



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

ANTI-MONEY LAUNDERING DEPARTMENT

SECP - Guidance on Risk Based Approach to AML/CFT during COVID-19 pandemic

Due to the recent outbreak of COVID-19, the Securities and Exchange Commission of Pakistan (SECP) understands the challenges SECP Regulated Persons (RPs) are facing in meeting their obligations under the AML/CFT Regime due to reduced staff, as well as staff remotely working from home. In this context, RPs are advised to use Risk Based Approach by efficiently prioritizing and reallocating their resources to ensure effective compliance with the AML/CFT Regulations, 2018 in light of statement issued by the FATF President on April 1, 2020 (Annex A).

The FATF has encouraged governments to work with financial institutions and other businesses to use the flexibility built into the risk-based approach to address the challenges posed by COVID-19 whilst remaining alert to new and emerging illicit finance risks. The FATF, in their statement, has also highlighted that criminals are taking advantage of the COVID-19 pandemic to carry out financial fraud and exploitation scams, including malicious or fraudulent cybercrimes, fundraising for fake charities, investment and product scams, as well as insider trading in relation to COVID-19. Like criminals, terrorists may also exploit these opportunities to raise funds.

In this regard, as an interim measure, the RPs can use responsible digital customer onboarding in response to social distancing measures needed for the protection of their staff and customers alike, while also mitigating ML/TF risks by using the full range of tools at their disposal. In the absence of face to face customer onboarding, and difficulties in carrying out Customer Due Diligence (CDD) the following risk-based approach may be used:

1. Scanned copies of documents may be accepted for now, to be followed by obtaining the originals at a reasonable later time when the situation has settled down;
2. Reporting entities can accept recently expired government-issued identification until further notice in order to verify the identity of an individual (although still required to determine the authenticity of the identification).
3. Where customer's identity cannot be verified face-to-face, delayed verification of identity for establishing new business relationships may be adopted under section 6(5) of the SECP AML/CFT Regulation, 2018 dealing with CDD. Reporting entities can accept digital copies of documents as an interim measure, with the originals to be sighted in due course Considering the application of delayed verification provisions for new business relationships in line with the FATF Standards (e.g., by implementing transaction limits). Hence, RPs should consider adopting appropriate risk management procedures for effectively managing Money Laundering/ Terrorist Financing risks by setting transaction limitations (i.e. limited deposits or withdrawals, until verification requirements are completed) and account monitoring or other appropriate risk management procedures.
4. Regulation 6 (5) also provides that Regulated person should verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or may complete verification after the establishment of the business relationship, provided that-
 - a) this occurs as soon as reasonably practicable;
 - b) this does not interrupt the normal conduct of business; and
 - c) the ML/TF risks are effectively managed.
5. Once customers have provided copies of identification documents, additional verification can be done using a video call (such as Skype or Zoom) to compare the physical identity of a customer with scanned copies of identification documents;

6. Procedures such as telephoning the customer to ask questions about their identification, understanding and obtaining information on the purpose and intended nature of the business relationship or other questions that would assist in ascertaining whether the customer is who they claim to be;
7. Obtaining disclosures from customers to verify certain types of information provided and the accuracy and completeness of documents;
8. Use of digital/ online payment methods to carry out transactions;
9. Keeping records of all the CDD measures as well as maintaining proper records of data, documents and logs etc.
10. RP's may consider amending their AML/CTF policies and procedures to implement alternate CDD processes. In this regard, record of any changes in policies and procedures made due to the COVID-19 pandemic should be maintained.

Further, it is reiterated that the implementation of Targeted Financial Sanctions is not risk based. Therefore, RPs should allocate appropriate human and technological resources to immediately scan their customer data bases and their Beneficial Owners /associates for any matches with the stated designated/proscribed person(s)/entity(ies); Required actions should be taken immediately on the receipt of notifications issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions or intimation from National Counter Terrorism Authority regarding updates in list of proscribed persons under the Anti-Terrorism Act, 1997.

It is also important to be aware that in this challenging environment, RPs should remain vigilant as criminals may try to exploit products and services for ML/TF purposes in the backdrop of COVID 19 pandemic. RPs must continue to effectively manage money laundering and financing of terrorism risks, and timely report suspicious activities to the Financial Monitoring Unit.

SECP will continue to monitor the situation to determine whether additional guidance and relief may be appropriate. As coronavirus related risks decrease, RPs should expect to return to meeting any regulatory obligations for which relief has been provided.

Disclaimer: All these measures shall be taken during the COVID Period up to June 30, 2020.

Statement by the FATF President: COVID-19 and measures to combat illicit financing

Paris, 1 April 2020 - The members of the FATF, both domestically and multilaterally, are applying every available resource to combat the COVID-19 pandemic. As the global standard-setter for combating money laundering (ML) and the financing of terrorism (TF) and proliferation, the FATF encourages governments to work with financial institutions and other businesses to use the flexibility built into the FATF's risk-based approach to address the challenges posed by COVID-19 whilst remaining alert to new and emerging illicit finance risks. The FATF encourages the fullest use of responsible digital customer onboarding and delivery of digital financial services in light of social distancing measures. At a time when critical relief is needed in-country and beyond, effective implementation of the FATF Standards fosters greater transparency in financial transactions, which gives donors greater confidence that their support is reaching their intended beneficiaries. The continued implementation of the FATF Standards facilitates integrity and security of the global payments system during and after the pandemic through legitimate and transparent channels with appropriate levels of risk-based due diligence.

Addressing COVID-19-related financial crime risks by remaining vigilant

Criminals are taking advantage of the COVID-19 pandemic to carry out financial fraud and exploitation scams, including advertising and trafficking in counterfeit medicines, offering fraudulent investment opportunities, and engaging in phishing schemes that prey on virus-related fears. Malicious or fraudulent cybercrimes, fundraising for fake charities, and various medical scams targeting innocent victims are likely to increase, with criminals attempting to profit from the pandemic by exploiting people in urgent need of care and the goodwill of the general public and spreading misinformation about COVID-19. National authorities and international bodies are alerting citizens and businesses of these scams, which include impostor, investment and product scams, as well as insider trading in relation to COVID-19. Like criminals, terrorists may also exploit these opportunities to raise funds.

Supervisors, financial intelligence units and law enforcement agencies should continue to share information with the private sector to prioritise and address key ML risks, particularly those related to fraud, and TF risks linked to COVID-19. Additionally, criminals and terrorists may seek to exploit gaps and weaknesses in national anti-money laundering/counter-financing of terrorism (AML/CFT) systems while they assume resources are focused elsewhere, making risk-based supervision and enforcement activity more critical than ever. Financial institutions and other businesses should remain vigilant to emerging ML and TF risks and ensure that they continue to effectively mitigate these risks and are able to detect and report suspicious activity.

Digital onboarding and simplified due diligence

With people around the world facing confinement or strict social distancing measures, in-person banking and access to other financial services is difficult, and unnecessarily exposes people to the risk of infection. Use of digital/contactless payments and digital onboarding reduce the risk of spreading the virus. As such, the use of financial technology (Fintech) provides significant opportunities to manage some of the issues presented by COVID-19. In line with the FATF Standards, the FATF encourages the use of technology, including Fintech, Regtech and Suptech to the fullest extent possible. The FATF recently released [Guidance on Digital ID](#), which highlights the benefits of trustworthy digital identity for improving the security, privacy and convenience of identifying people remotely for both onboarding and conducting transactions while also mitigating ML/TF risks. The FATF calls on countries to explore using digital identity, as appropriate, to aid financial transactions while managing ML/TF risks during this crisis.

When financial institutions or other businesses identify lower ML/TF risks, the FATF Standards allow them to take simplified due diligence measures, which may help them adapt to the current situation. The FATF encourages countries and financial service providers to explore the appropriate use of simplified measures to facilitate the delivery of government benefits in response to the pandemic.

Delivery of aid through non-profit organisations

This global public health emergency has highlighted the vital work of charities and non-profit organisations (NPOs) to combat COVID-19 and its effects. The FATF has long recognised the vital importance of NPOs in providing crucial charitable services around the world, as well as the difficulties in providing that assistance to those in need. The FATF has worked closely with NPOs over the years to refine the FATF

Standards to provide flexibility to ensure that charitable donations and activity can proceed expeditiously through legitimate and transparent channels and without disruption. It is important to recognise that FATF Standards do not require that all NPOs be considered high-risk and that most NPOs carry little or no TF risk. The aim of the FATF Standards is not to prevent all financial transactions with jurisdictions where there may be high ML/TF risks, but rather to ensure these are done through legitimate and transparent channels and money reaches its legitimate intended recipient. National authorities and financial institutions should apply a risk-based approach to ensure that legitimate NPO activity is not unnecessarily delayed, disrupted or discouraged. FATF encourages countries to work with relevant NPOs to ensure that much needed aid is getting to its intended recipients in a transparent manner.^[1]

Ongoing outreach and advice

Regulators, supervisors, financial intelligence units, law enforcement authorities and other relevant agencies can provide support, guidance and assistance for the private sector on how national AML/CFT laws and regulations will be applied during the current crisis. Such guidance can give financial institutions and other businesses reassurance that the authorities share their understanding of challenges and risks involved in the current situation, and of the appropriate actions to take. Authorities in some countries have already taken swift action and provided this type of advice. Mechanisms by which victims, financial institutions, and other businesses can report COVID-19 related fraud may be especially useful.

At the international level, the FATF is working with the Committee on Payment and Market Infrastructures and the World Bank to help ensure coordinated policy responses for the continued provision of critical payment services against the backdrop of the COVID-19 crisis. The FATF, International Monetary Fund, World Bank and United Nations are working with their membership to mitigate the impacts of the COVID-19 crisis, including through the use of AML/CFT measures, where relevant. In addition, the FATF is working with its members and the FATF-Style Regional Bodies to identify and share good practices in response to common issues faced in many affected countries.

FATF's commitment to support efforts to address COVID-19 issues

The FATF stands ready to provide further AML/CFT guidance to support the current global efforts to tackle the COVID-19 crisis and its effects, and welcomes feedback.

[1] See [2015 Best Practices Paper on Combating the Abuse of Non-Profit Organisations](#)