

SBP Guidelines on Targeted Financial Sanctions (TFS) under UNSC Resolutions

1. TFS obligations are provided under the following legal instruments:
 - United Nations (Security Council) Act, 1948 (UNSC Act)
 - United Nations Security Council (Freezing and Seizure) Order, 2019
 - Statutory Regulatory Orders (SROs) issued under UNSC Act
 - Anti-Terrorism Act, 1997 (ATA)
 - Notifications issued under ATA
 - AML Act, 2010

UNSC and Domestic Sanctions Regimes

2. The Government of Pakistan under the UNSC Act gives effect to the decisions of United Nations Security Council (UNSC) whenever the Consolidated List is updated maintained by the relevant Sanctions Committee. The details of sanctions imposed by the UNSC along with the Consolidated Lists are available on the UNSC Sanctions Committees' websites at the following links:
 - (a) <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>
 - (b) <https://scsanctions.un.org/search/>
 - (c) <https://www.un.org/securitycouncil/sanctions/1267>
 - (d) <https://www.un.org/securitycouncil/sanctions/1988>
 - (e) <https://www.un.org/securitycouncil/sanctions/1718>
 - (f) <https://www.un.org/securitycouncil/content/2231/background>
3. MOFA issues SROs to provide legal cover for implementing sanction measures under UNSC resolutions. These SROs in respect of designated individuals/ entities require assets freeze, travel ban and arms embargo in addition to other measures in accordance with the UNSC resolutions, and are available publicly at the following links:
 - (a) <http://mofa.gov.pk/uns-c-sanctions/>
 - (b) <http://www.secdiv.gov.pk/page/sro-unscr-sanctions>
4. Similarly, for implementing sanction measures under UNSC Resolution 1373 (2001), the Ministry of Interior and respective Home Departments/ Chief Commissioner ICT issues Notifications of proscribed entities and individuals respectively, pursuant to the ATA, 1997. The consolidated lists of proscribed individuals and entities are available publicly at the following links:
 - (a) <https://nacta.gov.pk/proscribed-organizations-3/>
 - (b) <https://nacta.gov.pk/pp/>
 - (c) <https://nfs.punjab.gov.pk/>

Dissemination of Changes

5. To ensure prompt transmission of SROs issued by MOFA to relevant stakeholders, including SBP regulated entities, MOFA has put in place an email subscription service. Regulated entities are required to sign up for this service through MOFA's website.
6. Similarly, to communicate addition/ deletion/ retention/amendments in the list of proscribed individuals, a system-generated email is circulated by the competent authority to regulated entities.
7. In addition to above electronic dissemination mechanisms, SBP also circulates the subject SROs/ Notifications to its regulated entities as an additional measure.

Guidelines by MOFA and NACTA

8. To provide further guidance on implementation of TFS obligations, MOFA and NACTA has issued detailed Guidelines as follows:

TFS on Terrorism and Terrorism Financing

- MOFA's Guidelines on the Implementation of UNSC Resolutions concerning Targeted Financial Sanctions, Travel Ban, and Arms Embargo
<http://mofa.gov.pk/wp-content/uploads/2020/04/Guidelines-for-Implementation-of-UNSC-1267-Sanctions.pdf>
- NACTA's Guidelines on Actions to be taken by Competent Authorities for Implementation of United Nation Security Council Resolution No. 1373
<https://nacta.gov.pk/united-nations-security-council-resolution-1373/>

TFS on Proliferation

- MOFA's Guidelines on the Implementation of UNSC Resolutions concerning Targeted Financial Sanctions on Proliferation Financing
http://secdiv.gov.pk/uploads/CRMC_Guidelines_on_TFS_for_PF-38da.pdf
9. Regulated entities may seek further guidance from Government of Pakistan through SBP regarding any queries on the subject.

Red Flags

10. Some red flags for identification of persons suspected to be acting on behalf or at the direction of designated/ proscribed individuals or entities are provided as Annexure-A.
11. Some red flags that may indicate potential proliferation financing and sanctions evasion activities are provided at Annexure-B.

Guidance to affected persons by Regulated entities

12. Regulated entities shall 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.

Annexure-A

Red Flags for identification of persons suspected to be acting on behalf of or at the direction of designated/ proscribed individual or entities

Red Flags Based on Pre-Freezing Financial Activity in the Accounts (before designation/ proscription of customers)

- I. Customer sent/ received international remittances to/ from a designated/ proscribed individual or entity.
- II. Customer sent/ received IBFT or RTGS to/ from a designated/ proscribed individual or entity within the country.
- III. Cash is deposited in an account of the customer by a designated/ proscribed individual.
- IV. Cash is withdrawn from the account of the customer by a designated/ proscribed individual or entity.

Red Flags Based Post Freezing Financial Activity (After designation/ proscription of customers)

- I. International inward remittance received in the frozen account of designated/ proscribed individual or entity
- II. An IBFT/ RTGS is received into the frozen account of designated/ proscribed individual or entity.
- III. Cash is deposited by an individual/ entity into the frozen account of a designated/ proscribed individual or entity.
- IV. Cheque received for clearing of frozen funds from the account of a designated/ proscribed individual or entity.
- V. A regular/ walk-in customer presents a cash cheque to withdraw frozen funds from the account of a designated/ proscribed individual or entity.

Red Flags Based on Connection/ Relation of Account Holder with Designated/ Proscribed Individual

- I. A customer appears to have conducted transactions on behalf of or at the direction of a designated/ proscribed individual.
- II. A customer is an office bearer (trustee/ member/ director/ authorized signatory etc.) of a designated/ proscribed entity.
- III. A customer is a business partner of an office bearer (trustee/ member/ director etc.) of a designated/ proscribed entity.

- IV. A customer is a mandate holder in account of a designated/ proscribed individual or entity.
- V. A customer is a close family member of a designated/ proscribed individual and who is also suspected to be associated with the business of the designated/ proscribed individual by way of financial or other assistance.
- VI. An entity has a designated/ proscribed individual on its board or management
- VII. An entity linked with designated/ proscribed organization as per the Federal Board of Revenue's (FBR) database.
- VIII. Unilateral sanctions listing identify linkage/ association of a customer with a designated/ proscribed individual or entity.
- IX. Media (Broadcast/ Print/ Social) news highlights customer's involvement in providing financial or other assistance to designated/ proscribed individual or entity.
- X. Inquiry from law enforcement agency/ intelligence agency indicating linkage of a customer with designated/ proscribed individual or entity.

Red Flags Based on Behavior of the Account or Account Holder

- I. A customer has provided the same residential/ office address which matches with the known residential/ office address of a designated/ proscribed individual or entity.
- II. A customer has provided the same personal contact number which matches with the contact number provided earlier by a proscribed/ designated customer.
- III. 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.
- IV. 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.

Annexure-B

Situations indicating possible Proliferation Financing Activities

FATF Guidance on Proliferation Financing published in February 2018¹ and Typology Report Published in June 2018 provides guidance on Countering Proliferation Financing measures. ² Recently FATF has initiated process of introducing amendments in recommendation for including proliferation financing risk for application of risk based approach³. Referring to aforementioned provides a starting point to the public and private sectors in understanding the threats and situations where customers, transactions and other account activities may be involved in proliferation financing. In addition to the aforementioned, national authorities and academic institutions have identified a number of situations below, which may indicate possible proliferation financing activities. However, information below is not uniquely determinative of proliferation financing, and proliferation financing activities may share similar traits with money laundering (especially trade based money laundering) and terrorist financing activities.

Elements that may indicate proliferation financing

- (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) A freight-forwarding firm is listed as the product’s final destination.
- (vi) Order for goods is placed by firms or persons from foreign countries other than the country of the stated end-user.
- (vii) Transaction involves shipment of goods incompatible with the technical level of the country to which it is being shipped, (e.g. semiconductor manufacturing equipment being shipped to a country that has no electronics industry).
- (viii) Transaction involves possible shell companies (e.g. companies do not have a high level of capitalization or displays other shell company indicators).

¹ <http://www.fatf-gafi.org/media/fatf/documents/reports/Guidance-Countering-Proliferation-Financing.pdf>

² <https://www.fatf-gafi.org/media/fatf/documents/reports/Typologies%20Report%20on%20Proliferation%20Financing.pdf>

³ <http://www.fatf-gafi.org/publications/financingofproliferation/documents/consultation-recommendation-1.html>

- (ix) Transaction demonstrates links between representatives of companies exchanging goods i.e. same owners or management.
- (x) Circuitous route of shipment (if available) and/or circuitous route of financial transaction.
- (xi) Trade finance transaction involves shipment route (if available) through country with weak export control laws or weak enforcement of export control laws.
- (xii) Transaction involves persons or companies (particularly trading companies) located in countries with weak export control laws or weak enforcement of export control laws.
- (xiii) Transaction involves shipment of goods inconsistent with normal geographic trade patterns (e.g. does the country involved normally export/import good involved?).
- (xiv) Transaction involves financial institutions with known deficiencies in AML/CFT controls and/or domiciled in countries with weak export control laws or weak enforcement of export control laws.
- (xv) Based on the documentation obtained in the transaction, the declared value of the shipment was obviously under-valued vis-à-vis the shipping cost.
- (xvi) Inconsistencies in information contained in trade documents and financial flows, such as names, companies, addresses, final destination etc.
- (xvii) Pattern of wire transfer activity that shows unusual patterns or has no apparent purpose.
- (xviii) Customer vague/incomplete on information it provides, resistant to providing additional information when queried.
- (xix) New customer requests letter of credit transaction awaiting approval of new account.
- (xx) Wire instructions or payment from or due to parties not identified on the original letter of credit or other documentation.

Potential indicators of sanctions evasion activity

- (i) Involvement of items controlled under WMD export control regimes or national control regimes.
- (ii) Involvement of a person connected with a country of proliferation concern (e.g. a dual-national), and/or dealing with complex equipment for which he/she lacks technical background.
- (iii) Use of cash or precious metals (e.g. gold) in transactions for industrial items.
- (iv) Involvement of a small trading, brokering or intermediary company, often carrying out business inconsistent with their normal business.
- (v) Involvement of a customer or counter-party, declared to be a commercial business, whose transactions suggest they are acting as a money-remittance business.

- (vi) Transactions between companies on the basis of “ledger” arrangements that obviate the need for international financial transactions.
- (vii) Customers or counterparties to transactions are linked (e.g. they share a common physical address, IP address or telephone number, or their activities may be coordinated).
- (viii) Involvement of a university in a country of proliferation concern.
- (ix) Description of goods on trade or financial documentation is nonspecific, innocuous or misleading.
- (x) Evidence that documents or other representations (e.g. relating to shipping, customs, or payment) are fake or fraudulent.
- (xi) Use of personal account to purchase industrial items.
