale/Purchase of foreign currencies equivalent to or below USD 500/-;
Low risk factors for Geography or Locations	<ul style="list-style-type: none">• Country identified by credible sources such as mutual evaluation or detailed assessment reports, as adequately complying with and having effectively implemented the FATF Recommendations; and• Country identified by credible sources as having a low level of corruption, or other criminal activity.

10. In respect of general low risk elements mentioned at Para (10) above, ECs/ECs-B may perform such CDD measures as it considers adequate to effectively establish the identity of the customer, a natural person appointed to act on behalf of the customer and any beneficial owner. The CDD measures should be in accordance with pre-defined criteria within AML/CFT instructions for ECs/ECs-B and should commensurate with the low risk factors.
11. In relation to general low risk scenarios above, EDD measures shall be considered in following situations:
- (i) When there is a suspicion of money laundering or financing of terrorism;
 - (ii) There are no exceptions in reporting suspicion to FMU within the provisions of AML Act.
 - (iii) In case of certain high risk factors as identified by SBP, by ECs/ECs-B in its own internal risk assessment or as per international standards viz-a-viz FATF Recommendations etc.
 - (iv) In relation to customers that are from or in jurisdictions which have been identified for inadequate AML/CFT measures by FATF or identified by the ECs/ECs-B itself having poor AML/CFT standards or otherwise identified by the State Bank of Pakistan or areas known for terrorism related activities.

**Guidelines on Compliance of Government of Pakistan's Notifications issued under United Nations
Security Council (UNSC) Resolutions**

1. The United Nations Security Council's (UNSC) relevant Committee established in pursuance of Resolution 1267 (1999) and successor resolutions concerning ISIL (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities, approves the addition, amendments and deletion of individuals and entities subject to the assets freeze, travel ban and arms embargo as set out in the aforementioned Security Council resolutions adopted under Chapter VII of the Charter of the United Nations.
2. The UNSC's relevant Committees established in pursuance of resolutions 1718 (2006) and 2231 (2015) and their successor resolutions oversee sanction measures imposed by the UNSC to counter proliferation financing. As a starting point, elements that may indicate potential proliferation financing and sanctions evasion activities are as under:
 - (i) Transaction involves person or entity in foreign country of proliferation concern.
 - (ii) Transaction involves person or entity in foreign country of diversion concern.
 - (iii) The customer or counter-party or its address is similar to one of the parties found on publicly available lists of "denied persons" or has a history of export control contraventions.
 - (iv) Customer activity does not match business profile, or end-user information does not match end user's business profile.
 - (v) Transaction involves persons or companies (particularly trading companies) located in countries with weak export control laws or weak enforcement of export control laws.
 - (vi) Pattern of wire transfer activity that shows unusual patterns or has no apparent purpose.
 - (vii) Customer vague/incomplete on information it provides, resistant to providing additional information when queried.
3. The Government of Pakistan under the United Nations (Security Council) Act, 1948 gives effect to the decisions of UNSC whenever the Consolidated List maintained by the relevant Sanctions Committee is updated. The Ministry of Foreign Affairs issues Statutory Regulatory Orders (SROs) to provide legal cover for implementing sanction measures UNSC resolutions. These SROs in respect of designated¹ individuals/ entities require assets freeze, travel ban and arms embargo in addition to other measures in accordance with the Security Council Resolutions. These SROs are available at the following links:
 - (i) <http://mofa.gov.pk/unsc-sanctions/>
 - (ii) <http://www.secdiv.gov.pk/page/sro-unscr-sanctions>

¹ Designated under the United Nations (Security Council) Act, 1948

4. Similarly, for implementing sanction measures under Security Council Resolution 1373(2001), the Ministry of Interior and respective Home Departments/ Chief Commissioner ICT issue Notifications of proscribed² entities and individuals respectively, pursuant to the Anti-Terrorism Act, 1997.
5. To ensure prompt transmission of SROs to relevant stakeholders, including Exchange Companies and Exchange Companies of 'B' Category, the Ministry of Foreign Affairs has put in place an email subscription service. Exchange Companies and Exchange Companies of 'B' Category are required to sign up for this service through the Ministry's website. Similarly, to communicate addition/ deletion/ retention of individuals in the list of proscribed individuals, a system-generated email is circulated by the competent authority to all subscribed institutions. The changes are also reflected in the list of proscribed individuals available on the website of the National Counter Terrorism Authority (NACTA).
6. State Bank of Pakistan also circulates the subject SROs/Notifications to its regulated entities for taking immediate necessary action. These SROs/ Notifications, in addition to other requirements, require Exchange Companies/Exchange Companies of B Category to ensure that no funds, financial assets or economic resources are made available, directly or indirectly for benefit of proscribed or designated individuals.
7. Ministry of Foreign Affairs has issued UNSC (Freezing and Seizure) Order 2019³ to streamline the procedure for implementation of Security Council Sanctions against designated individuals and entities.
8. To provide further guidance on implementation of the UNSC (Freezing and Seizure) Order 2019, MOFA has issued detailed Guidelines for Implementation of UNSC Sanctions, which are available on the Ministry of Foreign Affairs website⁴.
9. Similarly, NACTA has also issued Guidelines on Actions to be taken by Competent Authorities for Implementation of United Nation Security Council Resolution No. 1373, which are available on the NACTA's website⁵.
10. The Consolidated Lists available at the UNSC Sanctions Committee's website, are regularly updated and can be accessed at the following links:
 - (i) <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>
 - (ii) <https://scsanctions.un.org/search/>
 - (iii) <https://www.un.org/securitycouncil/sanctions/1267>
 - (iv) <https://www.un.org/securitycouncil/sanctions/1988>
 - (v) <https://www.un.org/securitycouncil/sanctions/1718>

² Proscribed under the Anti Terrorism Act, 1997

³ <http://www.mofa.gov.pk/documents/sro/Freezing-Seizure.PDF>

⁴ <http://www.mofa.gov.pk/documents/1267-Guidelines.pdf>

⁵ <https://nacta.gov.pk/united-nations-security-council-resolution-1373/>

- (vi) <https://www.un.org/securitycouncil/content/2231/background>
- (vii) <https://nacta.gov.pk/proscribed-organizations-3/>
- (viii) <https://nacta.gov.pk/pp/>
- (ix) <https://nfs.punjab.gov.pk/>

11. Exchange companies and Exchange companies of 'B' Category are advised to regularly access the aforesaid Consolidated Lists to ensure compliance with measures in line with the UNSC resolutions.
12. Exchange companies and Exchange companies of 'B' Category may educate their customers that in case of any wrongful or inadvertent freezing, they may apply in writing for de-listing to Government of Pakistan through relevant Ministry or to the UN's Ombudsperson, as the case may be. The delisting procedure is available on the relevant websites of the Ministry of Foreign Affairs, Government of Pakistan.

OUTWARD REMITTANCE
(By Exchange Companies)

(For SBP use
only)

PERIOD: _____
 EXCHANGE COMPANY: _____
 CURRENCY: _____

Country	AMOUNT (to be consolidated for each country)			
	Transfer (Workers Remittances)	Travel	Others	Total*
Canada				
Germany				
Japan				
U.K.				
U.S.A.				
Norway				
Bahrain				
Kuwait				
Qatar				
Saudi Arabia				
Sultant-e-Oman				
U.A.E.				
Abu Dhabi				
Dubai				
Sharjah				
Others				
Other Countries (Please specify)				
Total				

* This total will be listed against item No. 1 of Sales side of the summary statement (SEC -1)

Stamp and Signature of Exchange Company