

MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

INSIDE

- ✓ Committee Activities
- ✓ News on AML Supervision
- ✓ Pakistan Stock Market – KSE-100 Index Fluctuations
- ✓ Rupee-Dollar Parity
- ✓ Corporate Updates
- ✓ Taxation Updates
- ✓ International Updates
- ✓ Topic of the month - Red Flags Indicators for DNFBPs Sectors on Targeted Financial Sanctions (TFS) related to TF and PF

“Do not be embarrassed by your failures, learn from them and start again.”

Richard Branson

Message from the Chairman:

I am pleased to present the Monthly Technical Updates by TSPD Committee for the month of July, 2021. This issue covers a variety of topics related to Stock Market, Corporate Sector and money market. I believe that members will find it informative and helpful in discharging their professional assignments/ responsibilities.

Moreover, Members are requested to frequently visit the website of the Institute to keep themselves abreast with the latest developments in the AML/ CFT regime. I also want to request all members to share their valuable suggestions for further improvement in the Monthly Technical Update and identify topics of technical interest, which the Committee may consider for arranging seminars, workshops and training programs beneficial for the practicing members in terms of their capacity building and value addition.



Please do share your comments on tspd@icmap.com.pk

Shehzad Ahmed Malik, FCMA

Vice President & Chairman
TSPD Committee ICMA Pakistan

Committee Activities

In collaboration with Islamabad Branch Council (IBC)

Technical Session on Finance Act 2021

Technical Support & Practice Development (TSPD) Committee of National Council of ICMA Pakistan, in collaboration with the CPD Committee and Islamabad Branch Council organized a Technical Session on 'Finance Act 2021', on July 15, 2021. Ch. Muhammad Tarique, Member, Inland Revenue Policy, FBR was the chief guest at the session. Mr. Mutee-Ur-Rehman Mirza, Former Vice President ICMA Pakistan and Mr. Sohail Altaf, Group Leader RCCI also graced the event as Guests of Honor. While, distinguished guest speakers Mr. Ghulam Mustafa Qazi, FCMA, Mr. Javed Arif, FCMA, and Mr. M. Yousaf Khan, FCMA; offered their perspectives on the impact of indirect, direct and services taxes on industry.

Mr. Shehzad Ahmed Malik, Vice President ICMA Pakistan presented a flower bouquet to the chief guest 'Ch. Muhammad Tarique' upon his arrival. Whereas, Mr. Ather Saleem, FCMA, Honorary Treasurer ICMA Pakistan & Chairman CPD Committee, greeted the Guests of honors with flowers.

Mr. Shehzad Ahmed Malik, Vice President ICMA Pakistan made valedictory speech and presented shields to the Guest Speakers at the end of the session.



AML Supervision

ICMA Pakistan designated as an AML/CFT Regulator/Supervisor of its members through the Finance Division, Government of Pakistan notification dated December 23, 2019 and the Anti-Money Laundering (AML) Act, 2010 (the AML Act). Thereby requiring the Institute to act as a Self-Regulatory Body (SRB). Further, through the above-mentioned notification Securities and Exchange Commission of Pakistan has been designated as AML/CFT Supervisor of the Institute.

As an SRB, the Institute is obligated to prescribe regulatory and supervisory measures for the cost and management accountants in practice falling under the scope of this Framework, for customer due diligence and record keeping as well as ensuring compliance with the provisions and obligations specified under the AML Act.

The Institute, over the period, developed and disseminated extensive guidance and outreach amongst its members at large, to increase their understanding on ML/TF risks in Pakistan through guidance documents and several awareness sessions/ Seminars/ Webinars etc. This guidance included the understanding of the members of the Institute and other stakeholders, on the Anti Money Laundering/ Combating the Financing of Terrorism Regime and their obligations under it. In addition to this, the Institute developed a dedicated AML Supervision tab on website of the Institute wherein all the guidance documents and recordings of Webinars/ training sessions are placed for the convenience of the members at large. Following Guidance Documents are available on the website:-

- AML/ CFT Regulations – ICMA Pakistan
- AML/ CFT Guidelines for Accountants – 2020
- AML/CFT FAQs – ICMA Pakistan
- Guidance on AML – ICMA Pakistan
- FAQs on TFS Obligations – ICMA Pakistan
- Anti - Money Laundering Act, 2010
- AML / CFT Sanction Rules, 2020
- Counter Measures for High Risk Jurisdiction Rules, 2020
- Red Flag Indicators for Accountants
- Guidelines on Targeted Financial Sanctions (TFS)
- UNSC Consolidated Sanction Lists
- List of 'Proscribed organizations' issued by NACTA
- List of Proscribed Persons issued by NACTA
- Red Flags Indicators for DNFBPs Sectors on Targeted Financial Sanctions (TFS) related to TF and PF
- Guidelines on the Implementation of the UNSC Resolutions Concerning TFS on PF
- Guidance from Financial Action Task Force (FATF)
- FATF Recommendations (Revised)
- Guidance on Countering Proliferation Financing

The Members are time and again advised to comply with the obligations under the AML/ CFT Regime. Non – compliance with these obligations will be subject to actions under the AML / CFT Sanction Rules, 2020 and the relevant AML / CFT Legislations.

Worthy Members are also requested to timely submit all the information required by the Institute under this regime including submission of Form-A and B, which are to be submitted on annual basis during the month of July.

Worthy Members who have not yet submitted information related to Form-A, are again reminded to submit Form-A through the online AML Portal which is accessible from the members' secured login area as well as through the following link:-

http://www.icmap.com.pk/login.aspx?page=Surveys/Form_A.aspx

Please note that the information is required under the AML Act, 2010 and the non – compliance will be subject to actions under the relevant AML / CFT Legislations.

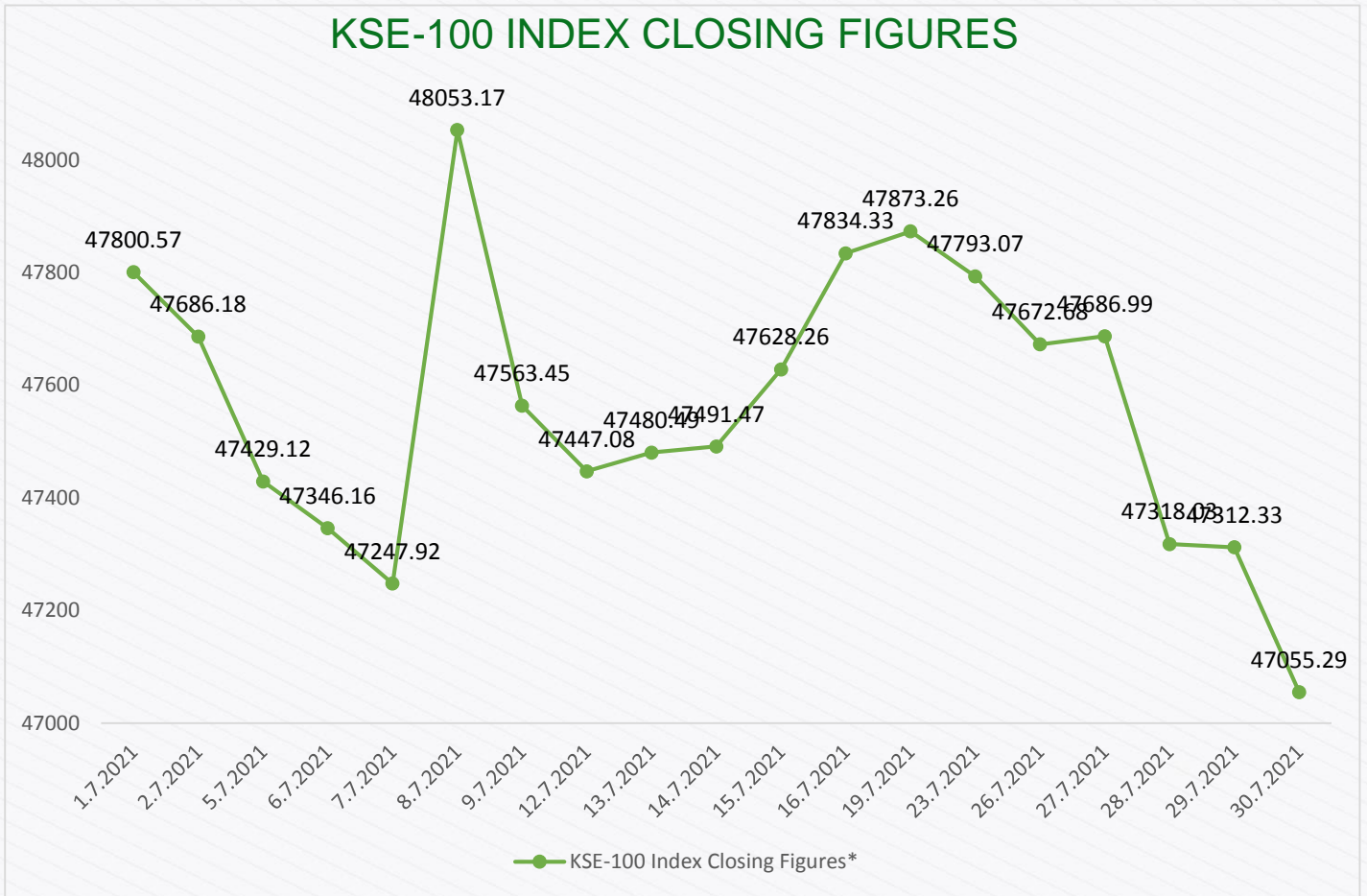
Pakistan Stock Market

Pakistan Stock Market – KSE-100 Index Fluctuations during July, 2021

Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*
1.7.2021	47800.57	9.7.2021	47563.45	19.7.2021	47873.26
2.7.2021	47686.18	12.7.2021	47447.08	23.7.2021	47793.07
5.7.2021	47429.12	13.7.2021	47480.49	26.7.2021	47672.68
6.7.2021	47346.16	14.7.2021	47491.47	27.7.2021	47686.99
7.7.2021	47247.92	15.7.2021	47628.26	28.7.2021	47318.03
8.7.2021	48053.17	16.7.2021	47834.33	29.7.2021	47312.33
				30.7.2021	47055.29

*As published in Daily Dawn

KSE-100 INDEX CLOSING FIGURES

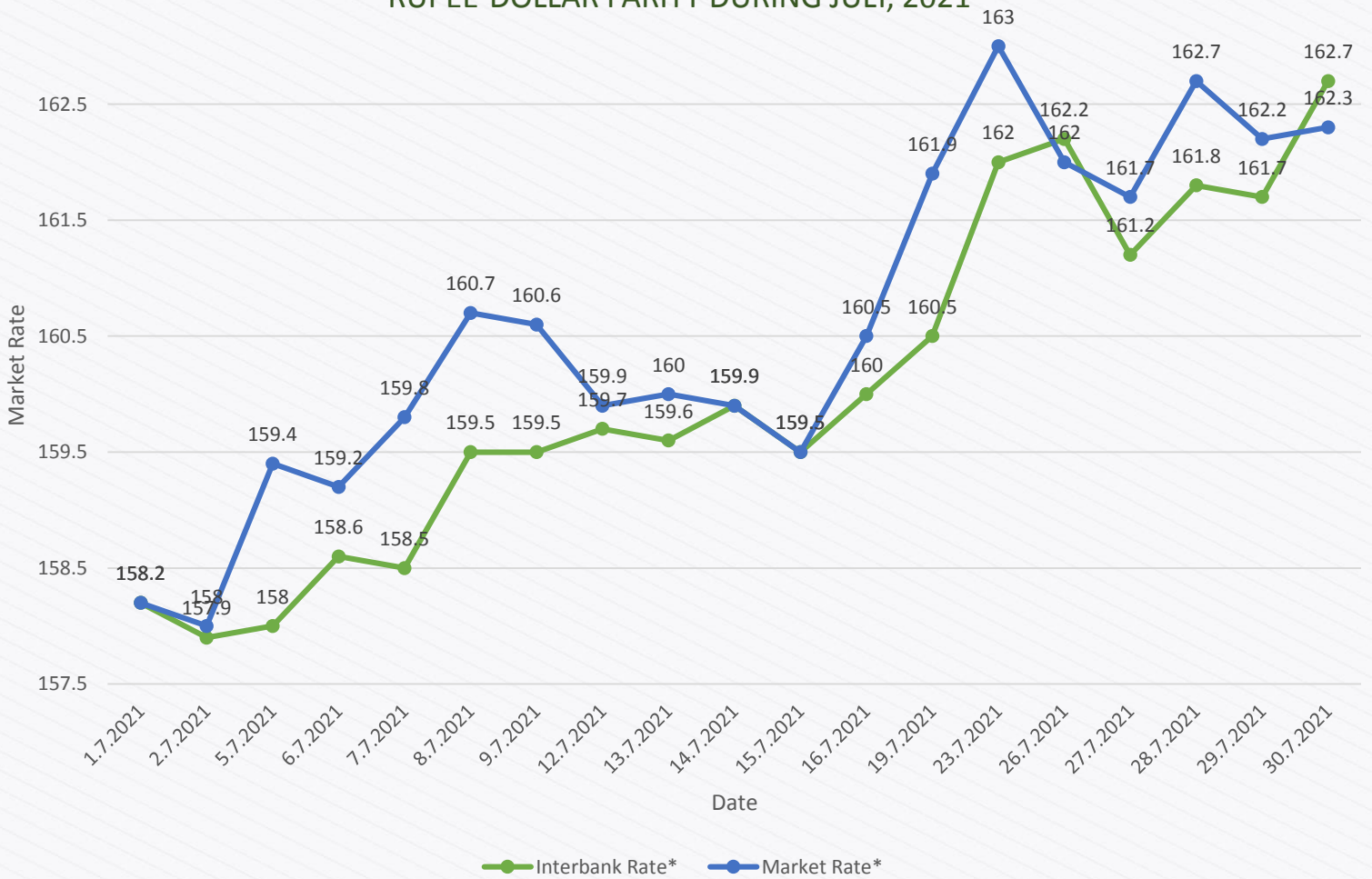


Rupee-Dollar Parity

Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*
1.7.2021	158.2	158.2	9.7.2021	159.5	160.6	19.7.2021	160.5	161.9
2.7.2021	157.9	158.0	12.7.2021	159.7	159.9	23.7.2021	162.0	163.0
5.7.2021	158.0	159.4	13.7.2021	159.6	160.0	26.7.2021	162.2	162.0
6.7.2021	158.6	159.2	14.7.2021	159.9	159.9	27.7.2021	161.2	161.7
7.7.2021	158.5	159.8	15.7.2021	159.5	159.5	28.7.2021	161.8	162.7
8.7.2021	159.5	160.7	16.7.2021	160.0	160.5	29.7.2021	161.7	162.2
						30.7.2021	162.7	162.3

*forex.pk

RUPEE-DOLLAR PARITY DURING JULY, 2021



Corporate Updates

1. COVID-19 VACCINATION AT THE WORKPLACE

Securities and Exchange Commission of Pakistan (SECP) vide their Circular No. 22 of 2021 issued instructions to all public listed companies, public unlisted and private companies, associations, trade bodies, chambers, microfinance institutions, modarabas, insurance companies, NBFIs, brokers, intermediaries etc. to ensure that their employees/workers, including their families, get vaccinated as soon as possible.

SECP also advised to encourage their business suppliers and customers to get themselves and their families vaccinated, at the earliest.

In view of the above stated facts, the SECP directed all companies to submit information to the Commission regarding current vaccination status of their employees and families, as per following format by July 26, 2021 @ compliance.ccd@secp.gov.pk:

Name of company	Status (numbers)
Total number of employees	
Number of employees vaccinated	
Number of family members (eligible for vaccination) of all employees	
Number of eligible family members vaccinated	

In case the employees and their families have not yet started and participated in vaccination drive, the management of the companies are advised to encourage them for vaccination and provide compliance report on the above format by August 31, 2021 @ compliance.ccd@secp.gov.pk.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/circular-no-22-of-2021-covid-19-vaccination-at-workplace/?wpdmdl=42972&refresh=60fb9f1b4361f1627103003>

Taxation Updates

1. INCOME TAX RETURN FORMS FOR SALARIED PERSONS, AOPS, BUSINESS INDIVIDUAL AND COMPANIES FOR TAX YEAR 2021

Federal Board of Revenue (FBR) vide their S.R.O. 853(I)/2021 dated July 1, 2021 notified Income Tax Return Forms for Salaried Persons, AOPs, Business Individual and Companies for Tax Year 2021.

FBR has uploaded the separate Income Tax Return Forms for Salaried, Association of Persons and Business Individuals. The Income Tax Returns can be filed through web portal and Tax Aasaan application through smart phones. The Tax Aasaan application can be installed from the Google play store.

According to the FBR, the taxpayers can file their Income Tax Returns till September 30, 2021.

For further details, please visit the following link:-

[https://download1.fbr.gov.pk/SROs/202171157449412SRO853\(I\)2021-IncomeTaxReturnFormsforSalariedPersons,AOPs,BusinessIndividualandCompaniesforTaxYear2021.pdf](https://download1.fbr.gov.pk/SROs/202171157449412SRO853(I)2021-IncomeTaxReturnFormsforSalariedPersons,AOPs,BusinessIndividualandCompaniesforTaxYear2021.pdf)

2. EXPLANATION OF IMPORTANT AMENDMENTS MADE IN THE INCOME TAX ORDINANCE, 2001, SALES TAX ACT, 1990 & FEDERAL EXCISE ACT, 2005 THROUGH FINANCE ACT, 2021

FBR vide their Circulars dated July 1, 2021 notified explanation of important amendments made in the Income Tax Ordinance, 2001, Sales Tax Act, 1990 & Federal Excise Act, 2005 through Finance Act, 2021.

The Explanations can be downloaded through the following links:-

Income Tax Ordinance, 2001

<https://download1.fbr.gov.pk/Docs/20217118751147CircularNo.2of2021-22.pdf>

Sales Tax Act, 1990 & Federal Excise Act, 2005

[https://download1.fbr.gov.pk/Docs/202171177237594EXPLANATIONOFIMPORTANT--FINANCEACT,2021\(STA,1990ANDFEA,2005\).pdf](https://download1.fbr.gov.pk/Docs/202171177237594EXPLANATIONOFIMPORTANT--FINANCEACT,2021(STA,1990ANDFEA,2005).pdf)

3. CHANGES IN RATES OF SALES TAX RATES ON PETROLEUM PRODUCTS

FBR vide their S.R.O. 860(I)/2021 dated July 06, 2021 reduced Sales Tax Rates on Motor Spirit excluding HOBC while the rates of other petroleum products remained unchanged. FBR made further amendment in its Notification No. S.R.O. 57(I)/2016 dated January 29, 2016, revising the sales tax rates on petroleum products as under:-

S#	Description	PCT heading	Previous Rates	Revised Rates
1	(2)	(3)	(4)	(5)
1	Motor spirit excluding HOBC	2710.1210	17.00% ad valorem	16.40% ad valorem
2	High speed diesel oil	2710.1931	17.00% ad valorem	17.00% ad valorem
3	Kerosene	2710.1911	6.70% ad valorem	6.70% ad valorem
4	Light diesel oil	2710.1921	0.20% ad valorem	0.20% ad valorem

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2021761575255727SRO860.pdf>

4. TAXATION OF COOPERATIVE HOUSING SOCIETIES REGISTERED UNDER COOPERATIVE HOUSING SOCIETIES ACT, 1925

FBR vide their Circular No. 03 of 2022 dated July 5, 2021 notified Taxation of Cooperative Housing Societies Registered under Cooperative Housing Societies Act, 1925.

Through this Circular, the FBR declared Cooperative Housing Societies (CHS) as Company for tax purposes and directed all its field formations to ensure filing of returns on the basis of audited accounts on accrual basis in order to get due share in tax collection. FBR directed that all formations are expected to look into and finalize CHS cases for all pending and reopened tax years in the light of this circular, so that decent revenues could be ensured for the state, and rent-seeking and compliance costs could be cut for taxpayers, in the process sparing their management to single mindedly focus on resolution of housing problems for the people.

Moreover, all earlier circulars and instructions issued on the matter stand rescinded.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/Docs/202176971656129CircularNo3of2022.pdf>

5. DRAFT AMENDMENTS IN CUSTOMS RULE, 1969 – EXPORT FACILITATION SCHEME-2021

FBR vide their S.R.O. 902(I)/2021 dated July 09, 2021 proposed draft amendments in Customs Rules, 2001 by unveiling Export Facilitation Scheme-2021.

FBR proposed further amendments in Customs Rules, 2001 by inserting a news chapter XXXII titles as Export Facilitation Scheme-2021. The scheme is proposed for all categories of exporters including manufacturers-cum-exporters and commercial exporters, merging all schemes into a single unified procedure.

According to the draft, the user of the Export Facilitation Scheme-2021 shall be allowed to sell up to 20 percent of the output goods manufactured from input goods in the domestic market on payment of leviable duty and taxes on filing of a Goods Declaration, which shall be assessed as if goods are imported into Pakistan in that condition, subject to satisfaction of the Regulatory Collector regarding reasons for domestic sale.

The new scheme shall be available to the following persons subject to authorisation of import, warehouse and purchase of input goods under these rules and registration in the WeBOC or PSW:

- Persons registered under the Sales Tax Act, 1990, as manufacturer cum exporter, who make value-addition in the manufacture and export of goods, which shall not be less than ten per cent;
- manufacturers who act or intend to act as contracted vendors of foreign principal as toll manufacturers;
- Commercial exporters;
- persons registered under the Sales Tax Act, 1990, as manufacturer and operating as indirect exporters;
- manufacturers including manufacturers of engineering goods who intend to supply against international tenders;
- and Common Export House.

Provided that this scheme shall be allowed for the export of goods authorized under the export policy order. In case of export of goods restricted or prohibited under the export policy order, specific permission from the Ministry of Commerce shall be required.

FBR has proposed to divide exporters into following different categories:-

- Category A: Manufacturers cum exporters with 60 percent or above exports of their total annual production in last two years.
- Category B: Manufacturers/exporters with less than 60 percent total annual production being exported.
Category B-1: Manufacturers-cum-Exporters having more than 3 years of export history.
Category B-2: Manufacturers-cum-Exporters having less than 3 years export history.
- Category C: Indirect exporter, commercial exporters, and international toll manufacturers.
Category C-1: Manufacturers having more than 3 years history of supplying to direct exporters or export as commercial exporter or International Toll manufacturing;
Category C-2: Manufacturers having less than 3 years history of supplying to direct exporters or export as commercial exporter or International Toll manufacturing.

All existing users of any of export schemes issued under SRO 4500) 2001 dated 18.06.2001 Chapter XV, DTRE, SRO 327(1)2008 dated 29.03.2008, before issuance of these rules shall be eligible to be classified under Category A and C1 as the case may be, provided they have a good compliance record.

The application for authorisation to operate under this scheme shall be submitted online to the Regulatory Collector. The online application along with approved Analysis Certificate, of all existing users of export promotion schemes under SRO 450(I) 2001 dated 18.06.2001 Chapter XV, DTRE, SRO 327(1)2008 dated 29.03.2008, shall be processed by the Regulatory Collector by uploading the approved value of the input goods along with the details of the security instrument as applicable in the WeBOC/PSW system and IOCO database after satisfying himself regarding the compliance profile of the applicant and the value of the input goods being commensurate with performance and production capacity of the applicant, within seven days of its receipt. Moreover, the Directorate of Post Clearance Audit shall conduct an audit of the users as under:-

- Category A; once in five years;
- Category B; once in four years;
- Category C; once in three years;
- Contract based: once in three years.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2021791675459416NotificationSROEFS.pdf>

6. FBR ABOLISHES DOMESTIC PRICE OF SUGAR TO EVALUATE SALES TAX

FBR vide their S.R.O. 895(I)/2021 dated July 08, 2021 abolished the domestic price of sugar, fixed at Rs. 60 per kg in 2016, for the purpose of assessment of sales tax.

FBR rescinded its S.R.O. 812(I)/2016 dated September 2, 2016 through which the value of White Crystalline Sugar, falling under heading 1701.9910 of the First Schedule to the Customs Act, 1969, was fixed at Rs 60 per kg in 2016 and imported White Crystalline Sugar, falling under heading 1701.9920 of the First Schedule to the Customs Act, 1969, was fixed at US\$725 per MT.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2021781674850772SRO-895.pdf>

7. CHANGES IN RATES OF SALES TAX RATES ON PETROLEUM PRODUCTS

Federal Board of Revenue (FBR) vide their S.R.O. 937(I)/2021 dated July 26, 2021 reduced Sales Tax Rates on Motor Spirit excluding HOBC while the rates of other petroleum products remained unchanged. FBR made further amendment in its Notification No. S.R.O. 57(I)/2016 dated January 29, 2016, revising the sales tax rates on petroleum products as under:-

S#	Description	PCT heading	Previous Rates	Revised Rates
1	(2)	(3)	(4)	(5)
1	Motor spirit excluding HOBC	2710.1210	16.40% ad valorem	10.77% ad valorem
2	High speed diesel oil	2710.1931	17.00% ad valorem	17.00% ad valorem
3	Kerosene	2710.1911	6.70% ad valorem	6.70% ad valorem
4	Light diesel oil	2710.1921	0.20% ad valorem	0.20% ad valorem

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/202172616781542SRO937OF2021--DATED26.07.2021--PETROLEUMPRODUCTS.pdf>

8. FBR TAKES STEPS FOR EASE OF DOING BUSINESS & TAXPAYERS FACILITATION

Federal Board of Revenue (FBR) notified to launch single identifier number for all domestic taxes. Under this initiative a taxpayer can use all applications under the Income Tax, Sales Tax and Federal Excise duty by mere use of CNIC if a taxpayer is an individual. In case of partnership firms and companies, National Tax Number (NTN) shall be the common tax identifier number.

FBR has harmonized the Sales Tax, Income Tax and Federal Excise law which is an important step toward ease of doing business and will substantially improve Pakistan's rating on this count.

Moreover, FBR has also launched a facility whereby taxpayers can now make payments without visiting the bank. This facility is widely known as Alternate Delivery Channel (ADC) payment mode. ADC allows taxpayer to pay all Federal taxes and duties i.e. Income Tax, Sales Tax, Customs duty and Federal Excise Duty from any commercial bank account through internet banking, ATM, mobile banking and Contact Centers. However in the case of individual taxpayer, the alternate facility of making the payment over the counter (OTC) has still been allowed simultaneously along with ADC channel till September 30, 2021, so that no inconvenience is caused to the individual taxpayer for seamless filing of returns.

Federal Board of Revenue (FBR) vide their S.R.O. 725(I)/2021 dated June 8, 2021 exempted sales tax in excess of five percent chargeable on supplies made by restaurants and eateries on account of takeaway subject to the conditions that no input tax shall be adjusted.

This Notification shall remain in force upto June 30, 2021.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2021681665623529sro725.pdf>

International Updates

1. IAASB PUBLIC CONSULTATION OPENS FOR PROPOSED NEW STANDARD FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES

The International Auditing and Assurance Standards Board (IAASB) published an exposure draft of its new, stand-alone standard for audits of financial statements of less complex entities.

The new draft standard responds to demands to have a set of high-quality requirements tailored for the needs of less complex entities (LCEs). According to IAASB, the new standard for audits of financial statements of LCEs will provide a globally consistent approach at a time where several jurisdictional-specific LCE standards or related initiatives are arising. The release of the exposure draft is part of a broader effort to reduce complexity, improve understandability, and make International Standards on Auditing (ISAs) more scalable and proportionate to circumstances of audited entities.

The standard is relevant to users of financial statements, owners, management and those charged with governance of entities, preparers of financial statements, legislative or regulatory authorities, relevant local bodies with standard-setting authority, professional accountancy organizations, academics, regulators and audit oversight bodies, and auditors and audit firms, among others.

The draft can be accessed and downloaded through the following link:-

https://www.iaasb.org/focus-areas/new-standard-less-complex-entities?utm_source=IFAC+Main+List&utm_campaign=17fe126775-IAASB-LCE-release-7.23.21&utm_medium=email&utm_term=0_cc08d67019-17fe126775-80436162

Worthy Members are requested to kindly provide their valuable feedback, comments and suggestions on the above draft @ tspd@icmap.com.pk latest by January 31, 2022 for onward submission to IAASB.

2. IASB PROPOSES REDUCED DISCLOSURE REQUIREMENTS FOR SUBSIDIARIES

International Accounting Standards Board (IASB) proposed a new IFRS Standard that would permit eligible subsidiaries to apply IFRS Standards with a reduced set of disclosure requirements.

According to IASB, the proposed Standard would be available to subsidiaries without public accountability—companies that are not financial institutions or listed on a stock exchange—whose parent company prepares consolidated financial statements applying IFRS Standards. These subsidiaries report to their parent company for consolidation purposes applying IFRS Standards. Electing to apply the proposed Standard would enable them to also use IFRS Standards when preparing their own financial statements but with reduced disclosures.

The proposed exposure draft can be accessed through the following link:-

<https://www.ifrs.org/content/dam/ifrs/project/subsidiaries-smes/ed2021-7-swpa-d.pdf>

Worthy Members are requested to kindly review the exposure draft and provide their valuable feedback, comments and suggestions on the above draft @ tspd@icmap.com.pk latest by January 31, 2022 for onward submission to IASB.

3. IASB PROPOSES MINOR AMENDMENT TO TRANSITION REQUIREMENTS FOR INSURERS APPLYING IFRS 17 AND IFRS 9 FOR THE FIRST TIME

IASB proposed a narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts. The proposed amendment does not affect any other requirements in IFRS 17.

The Exposure Draft can be accessed through the following link:-

<https://www.ifrs.org/content/dam/ifrs/project/initial-application-of-ifrs-17-and-ifrs-9-comparative-information-amendment-to-ifrs-17/ed2021-8-initial-app-ifrs17-ifrs9-ci.pdf>

According to IASB, many insurers will apply IFRS 17 and IFRS 9 Financial Instruments for the first time from 2023 and are at an advanced stage of preparing to apply these new Standards. However, some of these insurers have informed the Board of significant temporary accounting mismatches on initial application of the new Standards that can make the change in accounting more difficult to communicate to investors.

Worthy Members are requested to kindly review the exposure draft and provide their valuable feedback and suggestions on the above draft @ tspd@icmap.com.pk latest by September 27, 2021 for onward submission to IASB.

Red Flags Indicators for DNFBPs on TFS related to TF and PF

By Financial Monitoring Unit (FMU) of Pakistan

Targeted Financial Sanctions (TFS) means the freezing and prohibition obligations in relation to the assets of the designated or proscribed (natural or legal) persons, persons associated with or acting on behalf of or at the direction of the designated or proscribed persons (natural or legal) under the United Nations (Security Council) Act 1948 or Anti-Terrorism Act 1997. Pakistan has implemented TFS relating to the prevention and suppression of terrorism and terrorist financing under United Nations Security Council Resolutions (UNSCR) 1267, UNSCR 1373 and their successor resolutions. Similarly, it has also implemented TFS relating to the prevention, suppression, and disruption of proliferation of weapons of mass destruction and its financing under UNSCR 1540, UNSCR 1718, UNSCR 2231 and their successor resolutions.

Detailed guidance on TFS obligations related to Terrorism Financing (TF) and Proliferation Financing (PF) have already been issued by Ministry of Foreign Affairs (MOFA) and National Counter Terrorism Authority (NACTA). These contain detailed guidance on steps required for effective implementation of TFS regime in Pakistan. The links to these guidance documents are as follows:

- Guidelines on implementation of TFS related to PF under UNSC 1718 and UNSC 2231
http://secdiv.gov.pk/uploads/CRMC_Guidelines_on_TFS_for_PF-38da.pdf
- Guidelines on implementation of TFS related to TF under UNSC 1267
<http://mofa.gov.pk/wp-content/uploads/2020/04/Guidelines-for-Implementation-of-UNSC-1267-Sanctions.pdf>
- Guidelines on implementation of TFS related to TF under UNSC 1373
https://nacta.gov.pk/wp-content/uploads/2018/11/Revised-Guidelines-on-UNSCR-1373_300920-Final.pdf

Enforceable Guidelines issued by AML/CFT Regulatory Authorities for DNFBPs

The Section 7H of the Anti-Money Laundering Act 2010 requires that “Every reporting entity shall implement policies and procedures to ensure their compliance with the provisions of this Act and orders, rules or regulations made thereunder that impose TFS obligations upon reporting entities.” AML/ CFT Regulatory Authorities (ICAP/ICMAP and FBR under regulation 25 and regulation 13 of their respective AML/CFT Regulations) have instructed their regulated entities to comply with TFS and pursuant to section 7H of the AML Act 2010, their regulated entities are bound to comply with these TFS obligations.

Subsequently, AML/ CFT Regulatory Authorities have also issued detailed guidance for Designated Non-Financial Businesses and Professions (DNFBPs) to effectively meet TFS obligations related to TF and PF. These guidance documents are available at the following links:

- Guidelines on TFS issued by FBR DNFBPs Directorate for real estate agents, jewelers and dealers in gems, precious metals and accountants (not covered by ICMAP and ICAP)
<https://www.fbr.gov.pk/Targeted-financial-sanctions-regulations/152366/152886>
- Guidelines on TFS issued by the Institute of Chartered Accountants Pakistan (ICAP)
<https://www.icap.org.pk/files/per/aml/Guidelines-TargetedFinancialSanctions.pdf>
- Guidelines on TFS issued by the Institute of Cost and Management Accountants Pakistan (ICMAP)
https://www.icmap.com.pk/News_Pdf/GuidelinesTargetedFinancialSanctions_TFS.pdf

Red Flags Indicators for DNFBCs on TFS related to TF and PF

For further guidance of DNFBCs, certain red flags indicators have been identified from international typologies and guidance on TFS that can indicate TF or PF related activities by designated person / entities, their associates and those working on behalf of or at the direction of the designated persons/entities. These red flags are intended to aid DNFBCs to detect potential TF or PF activity in breach of TFS obligations:

Customer:

- The client (individual or entity) found as potential match while screening through sanction lists (both UNSC Consolidated List and Domestic Sanctions Lists).
- The client found as an office bearer (trustee/ member/ director/ authorized signatory etc.) of a designated/ proscribed entity.
- The client found as business partner of a designated/ proscribed individual or business partner of an office bearer (trustee/ member/ director etc.) of a designated/ proscribed entity.
- The client (individual or entity) is suspected to be raising funds on behalf of designated/ proscribed individual/ entity by any means.
- The client (individual or entity) holds a legal title to any asset for the benefit of or on behalf of a designated entity or individual.
- The client appears to have conducted transactions on behalf of or at the direction of a designated/ proscribed individual or entity.
- When client is vague about the ultimate beneficiaries and provides incomplete information or is resistant when requested to provide additional information.
- The client is suspected of being an associate of any designated/ proscribed individual or entity in any capacity.
- The client has provided residential/ office address or personal contact number which matches with the known residential/ office address or contact number of a designated/ proscribed individual or entity.
- The client is a research body/ university/ shipping firm connected or dealing with a higher risk jurisdiction of proliferation concern.
- The client provides fictitious documents to hide its identity to avoid TFS Screening by the reporting entity.
- Domestic or international media news/ open-source information (Broadcast/ Print/ Electronic or social media) highlights client's involvement in providing financial or other assistance to designated/ proscribed individual or entity.
- Investigation or Inquiry from law enforcement agency/ intelligence agency indicating linkage of the client with designated/ proscribed individual or entity.
- The client is a research body/manufacturer/dealer in products which are subject to export controls.
- The shipping company or import / export intermediary which is registered in offshore financial centers, and its address/ contact details are obscure.

Transaction:

- Transaction involves the sale or purchase of dual-use, proliferation sensitive or military goods, particularly with higher risk jurisdictions.
- Transaction involves possible shell companies (e.g. companies do not have a high level of capitalization or displays other shell company indicators).
- Transaction involves person or entity in foreign country of proliferation concern or the country with weak export control laws or weak enforcement of export control laws.
- Use of bulk cash or precious metals (e.g. gold) in transactions for industrial items.

- Complicated structures to conceal a party's involvement, for example, the use of layered letters of credit, intermediaries, and brokers.
- Pattern of wire transfers or payment activity which are unusual, illogical or have no apparent purpose.
- The transaction structure (whether shipping route, financing arrangement or documentation) appears unnecessarily complex or irrational.
- The description of the goods on the trade/financial documentation is obscure, incomplete or misleading.
- Transaction involves the shipment of goods incompatible with the technical level of the country to which it is being shipped.

Follow-Up Actions

- If the DNFBP observes one or more of these Red Flags and forms a reasonable suspicion, the DNFBP shall take appropriate follow-up actions to prevent suspected prohibited transactions/ business relationship, which may include:
 - Suspending a transaction pending further investigations and completion of Enhanced Due Diligence;
 - Refusing to process or execute transactions when unable to obtain additional information;
 - Terminating business relationship with the customer or client;
 - Freezing the relevant funds and assets, without delay, in line with legal requirements and notifying the same to the respective AML/CFT Regulatory Authority;
 - Filing Suspicious Transaction Report to the Financial Monitoring Unit (FMU); <https://goamlweb.fmu.gov.pk/PRD/Home>
 - And storing documentary evidence in line with record keeping requirements.

Helplines of AML/CFT Regulator

DNFBPs are encouraged to seek additional guidance from their respective AML /CFT Regulatory Authorities to properly identify prohibited transactions and ensure compliance with legal and regulatory obligations. Details of Helpline of ICMA Pakistan is as follows:

Institute of Cost and Management Accountants Pakistan (ICMAP)

http://www.icmap.com.pk/public_practice.aspx

Phone Line: +92 51 4865562

Email Address: aml.supervisor@icmap.com.pk

Note: The above red flags are in addition to the red flags published by FMU or international stakeholders on their websites from time to time.

Financial Monitoring Unit

The following DNFBP related red flags are available on FMU's website:-

Red Flags for Proliferation Financing:

<https://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Proliferation-Financing.pdf>

Red Flags for Real Estate Sector:

<https://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Real-Estate-Sector.pdf>

Red Flags for Jewelers and Precious Metals / Stones Dealers:

<https://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Jewelers-and-Precious-Stones-or-Metal-Dealers-Final.pdf>

Red Flags for Accountants:

<https://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Accountants-final.pdf>

Red Flags for Lawyers Notaries and Independent Legal Professionals:

<https://www.fmu.gov.pk/docs/Circular-for-Lawyers-Notries-and-Independent-Legal- Professionals-Red-flags.pdf>

TECHNICAL SUPPORT & PRACTICE DEVELOPMENT COMMITTEE

Mr. Shehzad Ahmed Malik, FCMA
Chairman

Mr. Shaukat Hayat Khan Baluch, FCMA
Member

Mr. Azeem Hussain, ACMA
Member

Sayyid Mansoob Hasan, FCMA
Member

Mr. Zahid Farooq, FCMA
Member

Mr. Naeem-ud-din, FCMA
Member

Mr. Abdul Razzaq, FCMA
Member

Mr. Muhammad Yousuf, FCMA
Member

Mr. Nafees Ahmed, FCMA
Member

Mr. Nasir Jamal, FCMA
Member

Mr. Tariq Javed Kamboh, FCMA
Member

Mr. Imran Ashfaq, ACMA
Member

Mr. Muhammad Abdur Rub Khan, ACMA
Member

Mr. Muhamamd Tayyab, ACMA
Member

Mr. Khuram Shazad, ACMA
Member

Mr. Bilal Ahmad, FCMA
Director TSPD & Acting Director Islamabad Campus