

Government of Pakistan
Securities and Exchange Commission of Pakistan

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Islamabad, Dated 28th September 2020

S.R.O. 919 (I)/2020. - In exercise of the powers conferred by section 6C of the Anti-Money Laundering Act 2010 (VII of 2010) (“the AML Act”), the Securities and Exchange Commission of Pakistan is pleased to make the following Regulations: -

CHAPTER I

PRELIMINARY

1. Short Title and Commencement. – (1) These shall be called as the “Oversight Regulations for Self-Regulatory Bodies of Accountants, 2020”.

(2) They shall come into force at once.

2. Definitions. – For the purpose of this regulation:

- 1) In this Regulations, unless there is anything repugnant in the subject or context;
 - i) “Act” means Anti-Money Laundering Act, 2010.
 - ii) The words and expression used but not defined in these regulations shall have the same meaning as are assigned to them in the Act.
- 2) “Member in Practice” – means a member of the Institute having certificate of practice and:
 - i) Practicing as a "Chartered Accountant" individually (i.e. as a sole-proprietor) or in partnership with chartered accountants.
 - ii) Practicing as a "Management Consultant".
- 3) “Oversight Body” means the Securities and Exchange Commission of Pakistan “SECP”
- 4) “Reporting Entity” means Member(s) in Practice when they conduct any activity as specified in AMLA in sections (2) (xii) (c) and/or (d).
- 5) “Self-Regulatory Bodies or “SRB” means:
 - i) Institute of Chartered Accountants of Pakistan (ICAP)
 - ii) Institute of Cost and Management Accountants of Pakistan (ICMAP)

CHAPTER II

3. Duties of Self-Regulatory Body (SRB): —

(1) Risk Based Approach: Every SRB shall: -

- (a) identify, assess and understand the ML/TF risks to which that SRB’s reporting entities are subject
- (b) adopt a risk-based approach to the exercise of its supervisory functions as informed by the national risk assessments and the risk assessment carried out by the SRB itself;

(c) base the frequency and intensity of its on-site, off-site supervision and its outreach activities on the risk profiles identified under clause (1)(a);

(2) Supervision: Every SRB shall—

- (a) pursuant to section 6A(2) of the AML Act, introduce regulations pertaining to—
- i) Risk assessment, mitigation and applications of a risk- based approach
 - ii) Customer due diligence requirements; including but not limited to:
 - a. Requirements to identify and verify customers, beneficial owners
 - b. Requirements to conduct ongoing monitoring
 - c. requirements to apply enhanced customer due diligence measures, including with respect to politically exposed persons
 - iii) Internal controls requirements
 - iv) Training and capacity building requirements
 - v) Duty to co-operate with competent authorities
 - vi) Targeted financial sanction (TFS) requirements
 - vii) Risk assessment and mitigating requirement for new products, practices and technologies
 - viii) Requirements on reliance on third parties
 - ix) Record-keeping requirements;
 - x) Countermeasures requirements;
 - xi) Any other item as notified in the Act
- (b) apply suitable market entry controls to ensure that it does not professionally accredit accountants that are criminals or acting as an associate of criminal, or whose beneficial owner is a criminal or criminal associate;
- (c) provide adequate resources with the appropriate qualifications, integrity and professional skills to carry out the supervisory, enforcement and outreach functions;
- (d) appoint a person to monitor and manage the its compliance with its duties under the Act and Regulations made thereunder, who shall cooperate with authorities under subsection (5) and ensure that the SRB responds to any request from any AML/CFT regulatory authority about any reporting entity;
- (e) keep and maintain a record in writing of the actions it has taken in the course of performing its functions;
- (f) monitor and supervise compliance with the requirements of the regulations set out in paragraph(a) including ensuring that reporting entities have adequate policies, controls and procedures to implement those requirements in line with the ML/TF risks;
- (g) apply effective, proportionate and dissuasive sanctions to its reporting entities in accordance with section 6A(2)(h) of the AML Act and the Rules regulating AML/CFT Sanctions 2020 issued under the AML Act; and
- (h) establish and maintain policies, controls and procedures to mitigate and manage effectively the risks of money laundering and terrorist financing identified in risk assessments undertaken by the reporting entity.

(3) Guidance and guidelines: In exercising its supervisory functions under subsection (2), the SRB must take account of any guidelines issued by its relevant AML/CFT regulatory authority, the FMU, Ministry of Foreign Affairs (MOFA), Ministry of Interior (MOI) and NACTA.

(4) Reporting of Suspicious Transactions:

(a) Every SRB must, pursuant to section 7(2) of the AML Act, immediately report Suspicious Transaction Report (STR) to the FMU that it encounters during the normal course of its duties or functions.

(b) A disclosure made under sub-section (a) is not to be taken to breach any restriction, however imposed, on the disclosure of information.

(5) Independence and Confidentiality: Every SRB shall ensure that—

(a) its functions under section 6A(2) of the AML Act are exercised independently of any of its other functions;

(b) sensitive information relating to sub section (a) shall be handled with the confidentiality, in accordance with any relevant laws.

(6) Coordination and Cooperation with authorities: Each SRB shall—

(a) fully and rapidly respond to any request from any authority referred to in paragraph (a) for information about any regulated person it supervises in relation to the implementation of the Act and any rules, regulations, directive and guidelines issued thereunder;

(b) Co-operation may include the sharing of information which the SRB is not prevented from disclosing.

(7) Guidance mechanism: Each SRB shall conduct ongoing outreach to reporting entities to promote a clear understanding of their AML/CFT and TFS obligations and ML/TF risks.

(8) Supervisory Information: Each SRB must report annually to the oversight body, regarding—

1. Compliance with this regulation.

2. The number of reporting entities who are individuals, and the number of reporting entities who carry out activities as specified in AMLA in sections (2) (xii) (c) and/or (d).

4. The number of applications for membership which the SRB has—

- (a) received,
- (b) rejected, and
- (c) accepted.

5. The services provided by its reporting entities.

6. The risk ratings of REs subject to the supervision of the SRB—

7. The number, amount and type of sanctions it has imposed in relation to contraventions of relevant section(s) of SRB Regulations on its supervised reporting entities, including the reasons for deciding not to take disciplinary action in certain cases


8. Any other relevant information that upon request that the Oversight Body needs to perform its functions

CHAPTER III

4. Functions of Oversight Body: —

- (1) **Approval of Regulations:** The Oversight Body shall approve any regulations issued under section 3(2)(a) of this regulation prior to those regulations coming into force.
- (2) **Power to require information:** (1) The oversight body may require any information provided under this regulation to be provided in such form as it may reasonably require.
- (2) Where the oversight body requires information to be provided or documents to be produced, the notice must set out the reasons why the authority requires the information to be provided or the documents produced, unless the SRB is not permitted to disclose this information.
- (3) **Monitor and oversee:** (1) The Oversight Body shall monitor the SRB's compliance with its powers and functions in accordance of section 6A(2) of the Act and this regulation.
- (2) The Oversight Body has the authority to order an examination or investigation into the SRB's activities as set out in this regulation.
- (3) The Oversight Body can appoint a skilled Person to investigate the matter as referred in paragraph (2).
- (4) The Oversight Body can impose charges on SRB for expenses incurred by the Oversight Body in relation to an appointment of skilled person in paragraph (3).
- (4) **Penalty:** Any SRB who contravenes or fails to comply with any provision of these regulations shall be liable to a sanction in accordance with the AML/CFT Sanctions Rules, 2020 issued under the AML Act and imposed by the Oversight Body according to sub-section (c) of section 6C of the AML Act.

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(Bilal Rasul)
Secretary to the Commission