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Message from the Chairman

It gives me immense pleasure to present this issue of TSPD Monthly Technical Updates for the month of August, 2020. This issue covers a variety of topics related to Taxation, Stock Market, Corporate Sector and especially the Anti Money Laundering (AML)/ Countering the Financing of Terrorism (CFT) requirements which are to be complied by the Cost and Management Accountants (CMAs). I believe that members will find it informative and helpful in discharging their professional assignments/ responsibilities.



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.

Ghulam Mustafa Qazi, FCMA
Chairman TSPD Committee

Committee Activities

Technical/ discussion session on the Draft Insurance (Amendment) Ordinance, 2000

Securities and Exchange Commission of Pakistan (SECP) notified the Draft Insurance Ordinance (Amendment) Bill, 2020, for the purposes of strengthening the insurance market, improving conduct of market dynamics and ensuring the compliance with the Insurance Core Principles (ICPs) of the International Association of Insurance Supervisors (IAS).

SECP requested ICMA Pakistan to submit inputs/ comments/ feedback on the draft bill. Accordingly, TSPD Committee organized a Technical Session on the Draft Insurance Ordinance (Amendment) Bill, 2020 on Wednesday, Aug 12, 2020 through ZOOM.

The Session was headed by Mr. Ghulam Mustafa Qazi, Chairman TSPD Committee, attended by the Senior Members from Insurance Industry including Mr. Tariq Husain, Ms Rubina Rizvi and worthy practicing members. The Session was moderated by Mr. Bilal Ahmad, Director TSPD.



National Updates

Corporate Sector

1. DRAFT AMENDMENTS TO THE SECURITIES AND FUTURES ADVISERS (LICENSING AND OPERATIONS) REGULATIONS, 2017

Securities and Exchange Commission of Pakistan (SECP) vide their S.R.O. 647(I)/2020 notified amendments to the Securities and Futures Advisers (Licensing and Operations) Regulations, 2017.

According to the draft, the individuals whose names are not appearing on the Active Taxpayer List (ATL) of the Federal Board of Revenue (FBR) cannot apply to the SECP for registering as securities adviser/futures advisers with the commission.

SECP has amended, "Fit and Proper Criteria" for the securities adviser/futures adviser, and where applicable its, promoters, directors and senior management officers. According to the draft amendment, in case the applicant is an individual, then his/her name shall be appearing on the ATL of the Federal Board of Revenue (FBR).

No person shall act as or perform the functions of a securities adviser or futures adviser unless such person is licensed with the Commission as a securities adviser or futures adviser under the Securities Act or Futures Act and these regulations, and a person performing distribution of Collective Investment Schemes (CIS) and/or Voluntary Pension Fund (VPF) units of multiple AMCs by entering into contracts with such AMCs shall also be required to obtain license as a securities adviser under these regulations, in order to perform functions of a distributor, the SECP stated.

The information and documents to be submitted along-with application for license as a securities adviser/futures adviser included national tax number of the applicant.

Within the category of "Financial Soundness and Integrity", the SECP stated that the person should not have been adjudged as an insolvent or he should not have suspended payment of debts or compounded liabilities with its/his creditors. The person should not have been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a financial institution including banking company, a development financial institution or a non-banking financial company.

The person and companies, firms, sole proprietorship, etc, where the person is a chief executive, director (other than nominee director), owner or partner, etc, have no overdue payment to any customer, financial institution, securities exchange, futures exchange, clearing house, central depository and/or defaulted in payment of any taxes in the individual capacity or as a proprietary concern or any partnership firm or as director in any unlisted and listed company.

The draft can be downloaded from the following link:-
<https://www.secp.gov.pk/document/sro-647-draft-amendments-to-the-securities-and-futures-advisers-licensing-and-operations-regulations-2017/?wpdmdl=39826&refresh=5f28ee34e86e91596517940>

2. AMENDMENTS IN THE PRIVATE FUNDS REGULATIONS, 2015

Securities and Exchange Commission of Pakistan (SECP) vide their SRO 545(I)/2020 made amendments in the Private Funds Regulations, 2015. The same were published by the SECP vide S.R.O. 1214(I)/2019, dated October 8, 2019.

Through this SRO, SECP has imposed a restriction on the business of Private Equity and Venture Capital Fund Management Services in Pakistan without registration with the commission. According to the revised regulations, no person shall establish, launch, or raise money in

Pakistan for investment in a Private Fund unless the Fund is registered under these Regulations.

The Private Fund Management Company shall submit the draft Trust Deed along with the name and consent of the trustee of the proposed Private Fund in accordance with Schedule II or draft Memorandum of Association or draft Limited Liability Partnership Agreement along with custodian agreement for approval of the Commission as per schedule.

Upon securing in-principle approval of the Commission, the Private Fund Management Company shall execute and seek registration of the Trust Deed in accordance with the provisions of the Trust Act, 1882 (II of 1882) or incorporate Company in accordance with Companies Act, 2017 or register limited liability partnership in accordance with Limited Liability Partnership Act, 2017 as the case may be.

The SECP specified that a Private Fund Management Company may make investment in private funds managed by it out of its surplus equity (i.e. over and above the required minimum equity requirements). A Private Fund can be sub-categorized as Private Equity and Venture Capital Fund, Venture Capital Fund, Angel Fund, Small and Medium Enterprise Fund, Infrastructure Fund, Impact Fund, Hedge Fund etc. A Private Fund can be categorized into any sub-category subject to investment of at least seventy percentage of its net assets in eligible investment of that that sub-category investment. Where a Private Fund utilizes or proposes to utilize borrowing, the Private Fund Management Company shall ensure that it has necessary expertise in managing Private Fund employing borrowing strategies including understanding the impact of borrowing on the overall risk of a portfolio and having the ability to monitor the use of borrowing; has clearly disclosed in the Placement Memorandum of the Private Fund, at the minimum. The borrowing parameter for the Private Fund (including the maximum amount of borrowing, duration, and whether secured or unsecured), the basis of borrowing and risks involved. The liability of the unit holder is limited to their investments in the fund.

For further details, please visit the following link:-
<https://www.secp.gov.pk/document/amendments-in-the-private-funds-regulations-2015-2/?wpdmdl=39854>

3. USER-GUIDE FOR FILING ONLINE ANNUAL AML/CFT RISK ASSESSMENT BY REGULATED ENTITIES & STEP BY STEP USER GUIDE FOR FILING AML QUARTERLY SURVEY

Securities and Exchange Commission of Pakistan (SECP) uploaded user guides for filing of online AML/ CFT Risk Assessment by the Regulated Entities and filing of AML Quarterly Survey.

The Guides can be downloaded through the following links:-
User-Guide for Filing Online Annual AML/CFT Risk Assessment by Regulated Entities
<https://www.secp.gov.pk/document/user-gudieline-for-online-filing-of-annual-amlcft-risk-assessment-by-res/?wpdmdl=39881&refresh=5f32378d1cbc11597126541>

Step by Step User Guide for Filing AML Quarterly Survey
<https://www.secp.gov.pk/document/user-guideline-for-online-filing-of-aml-quarterly-survey/?wpdmdl=39880&refresh=5f32378f3f2da1597126543>

4. EXTENSION IN FILING OF ANNUAL AML/CFT RISK ASSESSMENT

Securities and Exchange Commission of Pakistan (SECP) vide their Circular No. 24 of 2020 dated August 27, 2020 extended the deadline for filing of Annual AML/CFT Risk Assessment.

In view of Directive 55(1)/2020 dated January 28, 2020 a fifteen (15)

days extension in filing of AML/CFT Annual AML/CFT Risk Assessment and relevant information was provided to all Regulated Persons (RPs) facing difficulties in submission of information as of June 30, 2020, required to be submitted by July 30, 2020. Now, the new deadline for submitting the annual and quarterly information as of June 30 is being extended to August 15, 2020. This extension is for submission as of period ended June 30, 2020 only.

For further details please visit the following link:-

<https://www.secp.gov.pk/document/circular-24-of-2020/?wpdmdl=40070&refresh=5f48b132af8ac1598599474>

Taxation

5. S.R.O.649(I)/2020 – EXEMPTION OF SALES TAX ON IMPORT OF OXYGEN GAS, CYLINDERS (FOR OXYGEN GAS), CRYOGENIC TANKS (FOR OXYGEN GAS)

Federal Board of Revenue (FBR) vide their SRO 649(I)/2020 has exempted sales tax on the import of oxygen gas, cylinders and cryogenic tanks for medical purposes, for a period of three months starting from June 23, 2020.

According to the SRO, in exercise of the powers conferred by clause (a) of sub-section (2) of section 13 of the Sales Tax Act, 1990, the Federal Government has exempted the import of the said goods specified for medical purposes, from whole of the sales tax.

The said exemption shall apply in respect of the letters of credit opened or goods declaration forms filed on or after June 23, 2020.

For further details, please visit the following link:-

<http://download1.fbr.gov.pk/SROs/202083168829325SRO649OF2020DATED03.08.2020.pdf>

6. S.R.O. 686(I)/2020 - REPLACEMENT OF RULES 39A TO 39F OF THE INCOME TAX RULES, 2002 AND THE RELEVANT WITH THE NEW RULES AND NEW FORMATS & COMMON REPORTING STANDARD RULES

FBR vide their SRO 686(I)/2020 dated August 5, 2020 proposed further amendments in the Income Tax Rules, 2002 by making substitutions in its Chapter - VIII A regarding Banking Companies Reporting Requirement Rules 2010.

Through the said draft, the FBR has replaced Rules 39A to 39F of the Income tax Rules, 2002. FBR also proposed new formats and common reporting standards rules.

The draft can be accessed through the following link:-

<http://download1.fbr.gov.pk/SROs/202086108918234SRO686of2020ated05.08.2020.pdf>

7. S.R.O. 685(I)/2020 - INTERNATIONAL TRANSSHIPMENT RULES – AMENDMENT IN THE CUSTOMS RULES, 2001

FBR vide their SRO 685(I)/2020 dated August 5, 2020 proposed further amendments in the Customs Rules, 2001.

Through the above mentioned SRO, FBR has proposed to make indemnity bonds mandatory for the shipping lines engaged in handling international transshipment cargo within the seaports in Pakistan to ensure goods are shipped out of the country without unnecessary delay.

According to the draft rules, shipping lines intending to use the facility of international transshipment would be required to furnish an indemnity bond for an amount equal to the approximate value of goods expected to be imported in thirty days as security to ensure exit of goods outside the country within 30 days from the berthing of inward vessel. It is also proposed that the indemnity bond would be forfeited apart from other consequential penal action under the Customs laws, if

the shipping line misuses the facilitation of international transshipment.

According to FBR, if goods still remained on the port after the expiry date including extended time allowed under the law, the shipping line would be responsible to remove the goods immediately unless the delay was attributed to the port authorities.

The goods shall only be allowed for auction or destruction by approval of the concerned collector of customs who shall only allow it in extraordinary conditions where the shipping line shows its complete inability to ship them out. Further the shipping line would also be required to ensure complete details of Import General Manifest (IGM) to be fed in the customs computerised system.

For further details, please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20208516829169SRO685\(I\)2020dated05.08.2020InternationalTransshipmentRulesamendment.pdf](http://download1.fbr.gov.pk/SROs/20208516829169SRO685(I)2020dated05.08.2020InternationalTransshipmentRulesamendment.pdf)

8. S.R.O. 684(I)/2020 - AMENDMENTS IN THE EXPORT ORIENTED UNITS AND SMALL AND MEDIUM ENTERPRISES RULES, 2008

FBR vide their SRO 684(I)/2020 dated August 5, 2020 made further amendments in the Export Oriented Units and Small and Medium Enterprises Rules, 2008.

These amendments were earlier published by the FBR vide their S.R.O. 570(I)/2020 dated June 29, 2020.

Through these amendments, FBR amended rule 9 and 12 of the above mentioned rules.

For further details, please visit the following link:-

<http://download1.fbr.gov.pk/SROs/2020851685018498SRO684.pdf>

9. DRAFT INCOME TAX RETURN FORMS FOR SALARIED PERSONS, AOPS, COMPANIES AND BUSINESS INDIVIDUALS FOR TAX YEAR 2020

FBR vide their S.R.O. 745(I)/2020 dated August 19, 2020 notified draft Income Tax Return Forms for Salaried Persons, AOPs, Companies and Business Individuals for Tax Year 2020.

FBR, vide the above mentioned SRO, made draft amendments in the Income Tax Rules, 2002 to solicit public comments. Worthy Members are requested to kindly review the draft Returns and forward their valuable inputs/ comments to tspd@icmap.com.pk latest by August 25, 2020 for onward submission to FBR.

Draft Returns can be accessed through the following link:-

[http://download1.fbr.gov.pk/SROs/2020819188239113\(1\)S.R.O.745\(I\)of2020dated19.8.20section237.pdf](http://download1.fbr.gov.pk/SROs/2020819188239113(1)S.R.O.745(I)of2020dated19.8.20section237.pdf)

10. RATE OF ADVANCE TAX UNDER SECTION 148 OF THE INCOME TAX ORDINANCE, 2001 ON IMPORT OF RAW MATERIAL BY MANUFACTURERS COVERED UNDER THE RESCINDED SRO 1125(I)/2011

FBR vide their Circular 02 of 2020 dated August 18, 2020 issued clarification with regards to rate of advance tax under section 148 of the Income Tax Ordinance, 2001 on import of raw material by manufacturers covered under the rescinded SRO 1125(I)/2011.

Through the Finance Act, 2020, the rate of advance tax under section 148 of the Income Tax Ordinance, 2001 has been changed to 1%, 2% and 5.5% in respect of goods classified under Part I, II and III of the Twelfth Schedule respectively.

FBR clarified that the rate of advance tax under section 148 in case of raw material imported by manufacturers covered under the rescinded S.R.O. 1125(1)/2011 as it stood on 28.06.2019 on import of items covered under the aforementioned S.R.O. shall be 1% irrespective of whether such goods are classified in Part II or III of the Twelfth

Schedule.

For further details please visit the following link:-

<http://download1.fbr.gov.pk/Docs/2020819118739322Circularno02of2020.pdf>

11. EXEMPTION OF TAXES FROM IMPORT OF REFINED WHITE SUGAR - INCOME TAX & SALES TAX

FBR vide their S.R.Os 751(I)/2020 & 750(I)/2020 dated August 20, 2020 exempted Income Tax & Sales Tax on import of 300,000 metric tons of white sugar (PCT 1701.9910,1701.9920, specification "B" as per PSQCA standards) by Trading Corporation of Pakistan.

For further details please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20208201784812857750\(I\)of2020\(IncomeTax\).pdf](http://download1.fbr.gov.pk/SROs/20208201784812857750(I)of2020(IncomeTax).pdf)

[http://download1.fbr.gov.pk/SROs/2020820178500332751\(I\)of2020\(SalesTax\).pdf](http://download1.fbr.gov.pk/SROs/2020820178500332751(I)of2020(SalesTax).pdf)

12. FILING OF ANNEX-H FOR THE TAX PERIOD OF JULY, 2019 TO FEBRUARY, 2020

FBR in exercise of the powers conferred under Section 74 of the Sales Tax Act, 1990, extended the time limit for filing of Annexure-H up to September 19, 2020, in the cases of taxpayers who filed Annex-H for any tax period and the same was ordered to be re-opened by Board for editing and re-submission by the claimants.

This condonation is valid for only such Annex-H that were filed and ordered to be re-opened on or before August 20, 2020.

The taxpayers who have not filed Annex-H at all, so far despite repeated extensions as allowed by the Board and the statutory time limit for filing of Annex-H has lapsed, are required to take the route as provided under Rule 39D of the Sales Tax Rules, 2006.

For further details please visit the following link:-

[http://download1.fbr.gov.pk/Docs/20208251084433052020-08-24\(Annex-H\).pdf](http://download1.fbr.gov.pk/Docs/20208251084433052020-08-24(Annex-H).pdf)

13. EXEMPTION FROM TAXES ON IMPORT OF OXYGEN GAS, OXYGEN CYLINDERS AND CRYOGENIC TANKS

FBR vide their S.R.O. 772(I)/2020 exempted withholding tax on import of oxygen gas, cylinder and cryogenic tank for a period of three months.

The exemption will apply in respect of the letter of credit opened or goods declaration form filed on and from June 23, 2020.

For further details please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20208241784655986SRO772\(I\)of2020dated24.8.2020.pdf](http://download1.fbr.gov.pk/SROs/20208241784655986SRO772(I)of2020dated24.8.2020.pdf)

14. CERTAIN AMENDMENTS IN BANKING COMPANIES REPORTING REQUIREMENTS RULES AND COMMON REPORTING STANDARD RULES

FBR vide their S.R.O. 773(I)/2020 notified certain amendments in the Banking Companies Reporting requirements and Common Reporting Standard Rules. The same were earlier published by the FBR vide their S.R.O. 686(I)/2020 dated August 05, 2020.

According to the notification, FBR substituted Chapter VIIIA of the Income Tax Rules, 2002. It is now compulsory for banks to provide information of profit on debt and particulars of account holders.

The banks will provide account holders' details — CNIC, NICOP, passport number, NTN, name, title of account, resident/non-resident status, address, telephone number, account opening date, account number (IBAN), amount deposited in a month or amount of cash withdrawal during a month, amount of tax deducted and profession/business/occupation of the account holder.

They will submit monthly information on account holders' deposits statement, credit card payments statement, cash withdrawal statement, profit on debt statement and any information or data as required by the board from the banks. Every bank officer will furnish to the board an annual profit on debt statement as specified for the immediately preceding calendar year within three months of the end of the preceding calendar year.

Under the record keeping for due diligence procedures, the FBR has directed the reporting financial institutions to keep record of the steps undertaken and any evidence relied upon for the performance of the due diligence procedures and measures to obtain such records for at least five years after the end of the period within which the reporting financial institution must submit information required to be reported.

The annual domestic reporting date for filing of common reporting standards reports by reporting financial institutions shall be May 31 of each year.

For further details please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20208241785121502SRO773\(I\)of2020dated24.8.2020.pdf](http://download1.fbr.gov.pk/SROs/20208241785121502SRO773(I)of2020dated24.8.2020.pdf)

15. EXEMPTION OF TAXES FROM IMPORT OF REFINED WHITE SUGAR - INCOME TAX & SALES TAX

FBR vide their S.R.Os 751(I)/2020 & 750(I)/2020 exempted Income Tax & Sales Tax on import of 300,000 metric tons of white sugar (PCT 1701.9910, 1701.9920, specification "B" as per PSQCA standards) by Trading Corporation of Pakistan.

For further details please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20208201784812857750\(I\)of2020\(IncomeTax\).pdf](http://download1.fbr.gov.pk/SROs/20208201784812857750(I)of2020(IncomeTax).pdf)

[http://download1.fbr.gov.pk/SROs/2020820178500332751\(I\)of2020\(SalesTax\).pdf](http://download1.fbr.gov.pk/SROs/2020820178500332751(I)of2020(SalesTax).pdf)

16. ONLINE INTEGRATION OF BUSINESSES

Federal Board of Revenue (FBR) vide their S.R.O. 779(I)/2020 dated August 26, 2020 approved and issued new rule i.e. online integration of businesses, to amend the Income Tax Rules, 2002 for documentation of transactions taking place in these businesses for accurate payment of income tax. Draft of the same was earlier published by the FBR vide S.R.O. 296(I)/2020 dated April 09, 2020.

According to SRO, online integration of businesses would be compulsory for photographers, medical care centres, medical diagnostic laboratories, inter-city travel by road and services provided by beauty parlours, clinics and slimming centres, guest houses, marriage halls, marquees, retailers including manufacturer-cum-retailer, wholesaler-cum-retailer, importer-cum-retailer or such other person who combines the activity of retail sale with another business activity. Some categories of integrated businesses are not required to integrate online with the FBR's computer system as specified in the notification. The integrated enterprises shall install such fiscal electronic device and software, as approved by the board, available on its website with complete technical instructions for installation, configuration, and integration.

The person shall notify to the board, through the computerised system, of all the establishments (notified establishments), from which they intend to carry on business and shall register each point of sale (POS) to activate the integration duly providing the following information: POS registration number (to be provided by the system); name of business like branch name; branch address; POS identification number, and registration date.

No sale or service from the notified establishment shall be rendered without being recorded by the duly accredited electronic fiscal device (EFD), which means a system composed of one sale data controller (SDC) and at least one point of sale (POS) connected together, that has the specified characteristics and requirements, the FBR maintained. The integrated enterprise shall maintain the record of all the bills and transactions made from a notified establishment and also at the notified central location.

For further details please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20208271282530128SRO779\(I\)of2020.pdf](http://download1.fbr.gov.pk/SROs/20208271282530128SRO779(I)of2020.pdf)

17. DRAFT AMENDMENTS IN RULE 231C (ALTERNATIVE DISPUTE RESOLUTION) TO THE INCOME TAX RULES, 2002

FBR vide their S.R.O. 780(I)/2020 dated August 26, 2020 notified draft amendments in Rule 231C of the Income Tax Rules, 2002. Following amendments have been proposed in the aforesaid Rules:-

- In sub-rule (2), in clause (a), after the word "persons", the words "in case identical issues are involved" is proposed to be inserted;
- In sub-rule (4), in clause (a), for the words and expression "Large Taxpayers Unit or Commissioner, Medium Taxpayers Unit or any other Commissioner or officer of the Inland Revenue Department nominated by the Board", the expression "Inland Revenue having jurisdiction over the case" is proposed to be substituted;
- Sub-rule (5) is proposed to be substituted as "(5) The Chief Commissioner Inland Revenue having jurisdiction over the case shall be the Chairperson of the Committee."
- Sub-rule (6) is proposed to be substituted as "(6) The committee shall decide the dispute through consensus within one hundred and twenty days from the date of its appointment by the Board."
- In sub-rule (7),—
.In clause (a), the expression in consultation with the Chief Commissioner Regional Tax Office, or as the case may be, the Chief Commissioner Large Taxpayers Unit" shall be omitted;
Clause (c) is proposed to be substituted as "(c) to conduct the proceedings of the committee as he thinks appropriate;"
- In sub-rule (12), for the words "send a copy of the recommendations", the words "communicate the decision" shall be substituted;
- A new sub-rule (12A) is proposed to be inserted as "(12A) The decision of the committee under sub-rule (12) shall be binding on the Commissioner where the applicant has withdrawn the appeal pending before any appellate authority or the Court of law and has communicated the order of withdrawal to the Commissioner: Provided that if the order of withdrawal is not communicated to the Commissioner within sixty days of the service of decision of the committee upon the applicant, the decision of the committee shall not be binding on the Commissioner."; and
- Sub-rules (11), (13), (14), (15), (16) and (17) are proposed to be omitted.

For further details please visit the following link:-

<http://download1.fbr.gov.pk/SROs/20208271681426794Amendmentrules231CofIncomeTaxRules,2002.pdf>

18. GREENFIELD INDUSTRIAL UNDERTAKING APPROVAL AND EXEMPTION RULES

Federal Board of Revenue (FBR) vide their S.R.O. 777(I)/2020 dated August 25, 2020 made further amendments in the Sales Tax Rules, 2006 by including a new chapter "Greenfield Industrial Undertaking Approval

and Exemption Rules" in the aforesaid Rules.

Through this SRO, the FBR has issued a procedure for industrial undertakings seeking approval for obtaining status of "Greenfield Industry" for obtaining exemption from sales tax. According to the new procedure, a registered person applying for approval of its industrial undertaking as "Greenfield Industry", as defined in sub-clause (12A) of section 2 and for exemption under Serial No.150 of the Table -I of Sixth schedule to the Sales Tax Act 1990, shall make an application electronically to the Commissioner Inland Revenue having jurisdiction in the form prescribed in Annexure-I along with documents prescribed in Annexure-II.

After scrutiny of the application and the documents annexed thereto, the Commissioner Inland Revenue shall, forward the application to the Engineering Development Board, for seeking its expert opinion as to whether the process or technology being employed by the said industrial undertaking is or is not already under use in Pakistan.

Upon receipt of application forwarded by Commissioner Inland Revenue, the EDB shall process the same within the time stipulated by him and communicate its expert opinion/findings, FBR said. After completion of all the formalities, the Commissioner Inland Revenue may, through an order in writing, approve the industrial undertaking for this purpose.

For further details please visit the following link:-

<http://download1.fbr.gov.pk/SROs/20208261681054999777signedcopy.pdf>

19. AMENDMENT IN SALES TAX RULES, 2006

FBR vide their S.R.O. 776(I)/2020 dated August 25, 2020 notified following amendments in the Sales Tax Rules, 2006:-

- in rule 2, the following new clause is inserted after omitted clause (xxxv-a):-
“(xxxv-b) “null return” means, a sales tax return which shows no data relating to sales and purchases during a tax period.”;
- in rule 5, in sub-rule (1), in form STR-1, for the existing serial number 23, the following shall be substituted, namely:-

"23	Details of business outlets/ branches	Please provide names of all business branches/outlets along with complete addresses etc. Use copies of this form if needed.
	Details of all brands names/ trademarks in which dealing.	Shall provide details of all business brand names / trademarks etc. in which dealing. Use additional copies of this form if needed.”;

- In rule 14, in sub-rule (1), Annex-J in form STR-7 is substituted with a revised Annexure.

For further details please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20208241784655986SRO772\(I\)of2020dated24.8.2020.pdf](http://download1.fbr.gov.pk/SROs/20208241784655986SRO772(I)of2020dated24.8.2020.pdf)

Monetary

20. REVISION IN PRUDENTIAL REGULATIONS FOR MICROFINANCE BANKS (R-5 & R-6)

State Bank of Pakistan (SBP) vide their Circular No. 02 of 2020 dated August 10, 2020 revised its Regulations R-5 (Maximum Loan Size and Eligibility of Borrowers) & R-6 (Maximum Exposure of a Borrower From MFBs/MFIs/Other Financial Institutions), in order to enable Microfinance Banks (MFBs) to serve financing needs of the low-income

segments.

The revision have been made In order to up-scale the maximum loan sizes; revise borrowers' eligibility criteria for various micro loans; allow lending against gold for consumption; and enhance portfolio ceiling for lending against gold up to 50% of gross loan portfolio and to enhance the maximum permissible exposure per borrower.

The revised Regulations R-5 & R-6 shall be read as under:-

Regulation R-5: Maximum Loan Size and Eligibility of Borrowers

Maximum loan sizes and borrowers' income eligibility criteria shall be as under:-

•General Loans (Other than housing loans):

The maximum size for general loans shall be up to Rs. 350,000/- to a poor person with annual income (net of business expenses) up to Rs. 1,200,000/-.

•Housing Loans:

The maximum size for housing loans shall be up to Rs. 3,000,000/- to a single borrower with annual income (net of business expenses) up to Rs. 1,500,000/-.

Further, while assessing income eligibility on individual borrowers (including salaried person) for housing & general loans, MFBs shall ensure that the total installment of the financing facilities extended by the financial institutions is commensurate with monthly income and repayment capacity of the borrower, such that total monthly amortization payments of financing facilities should not exceed 50% of the net disposable income of the prospective borrower. These measures would be in addition to MFBs' usual evaluations of each proposal concerning credit worthiness of the borrowers, to ensure that their portfolio fulfills the prudential norms, instructions issued by the State Bank of Pakistan and does not impair the soundness and safety of the MFB itself.

•Loans to Microenterprises:

The maximum size for microenterprise loans shall be up to Rs. 3,000,000/- to a single project or business. The MFBs shall extend the microenterprise loans only in the name of micro entrepreneurs to ensure traceability and reduce the incidence of multiple borrowing. However, the aggregate exposure against the microenterprise loans in excess of ceiling prescribed for general loans shall not exceed 40% of the MFB's gross loan portfolio.

Pre-requisites for Undertaking Microenterprise Lending

Only those MFBs that are fully compliant with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) shall be eligible to undertake microenterprise lending.

- MFBs interested to extend microenterprise loans exceeding ceiling prescribed for general loans shall develop related institutional capacity (products, credit risk management and monitoring system, trainings etc.) and submit its detailed business plan of microenterprise lending to SBP for seeking necessary approval for pilot program. The SBP shall inter-alia evaluate the plan along with operational/financial performance, funding plan, supervisory assessment, and credit rating of the MFB, and accordingly grant permission for launching pilot program to the applicant MFB.
- Moreover, during the pilot phase MFBs will have to ensure that their aggregate exposure against the microenterprise loans in excess of ceiling prescribed for general loans shall not exceed 20% of the gross loan portfolio. The final approval for undertaking microenterprise lending on full/commercial scale shall be granted subject to satisfactory

evaluation of pilot program.

- The enhanced loan size (up to Rs. 1,000,000/- and Rs. 3,000,000/- respectively) will be allowed to those MFBs which have graduated from pilot microenterprise lending programs (up to Rs. 500,000/- and Rs. 1,000,000/- respectively) to commercial scale. However, prior to extending microenterprise loans exceeding Rs. 500,000/- and Rs. 1,000,000/- MFBs shall apply to this department for approval. SBP shall grant approval for pilot/commercial launch based on satisfactory assessment of the capital position and readiness level of the applicant MFB.

•Consumption Financing Against the Security of Gold:

In line with SBP's instructions issued vide AC&MFD Circular No. 02 of 2015 (Annexure I, Para-2), MFBs may also extend loans against gold collateral for consumption purposes categorized as domestic needs/emergency loan. Moreover, the aggregate loan exposure of a MFB against the security of gold shall not exceed 50% of its gross loan portfolio. The above relaxations shall expire after one year from the date of issuance of these instructions. Thereafter, MFBs shall reduce their aggregate loan exposure against the security of gold to 35% within a maximum period of 1 year.

Regulation R-6: Maximum Exposure of a Borrower from MFBs/MFIs/Other Financial Institutions

The maximum limits of the borrowers' aggregate exposure shall not exceed Rs. 350,000/- for general loans, Rs. 3,000,000/- for housing loans, and microenterprise loans. The aggregate exposure of the borrowers who are eligible to avail both general and microenterprise loans shall not exceed Rs. 3,000,000/-.

The MFBs shall develop an internal mechanism to monitor the overall exposure of their borrowers to manage credit risk and minimize the risk of borrowers' over indebtedness. At the time of granting facility, MFBs shall obtain a written declaration on the prescribed format attached as Annexure - C from the borrower disclosing details of various facilities already obtained from other MFBs / MFIs / Banks / other Financial Institutions. The MFBs shall ensure that total exposure of their clients does not exceed their total repayment capacity as determined under the criteria laid-out in the MFBs' credit policy

For further details, please visit the following link:-

<http://www.sbp.org.pk/>

Registration on the Ministry of Foreign Affairs Online Portal

Dear Members

In continuation of our below email regarding registration on the platform of the Ministry of Foreign Affairs (MoFA), Government of Pakistan, for receiving updates relating to UNSC 1267 sanctions.

In order to ensure prompt transmission of SROs to all stakeholders, the Ministry of Foreign Affairs through the Financial Monitoring Unit (FMU) of Pakistan has again reiterated ICMA Pakistan to request all its practicing firms to sign up for this service through the Ministry's website, by visiting the following link:-

<http://202.83.172.66/app/signup/>

Worthy members, who are not yet registered, are again requested to sign up for this service to receive all updates relating to the UNSC 1267 sanctions.

International Updates

NEW ILLUSTRATIVE EXAMPLES FOR ISA 540 (REVISED) IMPLEMENTATION: EXPECTED CREDIT LOSSES

International Auditing and Assurance Standards Board (IAASB) on August 31, 2020 published illustrative examples for auditing expected credit loss (ECL) accounting estimates. The examples illustrate how an auditor could address certain requirements of ISA 540 (Revised). The examples developed to assist the auditor in understanding how ISA 540 (Revised) may be applied to:-

- International Financial Reporting Standard (IFRS) 9 Impairment (ECL) – Credit Card
- IFRS 9 Impairment (ECL) – Significant Increase in Credit Risk
- IFRS 9 Impairment (ECL) – Macroeconomic Inputs and Data

The examples illustrate accounting estimates with varying characteristics and degrees of complexity. Each example illustrates a selection of requirements from ISA 540 (Revised). Not all requirements are addressed in each example, nor do they cover all parts of those requirements that have been selected. The requirements selected across each example vary to illustrate different aspects of ISA 540 (Revised) and to focus on those requirements that are most relevant to the example.

The three ECL examples are intended to be read together, as requirements that are addressed in one example may also be relevant to another example. For example, the Macroeconomic Inputs and Data example is focused primarily on the audit implications of such data, and does not repeat material in the other examples, which nevertheless may be relevant and applicable to that example more broadly.

For further details please visit the following link:-

<http://www.iaasb.org/news-events/2020-08/new-illustrative-examples-isa-540-revised-implementation-expected-credit-losses>

Exposure Draft and comment letters: General Presentation and Disclosures (Primary Financial Statements)

The International Accounting Standards Board (IASB) had proposed improvements to the way information is communicated in the financial statements, with a focus on financial performance. Responding to investor demand, the proposals would require more comparable information in the statement of profit or loss and a more disciplined and transparent approach to the reporting of management-defined performance measures ('non-GAAP').

The Board developed these proposals as part of its Primary Financial Statements project and wider work on 'Better Communication in Financial Reporting'. The proposals cover three main topics.

New subtotals in the statement of profit or loss

Companies would be required to provide three new profit subtotals, including 'operating profit'. Operating profit is commonly reported by companies but is currently not defined by IFRS Standards, making meaningful comparisons between companies difficult. The new subtotals would give better structure to the information and enable investors to compare companies.

'Non-GAAP' transparency

Companies would be required to disclose management performance measures—subtotals of income and expenses that are not specified in IFRS Standards—in a single note to the financial statements. In this note, companies would be required to explain why the measures provide useful information, how they are calculated and to provide a reconciliation to the most comparable profit subtotal specified by IFRS Standards. These requirements would add much-needed transparency and discipline to the use of non-GAAP measures and make it easier for investors to find the information they need to make their own analyses.

Improved disaggregation of information

Investors sometimes find it difficult to unpick a company's reported information because items may be lumped together with insufficient labelling or explanations. Therefore, the Board has proposed new guidance to help companies disaggregate information in the most useful way for investors. Companies would also be required to provide better analysis of their operating expenses and to identify and explain in the notes any unusual income or expenses, using the Board's definition of 'unusual'. These requirements would help investors analyse companies' earnings and forecast future cash flows.

The proposals would result in a new IFRS Standard that sets out general presentation and disclosure requirements relevant for all companies, replacing IAS 1 Presentation of Financial Statements. The Board is also proposing to amend some other IFRS Standards.

Last date to submit comments/ suggestions is **September 30, 2020**.

Exposure draft can be accessed through the following link:-

<https://cdn.ifrs.org/-/media/project/primary-financial-statements/exposure-draft/ed-general-presentation-disclosures.pdf>

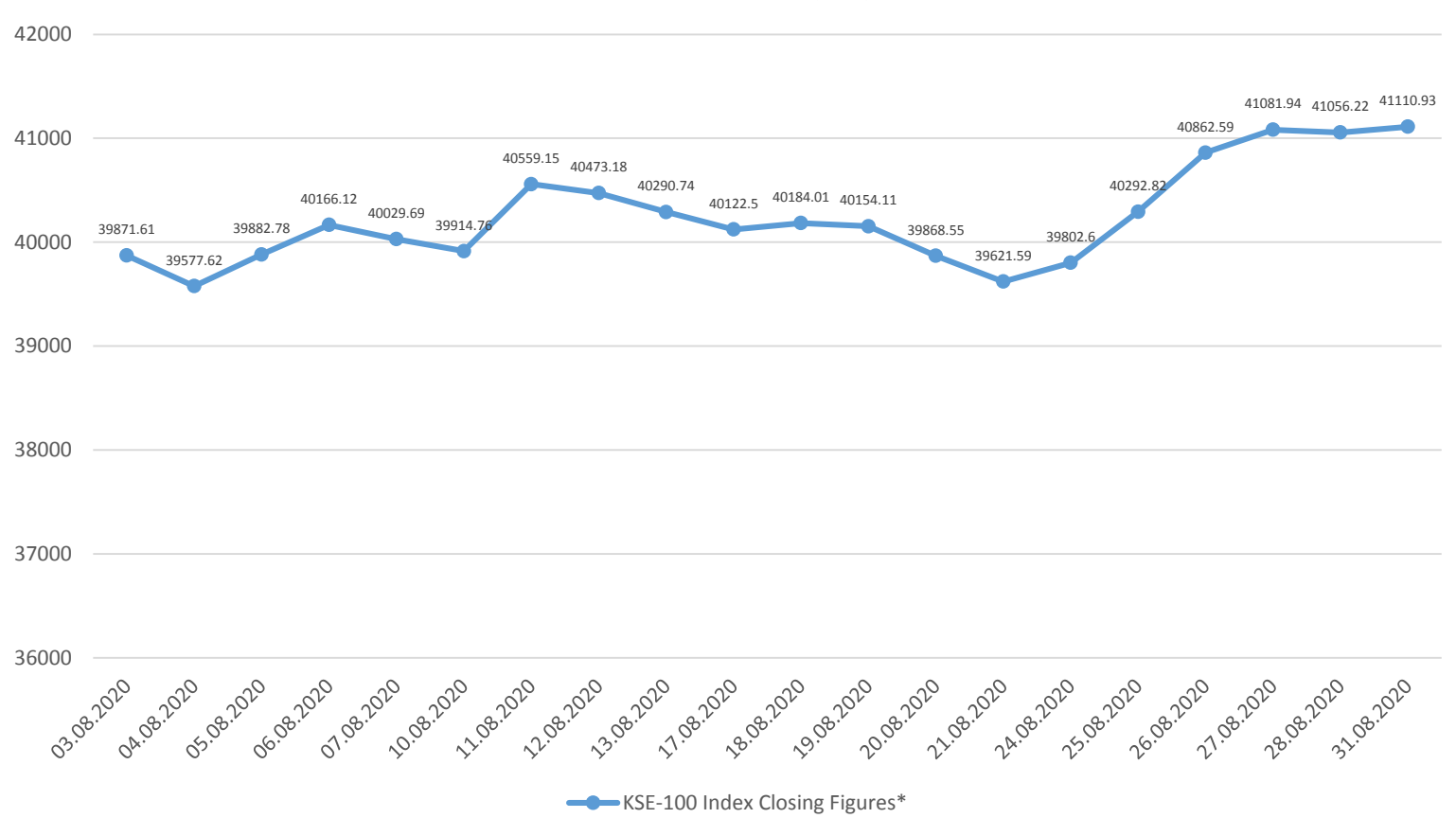
Pakistan Stock Market

Pakistan Stock Market – KSE-100 Index Fluctuations during August, 2020

Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*
03.08.2020	39871.61	12.08.2020	40473.18	24.08.2020	39802.60
04.08.2020	39577.62	13.08.2020	40290.74	25.08.2020	40292.82
05.08.2020	39882.78	17.08.2020	40122.50	26.08.2020	40862.59
06.08.2020	40166.12	18.08.2020	40184.01	27.08.2020	41081.94
07.08.2020	40029.69	19.08.2020	40154.11	28.08.2020	41056.22
10.08.2020	39914.76	20.08.2020	39868.55	31.08.2020	41110.93
11.08.2020	40559.15	21.08.2020	39621.59		

*As published in Daily Dawn

KSE-100 Index Closing Figures*

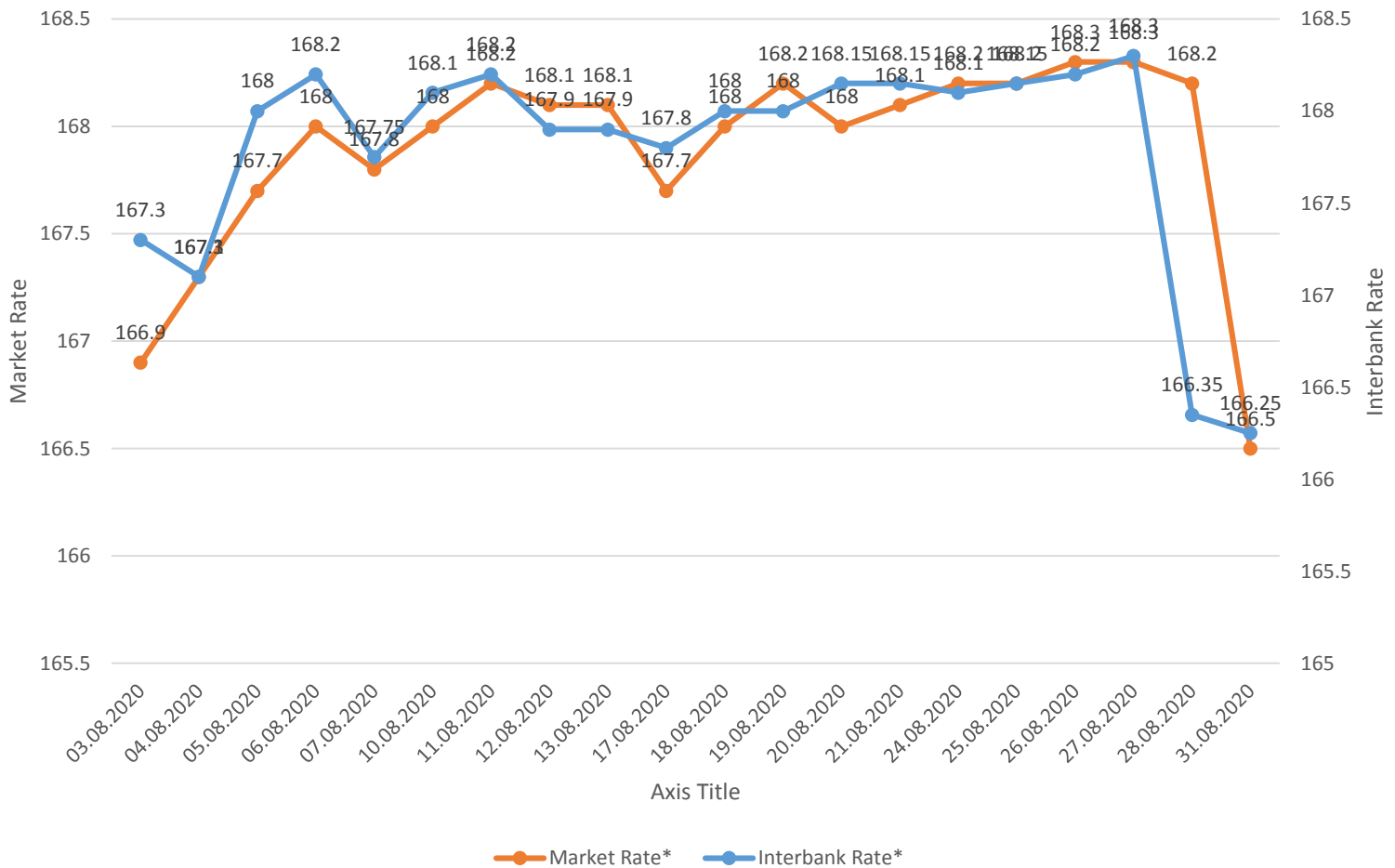


Rupee-Dollar Parity

Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*
03.08.2020	167.30	166.90	12.08.2020	167.90	168.10	24.08.2020	168.10	168.20
04.08.2020	167.10	167.30	13.08.2020	167.90	168.10	25.08.2020	168.15	168.20
05.08.2020	168.00	167.70	17.08.2020	167.80	167.70	26.08.2020	168.20	168.30
06.08.2020	168.20	168.00	18.08.2020	168.00	168.00	27.08.2020	168.30	168.30
07.08.2020	167.75	167.80	19.08.2020	168.00	168.20	28.08.2020	166.35	168.20
10.08.2020	168.10	168.00	20.08.2020	168.15	168.00	31.08.2020	166.25	166.50
11.08.2020	168.20	168.20	21.08.2020	168.15	168.10			

*forex.pk

Rupee-Dollar Parity during August, 2020



Frequently Asked Questions –AML/CFT

AML Supervisory Board

ICMA Pakistan, under section 5(7)(a) of the Anti-Money Laundering (AML) Act, 2010 has been designated as an AML/CFT Regulator/Supervisor of its members through the Finance Division, Government of Pakistan notification dated December 23, 2019. 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.

In this regard, ICMA Pakistan is delighted to publish the first version of Frequently Asked Questions (FAQs) on AML & CFT. The purpose of preparing the FAQs on Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) is to provide guidance and assistance to the Cost and Management Accountants (CMAs) in order to assist their better and clear understanding and effective performance of their statutory obligations under the "Framework for Regulation and Supervision of Cost And Management Accountants (CMAS) to Comply with the Requirements of Anti-Money Laundering and Countering the Financing of Terrorism (AML&CFT) issued by ICMA Pakistan and legal/ regulatory framework in force in Pakistan in addition to the international legislation on AML and CFT.

These FAQs are designed to facilitate CMA Firms to easily grasp and implement their obligations under the above AML Framework and to comply with the regulatory expectations for Anti – Money Laundering and Sanctions Compliance.

These FAQs have been prepared for illustrative purposes only.

SECTION I – GENERAL QUESTIONS

1. What is the applicability Criteria of members for the purpose of AML / CFT Compliance requirements?

The Institute's AML Framework deals with the responsibilities of the Institute's Members in Practice that in the ordinary course of business are engaged in the rendering of "Accountant" and "Trust and Company Service Provider" services, as specified. Such Members in Practice have to comply with specific customer due diligence, record keeping and other AML / CFT Requirements as per the AML Framework.

2. What is meant by "Accountant" for the purpose of AML Framework?

"Accountant" means sole practitioners, partners or employed professionals within professional firms when they prepare for or carry out transactions for their client concerning:-

- the buying and selling of real estate;
- buying and selling of business entities;
- the managing of client money, securities or other assets;
- the opening or management of bank, savings or securities accounts;
- the organisation of contributions necessary for the creation, operation or management of companies; or
- creation, operation or management of legal persons or arrangements

Explanation: The term "Accountants" is not meant to refer to 'internal' professionals that are employees of other types of businesses, nor to professionals working for government agencies, who may already be subject to AML/CFT measures.

3. What is a Trust or Company Service Provider under the AML Framework?

A trust or company service provider is any person whose business is to provide any of the following services:-

- a) Forming companies or other body corporates;
- b) Acting or arranging for another person to act:
 - as a director or secretary of a company
 - as a partner of a partnership; or
 - in a similar capacity in relation to other legal persons;
- c) Providing a registered office, business address, correspondence or administrative address or other related services for a company, partnership or any other legal person or legal arrangement; and;
- d) acting, or arranging for another person to act, as a trustee of an express trust or similar legal arrangement.

4. Please give some examples of Services that can be categorized as 'Accountant' or 'Trust and Company Service Provider' (collectively called Specified Services).

Some of the common examples of Services that can be categorized as 'Accountant' or 'Trust and Company Service Provider' (collectively called Specified Services) are as under:-

Managing client funds, accounts, securities, or other assets

- The practicing firm is engaged in managing payments to or from its clients' accounts as a specified service; and, with the exception of payments for professional fees, any instance where the practicing firm receives or holds client funds and controls the payment of those funds will also be specified service.
- The key determining factor is whether the practicing firm has control over the flow of funds (if it has the control then the activity is specified service).
- Taking a payroll situation, for example, if practicing firm is preparing the vouchers or uploading the payments in the system that are then actioned by the client, in such a case the practicing firm is not controlling the funds, rather client is. However, if practicing firm is authorizing salary payments from the client's account directly into client staff's personal accounts, then this is a specified service.
- The practicing firm has the authority to make payments on behalf of its client's business directly from client's bank accounts.
- The practicing firm makes investments on behalf of a client in securities and/or other assets using funds from the client's bank accounts which practicing firm has the authority to transfer.
- The practicing firm manages the sale and / or purchase of trust assets for the client using funds from the client's bank accounts which practicing firm has the authority to transfer.
- The practicing firm disburses the funds generated from a company's winding up / liquidation to a creditor in line with the relevant administration requirements.

Acting as a formation agent for legal persons or legal arrangements

- This activity refers to forming a legal person (such as a company) or legal arrangement on behalf of a client; for example, registering a company with the SECP.
- The activity does not include instances where the practicing firm simply provides advice about formation of a legal person that is acted on by either the client themselves or a third party. In the case of forming a company, if client asks a lawyer to get the company registered in accordance with the practicing firm's advice, the specified service would be undertaken by the lawyer and they would have to apply their AML / CFT compliance program to that activity/ service.
- Example of that kind of activity would be the Incorporation / Registration of a company with the SECP on behalf of a client.
- Example of that kind of activity would be the Incorporation of an entity (partnership/ firm/ society/ company etc.) on behalf of a client.
- Acting, or arranging for another person to act as a director or secretary of the Company or a partner in a partnership firm
- This activity refers to the scenario where the Practicing firm / member is acting as a Director of a company or a Partner in a partnership concerns. This also includes where the firm has arranged any other person to act in this capacity.
- This activity will be classified as a specified service only if the practicing firm has the authority to act or arrange a person as a director of the company or a partner in a partnership concern.
- Where the firm has only assisted the company / partnership in appointment of director / partner by sharing the database of the individuals and the firm has no authority with regards to the selection process of the candidate, that service will not be classified under the Specified Services.

Providing an office or address for a company or legal arrangement

A practicing firm which, in the ordinary course of business, provides a registered office or a business address, a correspondence address, or an administrative address for a company, or a partnership, or for any other legal persons or arrangement, is a specified service.

5. What is meant be "arranging" for someone to act?

Arranging for someone to act in a particular capacity has a narrow meaning. An example would be if the Reporting Firm has provided a client with a company director, selecting the director without further reference back to the client and completing some or all of the formalities to appoint the director. It does not include the normal process of headhunting or advertising to find a suitable candidate for a position that a recruitment agency would carry out.

6. What does in the 'ordinary course of business' mean?

Whether an activity is in the ordinary course of business is ultimately a question of judgment and depends on the nature of the entity's business. There is no bright – line test to determine the answer, and that is because all businesses are different. However, some relevant factors to take into consideration would be whether the activity:

- Is normal or otherwise unremarkable
- Is frequent
- Is regular (meaning predictable, consistent)
- Involves significant amounts of money
- Is a source of income
- Involves significant resources
- Involves a service offered to customers

7. Is book keeping services, provided to the clients, falls under the purview of the AML Framework?

If the firm is only providing book keeping services, it does not fall under the AML framework.

8. Is being a joint signing authority with the client on their bank account falls under the ambit of the AML Framework?

The key determining factor is whether you have control over the flow of funds – if you do have control, it will fall under the ambit of the AML Framework.

9. Whether filing of Forms on behalf of the Company for its Incorporation classified in the reporting activity as per the AML Framework?

Filing of Statutory forms for the Incorporation of the Company or Body Corporate is mentioned in the definition of the “Trust or Company Service Provider” and, therefore, classified as a Reporting Activity.

10. Whether filing of Statutory forms / Annual Returns (Form A / B / 29 / 45) on behalf of the Company in accordance with the Companies Act, 2017 classified in the reporting activity as per the AML Framework?

Once the company is formed, the filing of Statutory Forms / Annual Returns is a regulatory requirement under the provisions of the Companies Act, 2017, therefore, does not fall under the Reporting Activity as per the AML Framework.

11. Are outsourcing of trainees to finance departments fall under definition of "Accountants"?

It depends on the terms and conditions of the engagement with the client. If the outsourced trainees are only deputed for book keeping where there is no authority involved, the service will not be covered under the definition of “Accountants” as per the AML Framework.

12. As an auditor, if the firm is only certifying receipt of subscription money of its client in case of right issue, does it come under the category of reporting firm?

The certificate of receipt of Subscription money of the client does not fall under the purview of the Accountant or Trust and Company Service Provider definition as per the AML Framework.

13. All firms are required to submit Form A irrespective of the fact that they are practicing or reporting firms?

As per the AML Framework, all Practicing firms of Chartered Accountants are required to submit Form ‘A’ by July 31st every year.

14. When we will report suspicious activity of client? At the end of year or at the time of identification of suspicious activity?

The reporting firms are required to file the suspicious transaction report promptly to the Financial Monitoring Unit (FMU) whenever any suspicious activity of the client is identified.

15. If a firm incorporates a company via nominee director, will be the firm bear status of reporting firm?

This activity will fall under the definition of Trust and Company Service Provider and therefore, the firm will be classified as a Reporting Firm.

16. Whether reporting firm perform risk assessment, client screening, enhance due diligence and monitoring on all client services or it is limited to those services covered as Accountant and Trust and Company Service Provider?

When the firm is classified as a reporting firm, it will be required to perform Risk Assessment and Due Diligence on all the clients under its portfolio.

17. Is statutory audit fall under AML framework?

No, the Statutory Audits does not fall under definition of the ‘Accountant’ or ‘Trust and Company Service Provider’ as per the AML Framework.

18. Is there any financial limit or benchmark above which the Forms become applicable?

The applicability of the AML Framework is based on Services provided by the firms. Hence, there is no financial limit / threshold / benchmark for the firms to be classified as a Reporting firm.

19. Will the gratuitous services (for which no consideration is paid) provided as accountant or trust service provider be classified under reporting firm?

The firm will also be classified as a Reporting firm if the services of ‘Accountant’ or ‘Trust and Company Service Provider’ are provided without any consideration or professional fee.

20. Where firm is providing support services like mailing address for receiving notices and bank statements in client’s name, is that firm a reporting firm?

Provision of address for the purpose of correspondence falls under the ambit of ‘Trust and Company Service Provider’ and, therefore, the firm will be classified as a Reporting firm.

21. Will providing Internal Audit Services falls under Accountant or Trust and Company Service Provider definition?

Provision of Internal Audit Services does not fall under the ambit of ‘Accountant’ or ‘Trust and Company Provider’ definition.

22. Is Tax Representative considered as Trust?

Provision of services related to Tax Advisory does not fall under the ambit of 'Trust & Company Service Provider' as per the AML Framework.

23. How about Corporate Secretariat services like making of agendas for meeting, calling of meetings, preparing minutes, and like.

Provision of Secretariat services does not fall under the ambit of 'Accountant' or 'Trust & Company Service Provider' as per the AML Framework.

24. Is there any helpline or direct number that can be shared for queries of AML focal points?

Yes, for Resolution of Queries related to AML Framework compliance, the ICMA Pakistan has developed a dedicated Email Address as under:

aml.supervisor@icmap.com.pk

25. What are Politically Exposed Persons (PEPs)?

"Politically exposed persons" or "PEPs" – means any person entrusted with a prominent public function by the State of Pakistan, a foreign country or an international organization and includes Heads of state or government, and members and senior officials of legislature, judiciary, executive, military and regulatory authorities, and senior executives of corporations, departments or bodies that are owned or controlled by the state.

26. At what level / grade / designation officers should be considered as PEP?

Reporting Firm shall implement appropriate internal risk management systems, policies, procedures and controls to determine if any customer or a beneficial owner is a PEP. However, the reporting firm should consider the nature of the prominent public function held by the PEP (e.g. level of seniority, access to or control of public funds and the nature of the position).

27. Is there a time limit to declassify a customer as PEP who is no longer a PEP?

The entity should consider the level of influence that the individual could still exercise and whether the individual's previous and current function are linked in any way.

28. "Based on the law and framework, it is my understanding that the definition of 'accountant' so far as it refers to 'prepare for or carry out transactions for their clients' relates to 'preparation and being part of actual execution process and documents for a transaction' in the first part and 'execution of actual transaction for and on behalf of the client' on the other part. The decision-making process of the client behind their decision making to carry out the instant transaction, of course, cannot be taken to be included in this ambit. For example, if a client engages a person for services in respect of general advice about valuations in a market where the client operates or valuation of a particular entity, or for legal position in respect of certain legal provisions like applicability of a particular tax or so on, these do not fall within the above definition of Accountant.

The wording of the definition is "preparation for OR carry out transactions for" so it does not require the accountant to be part of the actual execution of the process - indeed, attempted but non-completed transactions are captured under FATF preventive measures obligations. If the account is preparing for a transaction that does not get processed to completion, this requires the same due diligence as once that was completed, and is indeed covered under the activity definitions. However, "advice" as such is not covered (either general advice about market valuations or legal advice) as a relevant transaction. The types of transactions covered include (i) buying and selling of real estate, (ii) managing client money, securities or other assets, (iii) management of bank, savings or securities accounts, (iv) organization of contributions for the creation, operation or management of companies, (v) creating, operating or management of legal persons or arrangements, and buying and selling of business entities. So if the accountant prepares paperwork for the purchase of a company that does not go through, that is covered. But advice on the valuation of a company would not be covered.

29. If a person is being nominated by the Government as a Director in a company does the person bear status of Trust or Company Service Provider?

It's not clear to me under what circumstance this would happen, but technically there is no exemption for government appointed Directors. If this is a government appointed position where acting as the Director is the person's employment, then I don't think that they would qualify. However, if the individual was appointed in their capacity as an accountant to take over the Director job and is being paid for this as a service rendered to a client (that client may be the government in this case), then I think that it would.

30. A Member in practice fall under the definition of "Trust and Company Service Provider", when he is acting as a director of a company, as a 'service provider' to client or holding the company as a Trust, whether a member in practice will fall under the definition, solely because he is designated as the director of a Private Limited Company, in which he genuinely hold shares. (For clarification in query: Such a director would not be involved in routine operations and would hence be a non-executive director of a Private Limited Company).

It is correct that the member would only count as a Trust and Service provider if he/she is acting as the director of a company as a service provider (if he/she is being paid for the service of acting as a Director or if they are doing so as part of their paid employment). If the member is not being paid to act as a Director and it is doing so based on their own interests then no, they would not be captured as a TCSP.

31. If a Member is Authorized by the promoters of the company to present them before SECP to submit application/ documents for grant of license u/s 42 of the Companies Act, 2017, to make amendments in the documents and to collect license on their behalf, will he fall under the definition of "Trust and Company Service Provider. It is to be noted that, incorporation of Company is a separate process and it is possible that Company was already incorporated (it's the renewal of license case) or it will be incorporated afterwards.

I think this depends on whether or not the Member is presenting themselves as the ongoing contact for the company. From the description it seems that the activities described would qualify as "providing a registered office, business address or accommodation, correspondence or administrative address for a company, partnership or any other legal person or arrangement."

32. If a partner of any CA firm is a trustee in his personal capacity in a trust, will that fall under the definition as provided under (xix) (d) of the Definitions para. Under the AML Framework. Since, as a firm no service is being provided to 'act' as a trustee? To clarify he is not 'acting for another person' and doing so in his personal capacity.

Similar to the question about acting as a Director in personal capacity, the act of serving as a trustee is only covered in the event that the accountant is being paid to perform that role by a client. Whether or not it is part of a firm-provided service is not relevant though, it is whether it is a service provided to a paying client.

33. If a partner is a director in a company in which he himself has a stake (meaning he is a substantial shareholder, and it is his personal business), again he is not acting as a director on behalf of another person but is a director since he himself is a stakeholder. Will that fall under the definition as provided under (xix) (b) of the Definitions para under the AML Framework?

It is only covered if it is a service being offered to a client, and for which the accountant is being paid for by the client. As there is no client in this scenario, it would not be covered.

34. If a practicing member of ICMA Pakistan is also a director of a limited company, does he need to report activities of that limited company as Suspicious Transactions under the ambit of the AML Framework of the ICMA Pakistan?

If an accountant needs to report on the activities of a company for which it is acting as a director as part of its service to the client. In this case the company would be the client of the member/accounting firm and if the accountant identifies transactions that might be suspicious then yes they would have to be reported to the FMU.

SECTION II – ANTI MONEY LAUNDERING (AML) REGIME

35. What is the effective date of ICMA Pakistan's AML Framework?

The effective date of the AML Framework issued by ICMA Pakistan is March 1, 2020.

36. Who will be designated as the AML Contact Person by the Practicing firms?

The Practicing Firm is to designate Senior Management Personnel as the AML contact person. The contact details of the designated person are to be shared with the ICMA Pakistan for all AML related correspondence.

37. What is meant by "Senior Management"?

Senior Management includes:-

- A sole proprietor of the Firm
- Individual holding the position of Chief Executive Officer / Managing Partner, Chief Operating Officer in a Firm
- A partner or an employee of the firm with sufficient knowledge of the firm's money laundering and terrorist financing risk exposure, and of sufficient authority, to take decisions affecting its risk.

38. How to do risk assessment?

Reporting Firms are required to follow the 'Risk Based Approach (RBA)', under this approach resources are targeted at high risk areas, so the cost of compliance is reduced for the business. RBA requires the Reporting Firm to identify and assess the reasonable possible risks relating to Money Laundering (ML) / Terrorist Financing (TF) that their business may face. In making this assessment, the Reporting Firm is required to consider:-

- The nature, size and complexity of the Reporting firm's business;
- The diversity of a Reporting firm's operations, including geographical diversity;
- The Reporting firm's clients, products and activity profile;
- The degree of risk associated with each area of Reporting firm's operations; and
- The extent to which the Reporting firm is dealing directly with the client or is dealing through intermediaries, third parties, correspondents or non-face to face access.

For details regarding the risk assessment approach to be adopted, please refer Section I of the AML Framework. Further, the 'National Risk Assessment Report, 2019 (NRA)' will help the firms in accessing this risk. To obtain the NRA, please contact at aml.supervisor@icmap.com.pk.

39. What is National Risk Assessment (NRA)?

The National Risk Assessment (NRA) is a government-wide activity undertaken to develop risk-based anti-money laundering and countering the financing of terrorism (AML / CFT) actions and facilitate allocation of available resources to control, mitigate, and eliminate risks.

40. In a Sole Proprietor's case, who is to be the Compliance Officer?

Sole Proprietor must designate an employee to be the Compliance Officer. However, if there are no employees, then the Sole Proprietor may either appoint a Compliance Officer or may act as the Compliance Officer himself. The Compliance Officer can carry out other duties not related to AML / CFT compliance. It does not have to be a standalone position.

SECTION III – CUSTOMER DUE DILIGENCE (CDD)

41. What is meant by “Customer Due Diligence” under AML Framework?

“Customer Due Diligence” or CDD – means:-

- a) Identifying the customer and verifying the customer’s identity on the basis of documents, data or information obtained from customer and/or from reliable and independent sources;
- b) Identifying, where there is a beneficial owner who is not the customer, and taking adequate measures, to verify his identity so that the reporting firm is satisfied that it knows who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement;
- c) Understanding and, as appropriate, obtaining information on the purpose and intended nature of the business relationship; and
- d) Monitoring of business relationships on ongoing basis to ensure that it is being conducted in consistent with the reporting firm’s knowledge of the customer, their business and risk profile, including, where necessary, the source of funds and, updating records and data / information to take prompt action when there is material departure from usual and expected activity through regular matching with information already available with the reporting firm.

42. How to conduct CDD / Know Your Client (KYC)?

The information usually obtained in the process of CDD is:-



43. Who to conduct Customer Due Diligence on?

CDD to be conducted on the following (if applicable):-

- The customer; and
- Any beneficial owner of a customer; and
- Any person acting on behalf of a customer.

44. Does the Reporting Firm need to do CDD on all clients?

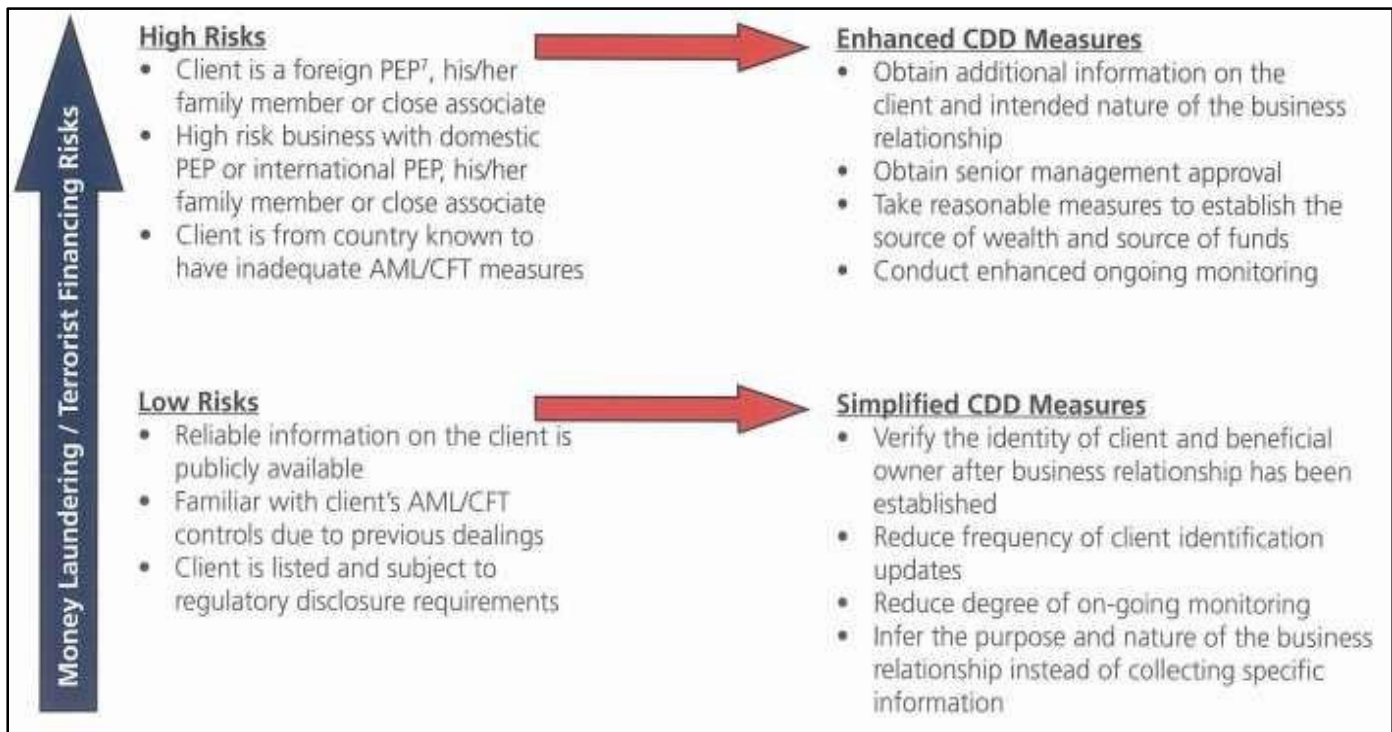
It is mandatory for the Reporting Firm to conduct CDD for existing and new clients / customers to which the services of Accountant or Trust and Service Company Services are being provided. However, for other services such as audit, it is not mandatory but the Firms are encouraged to conduct CDDs.

45. Does the Reporting Firm need to do CDD on all existing clients?

Under the transition provisions of the AML Framework, the Reporting Firm is to conduct CDD for existing clients to which the services of Accountant or Trust and Service Company Services are being provided.

46. What is Risk Based Approach for Customer Due Diligence?

All the CDD measures would be applied, however the extent of the measures would depend on risk of ML / TF.



47. How often should the ongoing monitoring of client relationship be carried out?

Reporting Firm's policy and procedures should specify how often ongoing monitoring is to be conducted. A clear cycle should be indicated for each risk category or type of customer / client, for example at least once a year for high risk cases, at least once every two years for medium risk cases and every three years for low risk cases, or where a review is triggered by a defined event.

48. When can Simplified Due Diligence measures be applied?

Simplified due diligence is the lowest level of due diligence that can be conducted on a client / customer. This is appropriate where there is low risk of products/services or customer becoming involved in money laundering or terrorist financing.

49. When Enhanced Due Diligence measures are applied?

Enhanced due diligence measures are applied in situations that are flagged and assessed as high risk where there is an increased likelihood of money laundering or terrorist financing presented either by customers, service/ product; and/or jurisdiction.

50. Can Customer Due Diligence be outsourced?

You can authorize another person or business to act as your agent to carry out CDD, or to get the necessary information from clients. However, you are still legally responsible for ensuring that the CDD meets the required regulatory compliance.

SECTION IV – SUSPICIOUS TRANSACTION REPORT (STR) / CURRENCY TRANSACTION REPORT (CTR) FILING

51. Can STR only be generated for a customer with whom business relation has been established?

It is normal practice for a Firm to turn away business that they suspect might be criminal in intent or origin. Where an applicant or a customer is reluctant / refused to provide adequate documentation (including the identity of any beneficial owners or controllers), consideration should be given to filing a STR.

52. Should STR only be generated for transactions that have been executed?

No. STR should be generated where an attempted transaction gives rise to knowledge or suspicion of Money Laundering / Terrorist Financing.

53. What is the procedure to file STR / CTR?

The Financial Monitoring Unit (FMU) has developed an online portal for the filing and submission of STR / CTR. The portal is called goAML (<https://goamlweb.fmu.gov.pk/PRD/Home>).

The reporting firm will be required to register themselves on the portal for the purpose of filing the STR/ CTR.

54. Is there a requirement to file STR with the Institute?

As per the AML Framework and the AML Act, the reporting firms are only required to file STR with FMU through goAML portal. No STR is required to be filed with the Institute.

55. What is meant by ‘tipping off’?

Disclosing the fact that a STR or related information has been filed with the FMU is called Tipping Off. It is considered as an offense and is strictly prohibited under the AML Framework.

56. What is CTR?

CTR stands for Currency Transaction Report which has to be filed with the FMU. It is a threshold based report of cash transaction involving payment, receipt, or transfer of an amount by customers of a reporting firm.

SECTION V – SCREENING COMPLIANCE

57. Who should be included in the screening of sanctions list?

Sanctions list screening should be performed for the customer, beneficial owner of the customer and person(s) acting on behalf of a customer.

58. Is the Reporting Firm required to screen all of its existing clients?

Yes, after the implementation of AML Framework of ICMA Pakistan i.e. March 1, 2020, the firms are required to screen all their existing customers / clients having business relationship with the firm at that point of time.

59. What happens if a customer’s name appears on sanctions list?

If a customer’s name is matched with a name on a sanctions list, further checks will be needed to determine whether it is a true match. In case of a true match or suspicion of a proscribed / designated person, following actions have to be taken immediately by the firm:

- Freeze without delay the customer’s fund or block the transaction (if it is an existing customer);
- Reject the customer, if the relationship has not commenced;
- Lodge a STR with the FMU;
- Notify the Ministry of Foreign Affairs, in case that person is designated under United Nations Security Council Resolutions, and
- Notify the National Counter Terrorism Authority, in case that person is designated under the Anti- Terrorism Act, 1997.

SECTION VI – ULTIMATE BENEFICIAL OWNERSHIP

60. What is meant by Ultimate Beneficial Owner?

“Beneficial owner” means the natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes legal heir(s) and the person who exercise ultimate effective control over a person.

61. How would you differentiate between direct or indirect ownership or control?

Direct owner refers to individuals and entities who directly own shares in any legal entity. For example, if you own 25% of the shares in a particular entity, you become a direct owner. A direct owner need not necessarily be an individual (natural person) and can also be another entity as in the case where the parent company is a direct owner in its subsidiary. A person can be an indirect owner, if a company or any other business entity in which he has shares, owns another company. For example, if Company 'B' is owned to the extent of 25% by Company 'A', and Company 'A' is owned to the extent of 50% by a natural person, then the said Person is an indirect owner of Company 'B' through Company 'A', to the extent of 12.5% ownership in Company 'B' i.e. 50% of 25%.

62. How would you differentiate between beneficial ownership and legal ownership?

Ownership is the right to possess, use, sell, donate or give as a gift any asset or property belonging to a person known as the "owner." An owner can either be a beneficial owner or a legal owner.

A legal owner of an asset may either be a natural person or a legal person that holds the legal title of that asset. On the other hand, a beneficial owner is the person with the right to enjoy or benefit from the asset – this can include the right or entitlement to any income from the property. In majority of the situations, the same person is the legal owner as well as the beneficial owner. A beneficial owner must always be a natural person, as a legal person cannot exert "ultimate" control over an asset or entity. This is due to the fact that legal persons are always controlled, directly or indirectly, by natural persons.

63. How would you differentiate between a legal person and a natural person?

Legal persons are any legal entities which are formed and established through a law, such as public companies, private companies, limited liability partnerships, associations not for profit, etc. registered under the Companies Act, 2017.

Natural persons are individuals, who for the purpose of FATF recommendations, shall be recognized as ultimate beneficial owners if exercising ownership and control rights in companies indirectly through legal persons.

SECTION VII – RECORD KEEPING

64. What is meant by Record in the context of AML Legislation?

Records means information related to client due diligence, enhanced due diligence, business relationships, or transactions (domestic or International) and all information related to STRs and CTRs.

65. For how long, the reporting firm is required to keep the records?

Records related to Customer Due Diligence, business relationships and enhanced due diligence shall be kept for a minimum period of five years. Further, the records related to STRs and CTRs shall be kept for a minimum period of ten years from the date of filing of STR / CTR.

Directory of Practicing Management Accountants, 2020

In the past, ICMA Pakistan has published the Directory of Practicing Management Accountants for facilitation of Government, Industrialists, Trade Organizations, National and International Non-Government Organizations, to achieve their objectives of corporatization and economy documentation in the country with the proficiency of Management Accountants. The directory also helps the service seekers to select the competent management accountants for the services required by them.

The Institute publishes Directory of Practicing Management Accountants each year which is uploaded on Website of the Institute as well as sent to the Regulators, Ministries, Government Offices, Authorities and other dignitaries in printed form. Following the same practice, the TSPD Directorate is again in the process of publishing the Directory of Practicing Management Accountants, 2020.

Worthy Members, who hold valid/ renewed COP, are requested to provide their updated information on the mentioned format via email at tspd@icmap.com.pk latest by **September 30, 2020**.

Worthy Members, who have not yet renewed their COP, are requested to kindly get their COP renewed in order to get their names included in the Directory of 2020.

Data Form of CMA Firm for Directory of Practicing Management Accountants		
Name of the Firm:		CMA Firm logo
Partner(s):		Photograph 1X1
		Photograph 1X1
Office Address:		
Branch Office:		
Telephone No.	ABC XYZ	0XX-XXXXX 0XX-XXXXX
Cell No.	ABC XYZ	03XX-XXXXX 03XX-XXXXX
E-mail ID:	ABC XYZ	
Website Address:		
Services Offered:	(Add Services here)	

Legal Privileges Available to Cost and Management Accountants*

Sr.	Description	Legal Statute	Relevant Section / Rule
1	To act as an Auditor in case of a private limited company having paid up capital up to Ten million	Companies Act, 2017	Section 247(b)
2	Appointment as Special Auditors by FBR for Income Tax Audit	Income Tax Ordinance, 2001	Section 177 (10) Income Tax Ordinance, 2001
3	Appointment as Special Auditors by FBR Sales Tax Audit	Sales Act, 1990	Section 32-A of Sales Act, 1990, & SRO 539(1)/2006 dated 5th June, 2006
4	To perform Audit of Cost Accounts as an Auditor	Companies Act, 2017	Section 250(1)
5	Audit & Certification of Accounts of Non Profit Organizations	Income Tax Rules, 2002	Income Tax Rules, 2002 notified through SRO 774 dated 29th July, 2006
6	Audit of Financial Statements for Agricultural Borrowers	Prudential Regulations for Agriculture Financing 2014	Part C, Regulations R-20
7	Audit of Financial Statements of SMEs	Prudential Regulations for Small and Medium Enterprises Financing 2013	Chapter No. 3, Regulation ME R-4
8	Audit of Financial Statements of Corporate and Commercial Banks	Prudential Regulations for Corporate / Commercial Banking 2011	Part B, Regulations R-3
9	To Act as Legal Representative of Taxpayer	Income Tax Ordinance, 2001 Income Tax Rules, 2002	Sec 223 Income Tax Ordinance, 2001 Rules 84-90 Chp XIV if Income Tax Rules, 2002
10	Delegation of Function by Assets Management Companies	SECP Circular, 2013	No.24/2013 dated December 06, 2013
11	Declaration for Registration of Memorandum	Companies Rules, 1985	Rule 4 (2) (ii)
12	Appointment as Committee Member on Custom matters	Customs Act, 1969	Section 195 C(2)
13	Appointment as Member of Settlement Commission on Custom matters	Customs Act, 1969	Section 196 K(3)
14	Appointment as Accountant Member of the Appellate Tribunal	Anti-Dumping Duties Ordinance, 2015	Rule 65(1)(a), No.2((1)/2015-Pub dated February 26, 2015
15	To Act as Legal representative in Anti-Dumping Tribunal	Anti-Dumping Duties Ordinance, 2015	No.2((1)/2015-Pub dated February 26, 2015
16	To Act as Member of Small Dispute Resolution Committee	Small Dispute Resolution Committees (Constitution and Procedure) Rules, 2015	Section 4(1)(b)
17	To act as an Expert in the Companies Act, 2017	Companies Act, 2017	Section 2(30)
18	To act as Certifier in the memorandum and articles	Companies Act, 2017	Section 17(3)
19	To act as Auditor for making report in case of return as to allotments	Companies Act, 2017	Section 70(b)
20	To act as an Intermediary in terms of Section 455 of the Companies Act, 2017	Intermediaries (Registration) Regulations, 2017	Section 3(i)(b)
21	To act as an Internal Auditor in the listed companies	Code of Corporate Governance	Code of Corporate Governance
22	To carry out the Audit of Separated Accounts	PTA Accounting Separation Guidelines, 2007	Sub-Clause 9(1)
23	To act as an Expert in the Panel of Insolvency Experts	Corporate Rehabilitation Regulations, 2019	Sub-Clause 4(ii)
24	To act as a Provisional Manager and Official Liquidator	Panel of Provisional Managers and Official Liquidators Regulations, 2019	Sub-Clause 4(a)
25	To act as a member of ADRC	Income Tax Ordinance ,2001	Section 134 A

*The above furnished details are compiled to the best of our knowledge, however, Worthy Members are encouraged to provide their inputs and feedback on the above information.

TECHNICAL SUPPORT & PRACTICE DEVELOPMENT COMMITTEE