

MONTHLY TECHNICAL UPDATES

ON ACCOUNTING, TAXATION & LAWS

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“Coming together is a beginning, staying together is progress, and working together is success.”

Henry Ford

Message from the Chairman:

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

Moreover, Worthy 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



AML Supervision

Submission of Annual Return (Form A & Form B)

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 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 required to timely submit all the information under this regime including submission of Form-A and B, which are to be submitted on annual basis.

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.

CRMC Guidelines for DNFBPs on Proliferation Financing (PF)

The Financial Action Task Force (FATF) Recommendations 6 and 7 requires each country to implement targeted financial sanctions regimes to comply with the United Nations Security Council resolutions (UNSCRs) relating to the prevention and suppression of terrorism and terrorist financing, and proliferation and counter proliferation financing (CPF). The requirement to apply TFS in relation to these UNSCRs is a requirement in law in Pakistan under the UNSC Act, 1948.

Detecting PF is very difficult for the regulated entities, therefore, in order to assist these reporting entities/ practicing firms to understand methods and trends which financiers of proliferation have employed and to assist and raise awareness particularly amongst Designated Non-Financial Businesses and Professions (DNFBPs) about the legal obligations and risks of PF sanctions evasion in Pakistan, a guidelines is prepared, namely "CRMC Guidelines for DNFBPs on Proliferation Financing (PF)."

The CRMC Guidelines are uploaded on the website of the Institute and can be accessed through the following link:

https://www.icmap.com.pk/downloads/AML/CRMCGuidelines_for_DNFBPsOnProliferationFinancing.pdf

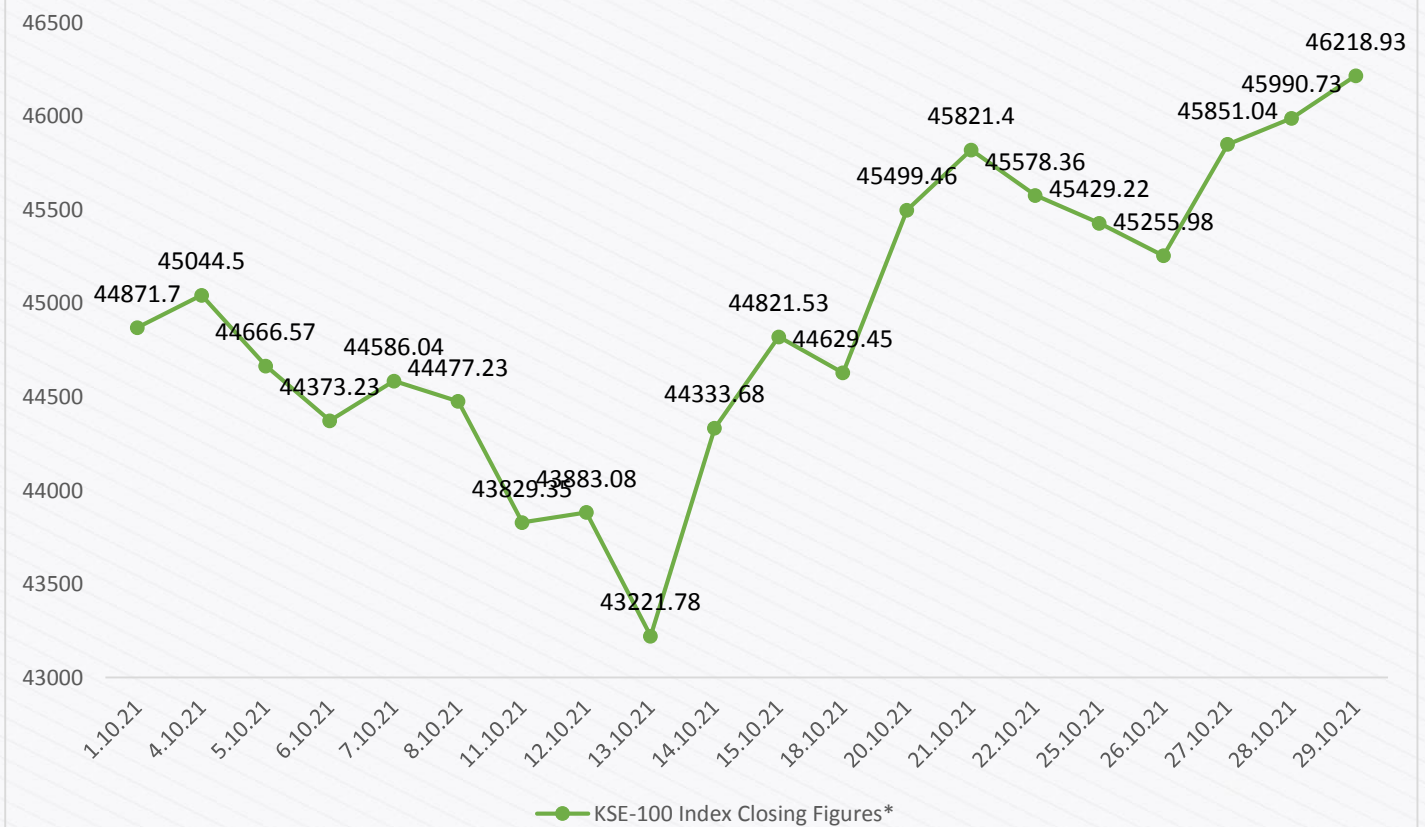
Pakistan Stock Market

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

Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*
1.10.21	44871.70	12.10.21	43883.08	22.10.21	45578.36
4.10.21	45044.50	13.10.21	43221.78	25.10.21	45429.22
5.10.21	44666.57	14.10.21	44333.68	26.10.21	45255.98
6.10.21	44373.23	15.10.21	44821.53	27.10.21	45851.04
7.10.21	44586.04	18.10.21	44629.45	28.10.21	45990.73
8.10.21	44477.23	20.10.21	45499.46	29.10.21	46218.93
11.10.21	43829.35	21.10.21	45821.40		

*As published in Daily Dawn

KSE-100 INDEX CLOSING FIGURES

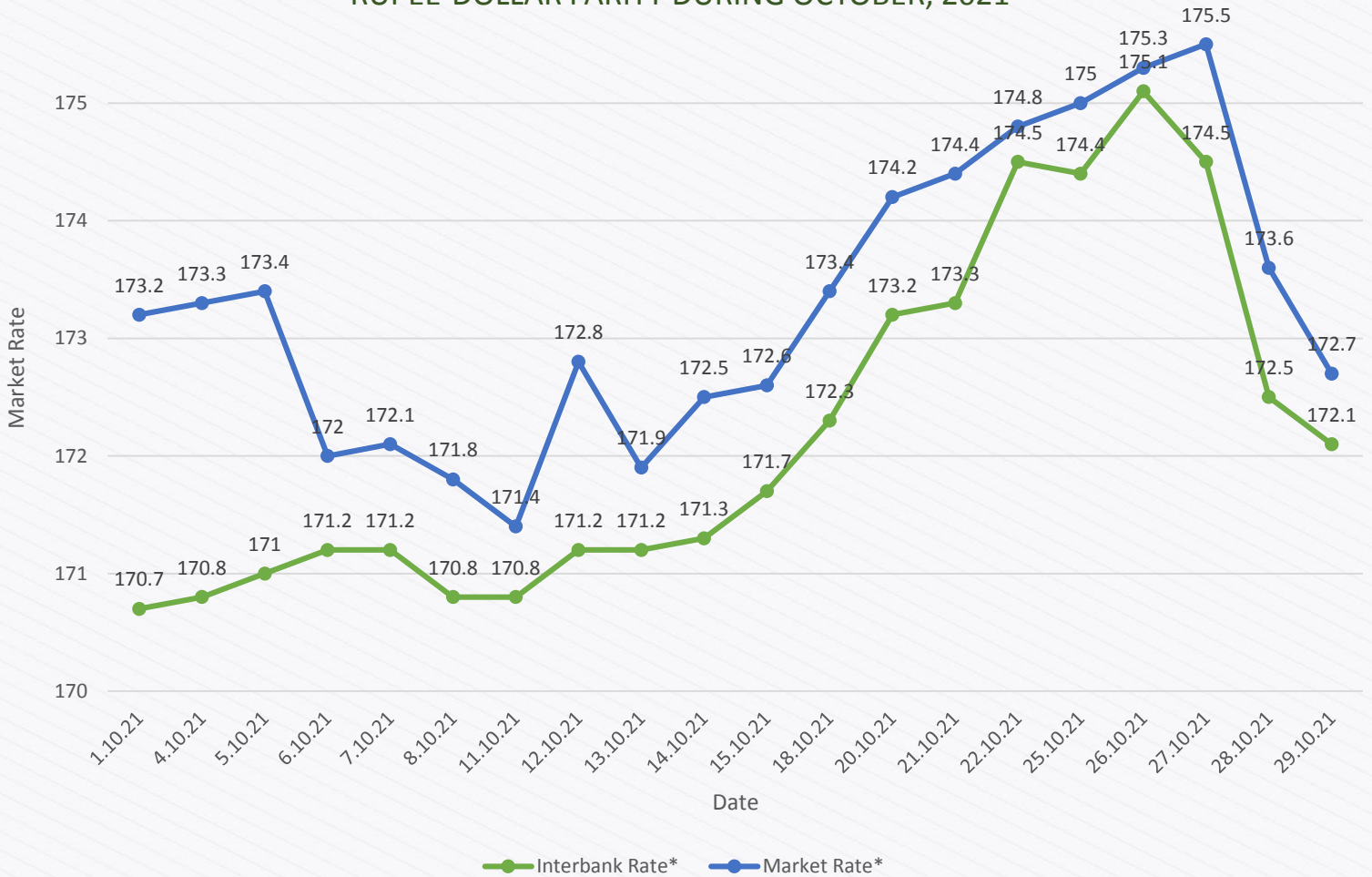


Rupee-Dollar Parity

Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*
1.10.21	170.7	173.2	12.10.21	171.2	172.8	22.10.21	174.5	174.8
4.10.21	170.8	173.3	13.10.21	171.2	171.9	25.10.21	174.4	175.0
5.10.21	171.0	173.4	14.10.21	171.3	172.5	26.10.21	175.1	175.3
6.10.21	171.2	172.0	15.10.21	171.7	172.6	27.10.21	174.5	175.5
7.10.21	171.2	172.1	18.10.21	172.3	173.4	28.10.21	172.5	173.6
8.10.21	170.8	171.8	20.10.21	173.2	174.2	29.10.21	172.1	172.7
11.10.21	170.8	171.4	21.10.21	173.3	174.4			

*forex.pk

RUPEE-DOLLAR PARITY DURING OCTOBER, 2021



Corporate Updates

1. REGULATORY FRAMEWORK FOR ACCOUNT OPENING BY AMCS

Securities and Exchange Commission of Pakistan (SECP) vide their Circular No. 26 of 2021 notified Regulatory Framework for account opening by Asset Management Companies (AMCs).

Through this notification, the SECP has specified a swift and simplified onboarding framework for customers of the Asset Management Companies (AMCs) and Pension Fund Managers (PFM).

Under this new framework, the accounts can be opened online, while the AMCs and PFMs can conduct customer verification and authentication through virtual platforms such as WhatsApp, Skype, etc. It classifies the investment accounts into three categories on the basis of investment & transaction limits, and the respective documentation/verifications, which are Sehl Sarmayakari Account, Sahulat Sarmayakari Account and Sarmayakari Account.

Through Sehl Sarma-yakari Account, users can be on boarded through digital wallets without providing any additional information or document to the AMCs.

The Sahulat Sarmayakari Account requires additional documentation but does not necessitate customer risk profiling for investments (in Money Market and Low risk Income Schemes).

The Sarmayakari Account is the most comprehensive and does not have any investment or transaction limit. Therefore, it requires additional legal documentation/ information.

Furthermore, customers of all these accounts have the option of upgrading their accounts by fulfilling respective account requirements in due course. The Framework also elaborates the conditions minimum customer information and documentation required for opening of such accounts.

All AMCs are directed to ensure compliance within 90 days of the issuance of this circular.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/circular-no-26-of-2021-regulatory-framework-for-account-opening-by-amcs/?wpdmdl=43498&refresh=6165157068d301634014576>

2. POLICY TO BE PREPARED AT BOARD LEVEL FOR GENDER DIVERSITY BY THE INSURANCE COMPANIES

SECP vide their Circular No. 24 of 2021 notified policy to be prepared at board level for gender diversity by the insurance companies.

SECP, in continuation of their Circular No. 7 dated March 12, 2021 on "Gender Diversity", directed the Boards of insurers and takaful operators to:

- Formulate a gender diversity policy for recruitment, promotion along with gender pay gap analysis within the organization, retention and development of skills of their women employees, providing them conducive work environment which includes but is not limited to the provision of day care facilities, better maternity leaves, robust anti-harassment and speak-up policies and diverse committees overseeing the complaints pertaining to harassment etc.;
- oversee the implementation of the above referred diversity policy with concrete targets and review the progress at least annually;
- make the diversity objectives part of the Key Performance Indicators (KPIs) of senior management to ensure that they are applied throughout the organization;
- maintain the gender dis-aggregated data with regard to female employment, female agency sales force and female customer base;
- impart awareness throughout organization regarding anti-harassment policy and development of respectful workplace environment.

Further, SECP also directed all insurers to submit the gender dis-aggregated data with regards to female employment and female agency sales force as per format, provided in the circular, to the Commission by April 30 every year. The first data as per given format needs to be submitted by October 30, 2021. SECP encouraged all insurers and takaful operators to proceed as recommended above and keep all stakeholders apprised by publishing the actions taken on their websites.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/circular-24-of-2021-policy-to-be-prepared-at-board-level-for-gender-diversity-by-the-insurance-companies/?wpdmdl=43428&refresh=61559414110a01632998420>

3. MANDATORY CERTIFICATION FOR THE PROFESSIONALS OF CAPITAL MARKET

Securities and Exchange Commission of Pakistan (SECP) vide their Circular No. 27 of 2021 notified mandatory certification for the professionals of capital market.

In continuation to Circular No. 9 of 2015, Circular No. 47 of 2015 and Circular No. 10 of 2018, the SECP notified following amendments to the above-referred circulars:

- The Pakistan Markets and Regulation Program (PMR) and Fundamentals of Capital Market Certification (FCM) shall be mandatory only for the Chief Executive Officer/Managing Director, Chief Compliance Officer and Head of Sales, by whatever name called, of securities brokers.
- The Stock Broker Certification (SBC) shall be mandatory only for all sales staff i.e. personnel performing the sales function of securities brokers. These do not include personnel employed for administrative, operations and other staff members including the system/ trading terminal operators.
- The existing abovementioned personnel shall obtain the PMR, FCM and SBC Certification, whichever relevant, within 18 months of the date of issuance of this circular.
- All new professionals, as mentioned above, joining brokerage house after the date of issuance of this circular shall obtain the PMR, FCM and SBC certification, whichever relevant, within 12 months of their joining.
- All other requirements of the above-referred circulars shall remain the same.

SECP further notified that this circular shall come into force with immediate effect and all securities brokers are required to ensure its meticulous compliance in letter and spirit.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/circular-no-27-of-2021-mandatory-certification-for-the-professionals-of-the-capital-market/?wpdmdl=43480&refresh=61666290291691634099856>

4. AMENDMENTS IN THE NON-BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 1396 (I)/2021 dated October 25, 2021 notified amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

A new proviso is inserted in regulation 28, in clause (a) of the above said Regulations as under:-

“Provided further that a Leasing Company, while calculating its investment in leasing, may include vehicle financing as part of leasing.”

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/sro1396-i-2021-amendments-in-the-non-banking-finance-companies-and-notified-entities-regulations-nbfc-ne-regulations-2008/?wpdmdl=43602>

Taxation Updates

1. WAIVER OF PENAL SURCHARGE

Federal Board of Revenue (FBR) vide their S.R.O. 1399(I)/2021 dated October 27, 2021 notified to remit the penal surcharge in the case of goods which are cleared from the warehouse within thirty days starting from the date of commencement of this Notification; and extend existing warehousing period of already in-bonded goods for a further period of thirty days from the date of commencement of this notification:

Provided that this Notification shall not apply to the goods which have since been abandoned or auctioned under the Customs Act, 1969 (IV of 1969) and the rules made thereunder.

For further details, please visit the following link:-

<https://download1.fbr.gov.pk/SROs/2021102812105615917SRO1399-2021.pdf>

International Updates

1. NEW STAFF Q&A: PUBLIC SECTOR SPECIFIC FINANCIAL INSTRUMENTS UNDER IPSAS

The International Public Sector Accounting Standards Board (IPSASB) vide their August 4, 2021 issued a Questions and Answers (Q&A) publication to provide information on accounting for certain public sector specific financial instrument transactions.

Public sector entities may hold monetary items as units of exchange to achieve certain policy objectives. This publication highlights IPSAS guidance to aid constituents in accounting for certain public sector specific transactions including monetary gold, International Monetary Fund Special Drawing Rights (SDRs), concessionary loans, currency issued by the entity, and others.

For further details and to access the document, please visit the following link:-

<https://www.ipsasb.org/publications/public-sector-specific-financial-instruments-under-ipsas>

2. FIRST-TIME IMPLEMENTATION GUIDE FOR ISQM 1 UPDATED AND REISSUED

The International Auditing and Assurance Standards Board (IAASB) released an updated version of the First-time Implementation Guide for International Standard on Quality Management (ISQM)-1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which was previously issued on June 14, 2021.

The update was made in response to questions the IAASB received on the illustrative table on page 89 of the original guide illustrating some scenarios relating to the evaluation of the firm’s system of quality management and related possible conclusions in accordance with paragraph 54 of ISQM 1. The table was intended to illustrate how the combination of various factors outlined in the table may affect what conclusion is reached. It was not intended to be definitive on the conclusions reached in each circumstance.

IAASB further informed that the suite of quality management standards come into effect on December 15, 2022. This guide, and the first-time implementation guide for ISQM 2, do not amend or override the International Standards on Quality Management, the texts of which alone are authoritative. Reading the publications are not a substitute for reading the ISQMs. The IAASB encourages all practitioners to plan early for appropriate implementation, given the potential impact of the changes to firms’ systems of quality management.

For further details, please visit the following link:-

<https://www.iaasb.org/publications/isqm-1-first-time-implementation-guide>

Consolidated list of the Red-Flags

Applicable to all Categories of DNFBPs

CRMC Guidelines

The following consolidated list of red-flags are based on the FMU Guidance, CRMC guidelines as well as the FATF Guidance that looked at proliferation financing- related sanctions evasion techniques have been captured in the reports submitted by the UN PoE to relevant UNSC or UNSCR committees.

The following list 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.

It is recommended that that the DNFBP reach out to their respective AML/CFT regulatory authorities as well as the CRMC to provide further guidance.

Customer Specific Red-Flags

- When customer is involved in the supply, sale, delivery or purchase of dual-use, proliferation sensitive or military goods, particularly to higher risk jurisdictions.
- When customer or counter-party, or its address, is the same or similar to that of an individual or entity found on publicly available sanctions lists.
- Inconsistencies in information contained in trade documents and financial flows, such as names, companies, addresses, final destination etc.
- Customer vague/incomplete on information it provides, resistant to providing additional information when queried.
- The customer is a research body connected with a higher risk jurisdiction of proliferation concern.
- When customer's activities do not match with the business profile provided to the reporting entity.
- When customer is vague about the ultimate beneficiaries and provides incomplete information or is resistant when requested to provide additional information
- When customer uses complicated structures to conceal connection of goods imported /exported, for example, uses layered letters of credit, front companies, intermediaries and brokers.
- When a freight forwarding / customs clearing firm being listed as the product's final destination in the trade documents.
- Use of professional intermediaries and firms to mask parties to transactions and end users.
- When final destination of goods to be imported / exported is unclear from the trade related documents provided to the reporting entity.

Transaction Specific Red-Flags

- Project financing and complex loans, where there is a presence of other objective factors such as an unidentified end-user.
- The transaction(s) involve an individual or entity in any country of proliferation concern.
- Transaction involves person or entity in foreign country of diversion concern.
- The transaction(s) related to dual-use, proliferation-sensitive or military goods, whether licensed or not.
- Involvement of a small trading, brokering or intermediary company, often carrying out business inconsistent with their normal business.
- Transaction involves persons or companies (particularly trading companies) located in countries with weak export control laws or weak enforcement of export control laws.
- Transaction involves possible shell companies (e.g. Companies do not have a high level of capitalization or displays other shell company indicators).

- Transaction demonstrates links between representatives of companies exchanging goods i.e. same owners or management.
- Use of cash or precious metals (e.g. gold) in transactions for industrial items.
- The transaction(s) involve the shipment of goods inconsistent with normal geographical trade patterns i.e. where the country involved does not normally export or import or usually consumed the types of goods concerned.
- Over / under invoice of dual-use, proliferation-sensitive or military goods, trade transactions.
- When goods destination/shipment country is different from the country, where proceeds are sent/ received without any plausible reason

Guidelines on AML/ CFT Regime by the Institute

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

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Mr. Azeem Hussain, ACMA
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