



Inside

Committee Activities

National Updates

International Updates

Pakistan Stock Market – KSE-100 Index
Fluctuations

Rupee-Dollar Parity

Topic of the month – AML CFT Regulations
- ICMA Pakistan

Legal Privileges available to Cost and
Management Accountants (CMAs)

Message from the Chairman

I am gratified to present the eleventh issue of TSPD Monthly Technical Updates for the month of September, 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. Moreover, Members are requested to frequently visit the website of the Institute to keep themselves abreast with the latest developments in the AML/ CFT regime.



I also want to request all members to share their valuable suggestions for further improvement in the Monthly Technical Update and identify topics of technical interest, which the Committee may consider for arranging seminars, workshops and training programs beneficial for the practicing members in terms of their capacity building and value addition.

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

Ghulam Mustafa Qazi, FCMA
Chairman TSPD Committee

Feature News

Anti-Money Laundering and Combating Financing of Terrorism Regulations for Cost and Management Accountants Reporting Firms

ICMA Pakistan earlier designated to act as a Self-Regulatory Body (SRB) under the Anti-Money Laundering Act, 2010 (VII of 2010). The Honorable Parliament of Pakistan has passed the Anti Money Laundering (Second Amendment) Act, 2020 on September 16, 2020 to further amend the Anti – Money Laundering Act, 2010 (AML Act 2010). In accordance with this amendment, ICMA Pakistan has now been designated as an AML / CFT Regulatory Authority of its members in the AML Act, 2010 which was earlier notified through a separate notification of the Federal Government.

The Institute, as an AML / CFT Regulatory Authority possess the power to issue regulations under section 6A (2) (c) of the AML Act, 2010. Accordingly, the AML & CFT Regulations for CMA Reporting Firms are approved by the National Council. The Regulations can be accessed through the following link and are also placed at the end of this issue:-

https://www.icmap.com.pk/News_Pdf/AML_CFT_Regulations_ICMAPakistan.pdf

Areas of focus in these Regulations are Risk Assessment steps, Principles for Conducting Customer Due Diligence, determination of Beneficial Ownership, Targeted Financial Sanctions Obligations, Internal Controls, Record Keeping Requirements and Sanctions in cases of violations.

These Regulations are applicable with immediate effect. The ICMA Pakistan AML Framework issued in March, 2020 is withdrawn with immediate effect. As per the decision of the National Council, the AML Supervisory Board of ICMA Pakistan would continue to carry out its responsibilities of monitoring the Reporting Firms with regards to compliance of the Regulations. 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.

FAQs on Targeted Financial Sanctions (TFS) Obligations - ICMA Pakistan

ICMA Pakistan published the first version of Frequently Asked Questions (FAQs) on Targeted Financial Sanctions (TFS) under the United Nations Security Council (UNSC) resolutions.

These FAQs are developed to facilitate ICMA Pakistan's regulated Firms to better understand, comprehend and implement their obligations under the AML / CFT regime and to meet the evolving regulatory expectations for Anti – Money Laundering and Sanctions Compliance.

The FAQs are enclosed herewith and can be accessed through the following link:-

https://www.icmap.com.pk/downloads/FAQs_on_TFS_Obligations_ICMAPakistan.pdf

Committee Activities

Webinar on Demonstration on E-appeal

In order to facilitate the taxpayer, the Federal Board of Revenue automated the appeal function. The automation of the system will enable the taxpayers to e-file appeals against orders by Income Tax authorities on Iris Web Portal. To create awareness of e-filing of appeals amongst the practicing members, the ICMA Pakistan in collaboration with FBR arranged a Webinar on Demonstration on E-appeal on Zoom. The Session was attended by the Members of National Council of ICMA Pakistan, FBR Team and worthy practicing members.



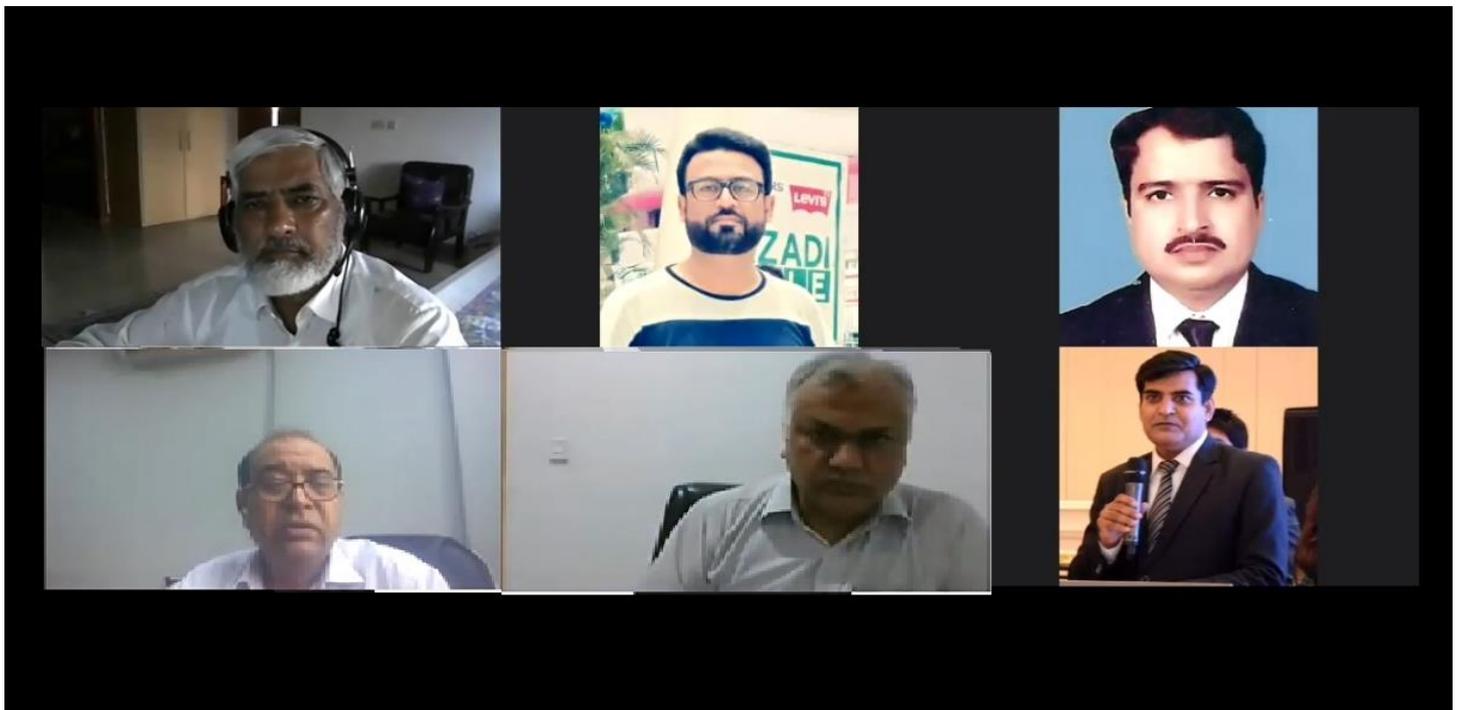
IRIS - APPEAL MANAGEMENT SYSTEM CIR(APPEALS)

**Step by Step Guide
For e-Filing of Appeals**

Federal Board of Revenue

Meeting of TSPD Committee

32nd Meeting of TSPD Committee was held online on June 09, 2020. Worthy Committee members participated in the meeting and had thread bare discussions on different matters especially those concerned with the CMAs. Members reviewed the previous activities and guided the way forward to the directorate on certain matters.



National Updates

Corporate Sector

1. AWARENESS AMONG POLICYHOLDERS ABOUT AVAILABILITY OF FORUMS FOR RESOLUTION OF THEIR GRIEVANCES

Securities and Exchange Commission of Pakistan (SECP) vide their Circular No. 27 of 2020 notified a circular for creating awareness among policyholders about availability of forums for resolution of their grievances.

SECP observed that without first approaching the respective insurer, the complainants/policyholders are directly filing their complaints with the Commission as per the information provided in Circular No. 5/2016. Accordingly, SECP has made amendments in the annexure to the Circular No. 5/2016 to ensure that complainants/policyholders as a first step, approach the respective insurer and in case their grievances are not resolved, they may file their complaints to other grievance handling forums.

The amended annexures both in Urdu and English can be accessed through the following link:-

<https://www.secp.gov.pk/document/circular-no-27-of-2020-awareness-among-policyholders-about-availability-of-forums-for-resolution-of-their-grievances/?wpdmdl=40160&refresh=5f570e15544291599540757>

According to the Circular No. 5 of 2016, the SECP requires following from insurers:-

- Fix the notice board(s) containing the attached 'awareness message' in both Urdu as well as English languages at prominent places at head office and branch offices where general public or the policyholders pay frequent visits including bank branches authorized to offer bank assurance products to the general public;
- Upload the attached 'awareness message' on their respective websites under the heading of "Complaints Resolution Forums" (in red font) in both Urdu as well as English languages; and
- Print the attached 'awareness message' on all the forms i.e. policy illustrations, proposal forms, policy documents and claim forms on conspicuous position (in red font) in both Urdu as well as English languages.
- SECP further directed that the insurer shall take all necessary steps to ensure that the changes are reflected in the policy documents, notice board(s) and website with effect from October 1, 2020.

All the requirements of Circular No. 5/2016 dated January 26, 2016, Circular No. 36/2017 dated December 12, 2017 and Directive vide S.R.O. 1405(1)/2018 dated November 16, 2018 shall remain enforced.

2. RELAXATION TO LENDING MODARABAS UNDER REGULATION 5 OF THE PRUDENTIAL REGULATIONS FOR MODARABAS

SECP vide their Circular No. 28 of 2020 dated September 10, 2020 extended relaxation to Lending Modarabas under Regulation 5 of the Prudential Regulations for Modarabas.

According to the Circular the SECP, in partial modification of Circular No. 15 of 2020 dated April 24, 2020, allowed three months' extension in time to all lending Modarabas for accepting customers' requests to defer repayment of principal loan amounts, as mentioned at serial No. 1 of the circular No. 15.

Accordingly, a lending Modaraba may, upon a written request of a customer received before September 30, 2020, defer repayment of principal loan/facility amount by one year, provided that the customer will continue to service the mark-up amount as per agreed terms and

conditions. All other provisions of circular No. 15 shall remain the same.

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/circular-no-28-of-2020-relaxation-to-lending-modarabas-under-regulation-5-of-the-prudential-regulations-for-modarabas/?wpdmdl=40180&refresh=5f5b01577c0dc1599799639>

3. DRAFT COMPANIES (AUDIT OF COST ACCOUNTS) REGULATIONS, 2020

SECP vide their S.R.O. 893(I)/2020 notified the draft Companies (Audit of Cost Accounts) Regulations, 2020.

According to the SRO, Every company engaged in production, processing, manufacturing or mining activities is required to maintain particulars relating to utilization of material or labour or the other inputs or items of cost under first proviso to sub-section (1) of section 220 of the Act including but not limited to class of companies which have been recommended by the relevant regulatory authorities and entities in terms of subsection (2) of section 250 as mentioned in the Schedules to these regulations.

Every company to which these regulations applies shall, in respect of each financial year commencing on or after the commencement of these regulations, keep cost accounting records, containing, inter alia, the particulars specified in Schedules to these regulations. The cost accounting records referred to in sub-regulation (1) shall be kept in such a way as to make it possible to calculate from the particulars entered therein, the cost of production and cost of sales of each of the products separately, during a financial year.

Where a company is engaged in any other business (es) in addition to those referred to in Schedules to these regulations, the particulars relating to the utilization of materials, labour and other items of cost in so far as they are applicable to such other product shall not be included in the cost of product referred to in Schedules to these regulations. It shall be the duty of every person referred to in sub-section (6) of section 220 of the Act, to comply with the provisions of these regulations in the same manner as they are liable to maintain financial accounts required under section 220 of the said Act.

The draft Regulations can be downloaded from the following link for further details:-

<https://www.secp.gov.pk/document/sro-893-i-2020-draft-companies-audit-of-cost-accounts-regulations-2020/?wpdmdl=40289&refresh=5f6c297f5cc801600924031>

4. AMENDMENTS IN THE PRUDENTIAL REGULATIONS FOR MODARABAS

Securities and Exchange Commission of Pakistan (SECP) vide their Circular No. 30 of 2020 dated September 30, 2020 made following amendments in Regulation 5 of Part-IV of the Prudential Regulations for Modarabas, namely: -

(a) In sub-regulation (3a), after the words "major shareholders of modaraba company", the words "or a certificate holder of a modaraba" shall be inserted;

(b) In the first proviso of sub-regulation (5), after the words "major shareholder", the words "of modaraba company or certificate holder of a modaraba" shall be inserted;

(c) In the explanation No. 2, for the words "of the Modaraba Companies and Modaraba Rules, 1981", the words "or an application to float a modaraba under clause (d) of sub-rule (2) of rule 3 of the Modaraba Companies and Modaraba Rules, 1981" shall be substituted.

(d) In Annexure A, in entry 7, after the words "of the modaraba

company", the words "or a certificate holder of a modaraba" shall be inserted.

(e) In Annexure-A, in entry 7, clause (iii) shall be substituted as under:

"(iii) Details of shareholding of the Modaraba Company and certificate holding of modaraba including details of ultimate beneficial owners."

For further details, please visit the following link:-

<https://www.secp.gov.pk/document/circular-no-30-of-2020-amendments-in-the-prudential-regulations-of-modarabas/?wpdmml=40357&refresh=5f7568ebb7ee21601530091>

Taxation

5. EXTENSION IN DATE OF FILING INCOME TAX RETURNS/STATEMENTS FOR TAX YEAR 2020

Federal Board of Revenue (FBR) vide their Circular No. 4 of 2020 dated September 30, 2020 extended the date of Filing of Income Tax Returns/Statements for Tax Year 2020 as under: -

The Individuals and Associations of Persons who were required to file their Income Tax Returns/Statements of final taxation for the Tax Year 2020 which were due on 30th September, 2020, but failed to file their Income Tax Returns /Statements, is hereby allowed to file their return by December 08, 2020.

The companies who were required to file Returns of Total Income/Statements of final taxation for the Tax Year 2020 which were due on 30th September, 2020, but failed to file their Income Tax Returns /Statements, is hereby allowed to file their return by December 08, 2020.

FBR also notified that no further extension for filing of Income Tax Returns/Statements will be granted.

For further details, please visit the following link:-

<http://download1.fbr.gov.pk/Docs/20209302394923646Extensionindateoffilingofincometaxreturnfortaxyear2020.pdf>

6. AMENDMENT IN SALES TAX RULES, 2006 – INCLUSION OF NEW RULE "164A – SUPPLY OF USED VEHICLE"

FBR vide their S.R.O. 931(I)/2020 dated September 30, 2020 amended the Sales Tax Rules, 2006 by inserting a new as under:-

"164A. Supply of used vehicles.— (1) Where a registered person is engaged in the business of purchasing and selling used vehicles from general public on which sales tax had already been paid at the time of import or manufacturing, the value of the supply shall be worked out in accordance with the sub-rule (2).

(2) The value of supply shall be worked out in accordance with the following formula, namely:—

A-B

Where—

A is the consideration in money, including all charges and fees but excluding the amount of sales tax charged, received by the registered person from the buyer of the used vehicle; and

B is the consideration in money, including all charges and fees, paid by the registered person to the seller of the used vehicle:

Provided that the whole amount paid or received against the above-mentioned transactions is made through banking channel as required under section 73 of the Act:

Provided further that in case a vehicle is sold at a price lower than its purchase price, the value determined under this sub-rule shall be

deemed to be zero.

(3) No input tax credit shall be allowed to the registered person which is attributable to any goods or services acquired for the purposes of selling used vehicles."

For further details, please visit the following link:-

<http://download1.fbr.gov.pk/SROs/20209301594147366SRO931-2020.pdf>

7. PROPOSED AUTHORIZED ECONOMIC OPERATOR RULES

FBR vide their S.R.O. 798(I)/2020 notified draft Authorized Economic Operator Rules by inserting a new chapter in the Customs Rules, 2001.

According to the proposed Rules, the FBR will issue gold and platinum certificates to importers or exporters and silver certificate may be granted to categories of economic operators other than importers and exporters, including Logistics Providers, Custodians or Terminal and off-dock terminal Operators, Customs Agents and Warehouse Operators. The validity of AEO certificate shall be two years for Gold, three years for Platinum and Silver.

The authorised economic operator or AEO means a certified entity which fulfills the security criteria and other laid down obligations and derives benefits as prescribed under these rules and may include manufacturers, importers, exporters, custom house agents, brokers, shipping lines, carriers, consolidators, intermediaries, ports operators, airports operators, terminal operators, integrated operators, warehouses, distributors, freight forwarders and logistic service providers.

The benefits for gold status included priority placement/front line of treatment shall be accorded under WeBOC module for all processes including assessment, examination and scanning to ensure shorter cargo release time; facility of Direct Port Delivery (DPD) of their import Containers and or Direct Port Entry (DPE) of their Export Containers would be available.

A special space shall be earmarked at port or terminal area for handling AEO containers for speedy clearance and ID cards to be granted to authorized personnel for hassle free entry to Custom Houses, terminals, off-dock terminals and dry ports and wherever feasible, they will get separate parking space and sitting/waiting area earmarked in Custom Houses, terminals, off-dock terminals, dry ports etc.

The benefits for Platinum status may be provided over and above the benefits offered in, gold category.

In case they are required to furnish a Bank Guarantee/pay order, the AEO Certificate Holder may provide Post Dated Cheque or corporate guarantee for the required amount. They shall be given choice of location for control and clearance (on-site inspection and examination) of goods at the premises of the authorized economic operator. The random select on for checks, without prior approval from FBR, will be avoided by other government agencies. An approach based on specific information and Risk based interventions, in case of requirements originating from the Acts administered by other Government Agencies and Departments, will be adopted for providing better facilitation in imports and export of their consignments.

The automated disbursal of drawback amount and sales tax refunds by giving priority treatment. The duty drawback claims filed through Customs Computerized System along with Bank Credit Advice (BCA) shall automatically be placed at top of the queue and processed on priority and the refund claims of Sales Tax and Federal Excise Duty, after submission of complete documents, shall be processed on priority.

For further details please visit the following link:-

<http://download1.fbr.gov.pk/SROs/2020831178810705ProposedAuthorizedEconomicOperatorRules.pdf>

8. DRAFT AMENDMENTS IN THE CUSTOMS RULES 2001

FBR vide their S.R.O. 809(I)/2020 notified draft amendments in the Customs Rules 2001.

A new Chapter "Electronic Auction (E-Auction)" is proposed to be added in the aforesaid Rules. The newly proposed chapter describes new procedure for the bidders to purchase goods from Customs department through the system of electronic auction (E-Auction) of confiscated/seized goods or overstayed goods.

Under the new rules, the "bid" means the price offered at e-auction portal for the goods put to auction separately or in lots or in a combination of lots by a bidder registered with customs computerized system. According to the new procedure for the bidders of overstayed goods, there would be e-Registration of the bidders. Any person holding a valid CNIC or NICOP may get himself registered as a bidder by submitting the electronic form available at e-auction portal of the system against prescribed fee for processing of registration. The system shall acknowledge the registration of the person as a bidder by allocating him a Unique Identification/Registration Number and transmitting the same at his valid e-mail address and mobile number. At the time of registration processing officer may verify the registration particulars and may reject the registration on valid grounds.

The online auction proceedings shall be initiated by the Assistant or Deputy Collector (Auction) or by any other officer authorized by the Collector. The information regarding the goods under auction shall be provided or displayed at auction portal against each Unique Auction Number. It may include; details/ descriptions of auctionable goods; quantity / units as the case may be; high definition images of the goods; lab or other reports (if any); NOC or conditions or restrictions as per Import Policy Order or Export Policy order or any other laws applicable thereon; (auction starting and finishing date and time; auctionable goods location; mode of auction, whether "As is where is basis" or "on weight basis" or any other mode; opening value of the goods for the bid.

The goods not fit for human consumption shall be destroyed. The Assistant and Deputy Collector (Auction) shall have the authority to send the goods under auction for re-examination or / and revision of reserved price. If no bid is received against a lot in five subsequent auction (Unique Auction Lot Number), then the auctionable goods may either be marked for re-auction or revision of reserved price by the Authorized Officer. In case of non-payments by a successful bidder after the approval of the bid by the authority, the system shall disable the user-ID and the CNIC for a period of two years. During that time period, the bidder will not be able to login to the auction portal of the WeBOC nor his case will be considered and allowed by the Collector of Customs.

The following goods shall not be put to auction and be sold or disposed in the manner as prescribed by the Board, namely:-

- (i) arms and ammunition;
- (ii) liquor /narcotics and like goods;
- (iii) confiscated books, written material which is obscene, subversive, anti-state or anti-religious; and
- (iv) diplomatic cargo.

For further details please visit the following link:-

<http://download1.fbr.gov.pk/SROs/202094179622105SRO809.pdf>

9. CIRCULAR NO. 03 OF 2020: EXPLANATION OF IMPORTANT AMENDMENTS MADE IN INCOME TAX ORDINANCE, 2001 THROUGH FINANCE ACT, 2020

FBR vide their Circular No. 03 of 2020 explained some of the significant amendments brought through the Finance Act, 2020. Few of these

amendments are explained hereunder:-

Individuals, AOPs allowed to claim deductions – Gross Rental Income

According to the FBR's circular number 3 of 2020, the FBR has explained the enabling adjustability of property expenses against income from property for all individuals and AOP's.

By the Finance Act, 2016, a dual tax treatment was introduced for property income of individuals/AOPs and companies. Individuals and AOPs had to pay fixed amount of tax on gross rentals at the rates specified in Division VIA of Part-I of First Schedule. However, certain deductions were allowable for computing property income in case of a company.

A new sub-section (7) was added to Section 15A through Finance Act, 2019 to enable Individuals/AOPs to opt for normal tax regime and claim deductions against gross rentals as provided in the law, but that option was available only to those individuals and AOPs who derived income from property in excess of Rs4 million.

Finance Act, 2020 has removed this condition by making amendment in sub-section 7 of section 15A. Now all individuals/AOPs are allowed to claim deductions against gross rental income if they opt to pay tax at rates given in Divisions I of Part-I of First schedule to the Ordinance. Furthermore, deduction in respect of administration and collection charges under clause (h) of Section 15A has been reduced from 6% to 4% of the rent chargeable to tax, FBR stated. The section 21(l) of the Ordinance does not allow deduction against business income if claim of a business expenditure exceeds Rs 50,000/- under a single account head in aggregate and payment is made otherwise than through crossed banking instrument, online transfer of payment or credit card from business account of the taxpayer. However, this inadmissibility of deduction did not apply if a single transaction on account of such business expenditure remained at Rs 10,000/- or below. Finance Act, 2020 has increased these thresholds from Rs 50,000 to Rs 250,000/- and from Rs 10,000/- to 25,000/-respectively.

Increase in threshold of payments required to be made through banking channels under section 21 (l), 21(m) & 21(q) of the Ordinance

Section 21(l) of the Ordinance does not allow deduction against business income if claim of a business expenditure exceeds Rs. 50,000/- under a single account head in aggregate and payment is made otherwise than through crossed banking instrument, online transfer of payment or credit card from business account of the taxpayer. However, this inadmissibility of deduction did not apply if a single transaction on account of such business expenditure remained at Rs. 10,000/- or below. Finance Act, 2020 has increased these thresholds from Rs. 50,000 to Rs. 250,000/- and from Rs. 10,000/- to 25,000/- respectively.

Similarly, section 21(m) disallows expenditure on account of monthly salary against business income if it was paid in excess of threshold of Rs 15,000 per month per employee and payment was made otherwise than through crossed cheque or direct transfer of funds to the employees bank account. Finance Act, 2020, has increased this threshold to Rs 25,000 per month per employee for payment of salary otherwise than through crossed cheque or direct transfer of funds to the employees' bank account.

In Section 21 (q), Expense on utility bills to be treated as an inadmissible business deduction subject to certain conditions.

Expenditure on account of utility bills is allowed against business income under section 20 of the Ordinance. A new clause (p) has been added to Section 21 to disallow it if it is incurred in excess of certain limits and is in violation of certain conditions as may be prescribed by the Board.

Wealth statement cannot be revised after 5 years - Revision of wealth statement to be made contingent upon intimation to the commissioner (Section 116(3))

Through the Finance Act, 2020, an amendment has been made in sub-section (3) of section 116 of the Ordinance whereby effective from July 01, 2020 intimation to the Commissioner in the prescribed form and manner, shall constitute a prerequisite for revision of wealth statement. Furthermore, through newly inserted proviso to section (3) of section 116 of the Ordinance, Commissioner has been empowered to declare such revision as void, through an order in writing after providing an opportunity of being heard.

In addition to the above, an explanation has been added in sub-section (3) of section 116 of the Ordinance wherein it has been clarified that a wealth statement cannot be revised after expiry of 5 years from the due date of filing of return of income for that tax year. As a tax laws harmonization measure, clauses (a), (ca) and (d) of sub-section (1) of section 48 of the Sales Tax Act, 1990 enabling the Commissioner to effect recovery by requiring by a notice in writing any person to stop clearance of imported goods or manufactured goods or attach bank accounts, or by sealing the business premises have also been incorporated in section 138 of the Ordinance.

Prior to the Finance Act 2020, an assessment Order could only be amended under Section 122(1) or an amended order could only be further amended under Section 122(4) on the basis of definite information acquired from audit or otherwise. Now After amendment through Finance Act 2020, assessment order can be amended or an amended order can be further amended on the basis of audit or on the basis of definite information.

For further details please visit the following link:-

<http://download1.fbr.gov.pk/Docs/2020931892445579CircularNo.3of2020.pdf>

10. DRAFT SIMPLIFIED INCOME TAX RETURN FOR RETAILERS HAVING TURNOVER LESS THAN RS. 10 MILLIONS

FBR vide their S.R.O. 821(I)/2020 dated September 8, 2020 introduced a simplified income tax return for retailers having turnover less than Rs. 10 million.

The simplified draft return form for tax year 2020 consist of two pages, which includes wealth statement form, with minimal requirement to be provided by the retailers. As per the draft income tax return form, retailers are required to provide details, including business turnover, cost of sales, gross profit, profit and loss expenses; total income and amount of tax.

In the wealth statement, the retailers need to provide details of immovable assets, shop, moveable assets, business capital, investment, bank deposits, loan/liabilities and net assets.

The draft simplified return form can be accessed through the following link:-

[http://download1.fbr.gov.pk/SROs/202098189236551srro821\(I\)2020.pdf](http://download1.fbr.gov.pk/SROs/202098189236551srro821(I)2020.pdf)

11. FINAL INCOME TAX RETURN FORMS FOR BUSINESS INDIVIDUALS, SALARIED PERSONS, AOPS, INDIVIDUAL PAPER RETURN AND COMPANIES FOR TAX YEAR 2020

FBR vide their S.R.O. 822(I)/2020 dated September 8, 2020 notified new return form for business individuals, salaried persons, association of persons, individual paper return and companies for tax year 2020.

Draft of the same was earlier published vide S.R.O. 745(I)/2020 dated August 19, 2020.

The Returns can be accessed through the following link:-

[http://download1.fbr.gov.pk/SROs/2020981894741959SRO822\(I\)2020.pdf](http://download1.fbr.gov.pk/SROs/2020981894741959SRO822(I)2020.pdf)

12. DRAFT PROCEDURE AND MANNER FOR APPLYING AND APPROVING GREEN FIELD INDUSTRIAL UNDERTAKING

FBR vide their S.R.O. 823(I)/2020 dated September 8, 2020 notified draft procedure and manner for applying and approving Green Field Industrial Undertaking.

FBR proposed to introduce a new chapter in the Income Tax Rules, 2002 titled as "CHAPTER XVIIIA GREEN FIELD INDUSTRIAL UNDERTAKING".

According to the draft, A "Greenfield Industrial Undertaking", as defined in clause (27A) of section 2 of the Ordinance, shall make an application electronically to the Commissioner in a prescribed form. Application must be signed either by the Director, Principal Officer, Member or owner of the Industrial Undertaking. On receipt of an application under rule 220C, the Commissioner Inland Revenue may make such inquiries or call for such further information or documents as deemed necessary.

After scrutiny of the application and the documents annexed thereto, the Commissioner Inland Revenue shall, forward the application to the Engineering Development Board (EDB), Government of Pakistan, for seeking certification to the effect that process or technology used by the Industrial Undertaking has not earlier been used 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 with regard to the query raised in sub-rule (2) to the Commissioner Inland Revenue. On receipt of an application under rule 220C, the Commissioner, after completion of formalities, may approve the organization for the purpose of clause (27A) of section 2 of the Ordinance.

The Commissioner may refuse to approve the Industrial Undertaking if the Commissioner is satisfied that the Industrial Undertaking does not fulfill the conditions of Greenfield Industrial Undertaking. The Commissioner shall notify the applicant, in writing, the decision to refuse the approval.

The Commissioner Inland Revenue shall finalize the applications filed under Rule 220C within fifteen days of its receipt. Any taxpayer dissatisfied with the decision of the Commissioner Inland Revenue under Rule 220F may prefer an appeal within sixty days of the receipt of the order to the Appellate Tribunal Inland Revenue under section 131 of the Ordinance.

The draft can be downloaded from the following link:-

[http://download1.fbr.gov.pk/SROs/202098189241319S.R.O.823\(I\)2020.pdf](http://download1.fbr.gov.pk/SROs/202098189241319S.R.O.823(I)2020.pdf)

13. AMENDMENT IN THE ALTERNATE DISPUTE RESOLUTION RULES (ADRC)

FBR vide their S.R.O. 845(I)/2020 dated September 10, 2020 notified further amendments to the Section 231C of the Income Tax Rules, 2002 regarding Alternate Dispute Resolution Rules (ADRC). The same were earlier published by the FBR through S.R.O. 780(I)/2020 dated August 26, 2020. Following amendments are made in the above said Rules through this SRO:-

Definition of "applicant"

Definition of "applicant" is amended by inserting the words "in case identical issues are involved" after the word person.

Sub-rule (4) clause (a)

The expression "Large Taxpayers Unit or Commissioner, Medium

Taxpayers Unit or any other Commissioner or officer of the Inland Revenue Department nominated by the Board", is substituted with the words "Inland Revenue having jurisdiction over the case".

Sub-rule (5) is substituted as under:-

"(5) The Chief Commissioner Inland Revenue having jurisdiction over the case shall be the Chairperson of the Committee."

Sub-rule (6) is substituted as under:-

"(6) The Committee shall decide the dispute through consensus within one hundred and twenty days from the date of its appointment by the Board.";

Sub-rule (7) 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" is omitted;

Sub-rule (7) clause (c)

"(c) to conduct the proceedings of the Committee as he thinks appropriate;"

Sub-rule (12)

The words "send a copy of the recommendations" substituted with the words "communicate the decision".

News Sub-rule (12A) inserted as under:-

"(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."

Sub-rules (11), (13), (14), (15), (16) and (17) omitted.

For further details, please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20209101694149221SRO845\(I\)2020ADRC.pdf](http://download1.fbr.gov.pk/SROs/20209101694149221SRO845(I)2020ADRC.pdf)

14. AMENDMENT IN SALES TAX RULES, 2006 – INCLUSION OF A NEW CHAPTER "REAL-TIME ELECTRONIC ACCESS FOR AUDIT & SURVEY"

FBR vide their S.R.O. 888(I)/2020 amended Sales Tax Rules, 2006 by notifying the new procedure of Real-Time Electronic Access for Audit & Survey of the business community.

According to the SRO, Sales tax-registered persons are now required to provide real-time electronic access of their premises, stocks, accounts and records to the Federal Board of Revenue (FBR) for carrying out surveys of the business community.

The registered person shall provide continuous and full real-time electronic access to the premises, stocks, record, accounts and data, whether maintained electronically or otherwise, as and when required by an authorized officer as provided under section 38 of the Sales Tax Act. The authorized officer shall have real-time electronic access to the operation of any computer system which stores, generates or receives data related to taxable activity; supporting documentation including file structures, etc., operational and technical manuals, audit trail, controls, safe keeping and information on how the accounting system of the registered person is organized and any premises or place specified.

An officer of Inland Revenue, duly authorized by the Board or the Commissioner IR having jurisdiction in this behalf, shall have full and continuous real-time electronic access to the premises, stocks, record, accounts and data for the purpose of survey of person or class of persons liable to be registered.

The registered person shall provide data on Standard Audit File for Tax

(SAF-T) files on XML format, as approved by the Board. The SAF-T files shall be transferred through a website or electronic data carriers, as notified by the Board. The data would include account books, including journals and ledgers; bank details and bank statement; inventory record; record of sales of goods; record of purchases, including exempt purchases against which no input claimed and detailed record of invoices, including sale invoices, purchase invoices, invoices for advance sale and debit/credit notes.

For further details, please visit the following link:-

<http://download1.fbr.gov.pk/SROs/20209221093637942SRO888of2020.pdf>

15. STANDARD OPERATING PROCEDURE FOR DISPOSAL OF CASES OF CONDONATION OF TIME LIMIT UNDER SECTION 74 OF THE SALES TAX ACT 1990

FBR vide their Sales Tax Circular No. 02 of 2020/IR Operations notified following procedure for field formations (LTOs/MTO/CTOs/RTOs) to process the taxpayers request for the condonation of time limit under Section 74 of the Sales Tax Act, 1990:-

S#	Checklist	Remarks
1	Whether any application for condonation submitted by the taxpayer with field formation?	If "yes", decision taken thereon by the field formation
2	Genuineness / authenticity of the reasons narrated for condonation sought by the taxpayer.	If "yes", elaborate with details along-with supporting documents.
3	Whether the reasons for delay in seeking condonation on the part of the taxpayer are cogent?	If "yes", elaborate with details along-with supporting documents.
4	Revenue impact (in case of registered person as well as other persons involved), if any.	If "yes", amount to be mentioned.
5	Whether any system/ technical glitch involved in the case?	If "yes-", details of the system glitch along-with supporting documents.
6	Whether the condonation involved transaction of any closed, de-registered or any person whose registration has been blacklisted or suspended?	If "yes", then specify with reasons.
7	Whether the condonation involved adjustment / refund of amount which has already been claimed by taxpayer?	Specify in detail
8	Whether supplier discharged due sales tax on supply after issuance of invoice and duly verified from Annex-C in the condonation cases of Power Sectors etc?	If "yes", specify the date and month of return in which the same has been incorporated
9	Both buyer and supplier are active on Active Taxpayers List (ATL).	"Yes" I "No"
10	Whether payment is made to supplier through banking channel as envisaged under Section 73 of the Act (In the case of Power Sector and Provincial Revenue Authorities input)? In case, partial payment is made to supplier, balance payable to supplier with reasons.	"Yes" / "No"

For further details, please visit the following link:-

[http://download1.fbr.gov.pk/SROs/20209101694149221SRO845\(I\)2020ADRC.pdf](http://download1.fbr.gov.pk/SROs/20209101694149221SRO845(I)2020ADRC.pdf)

International Updates

IAASB ISSUES NEW PROJECT UPDATE FOR ISA 500, AUDIT EVIDENCE

The International Auditing and Assurance Standards Board (IAASB) issued new Project update for International Standard on Auditing (ISA) 500, Audit Evidence. The Update includes details about its information gathering activities, issues identified to date, and the way forward for audit evidence.

Based on its information gathering, the IAASB developed an initial listing of possible issues and categorized the issues into three overarching topics:-

- Changes in the source of information and how the information is processed, communicated, and used.
- Continual developments in technology.
- Professional skepticism.

The Update can be accessed through the following link:-

<https://www.ifac.org/system/files/publications/files/IAASB-ISA-500-Project-Update-September-2020.pdf>

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.iasb.org/news-events/2020-08/new-illustrative-examples-isa-540-revised-implementation-expected-credit-losses>

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 **October 10, 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.

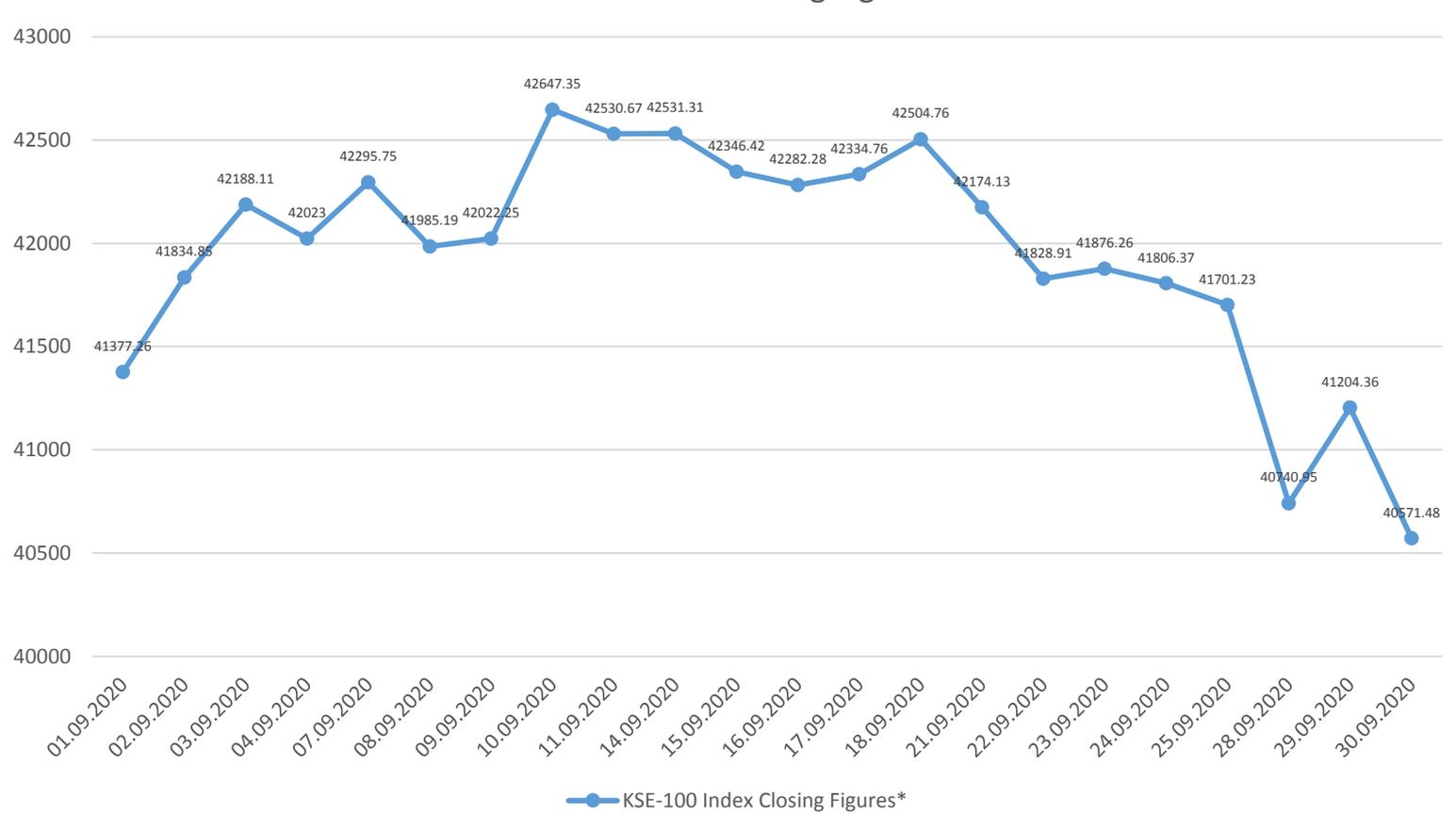
Data Form of CMA Firm for Directory of Practicing Management Accountants		
Name of the Firm:		CMA Firm logo
Partner(s):		Photograph
		1X1 Photograph
Office Address:		1X1
Branch Office:		
Telephone No.	ABC XYZ	0XX-XXXX 0XX-XXXX
Cell No.	ABC XYZ	03XX-XXXX 03XX-XXXX
E-mail ID:	ABC XYZ	
Website Address: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

Pakistan Stock Market

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

Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*	Date	KSE-100 Index Closing Figures*
01.09.2020	41377.26	10.09.2020	42647.35	21.09.2020	42174.13
02.09.2020	41834.85	11.09.2020	42530.67	22.09.2020	41828.91
03.09.2020	42188.11	14.09.2020	42531.31	23.09.2020	41876.26
04.09.2020	42023.00	15.09.2020	42346.42	24.09.2020	41806.37
07.09.2020	42295.75	16.09.2020	42282.28	25.09.2020	41701.23
08.09.2020	41985.19	17.09.2020	42334.76	28.09.2020	40740.95
09.09.2020	42022.25	18.09.2020	42504.76	29.09.2020	41204.36
*As published in Daily Dawn				30.09.2020	40571.48

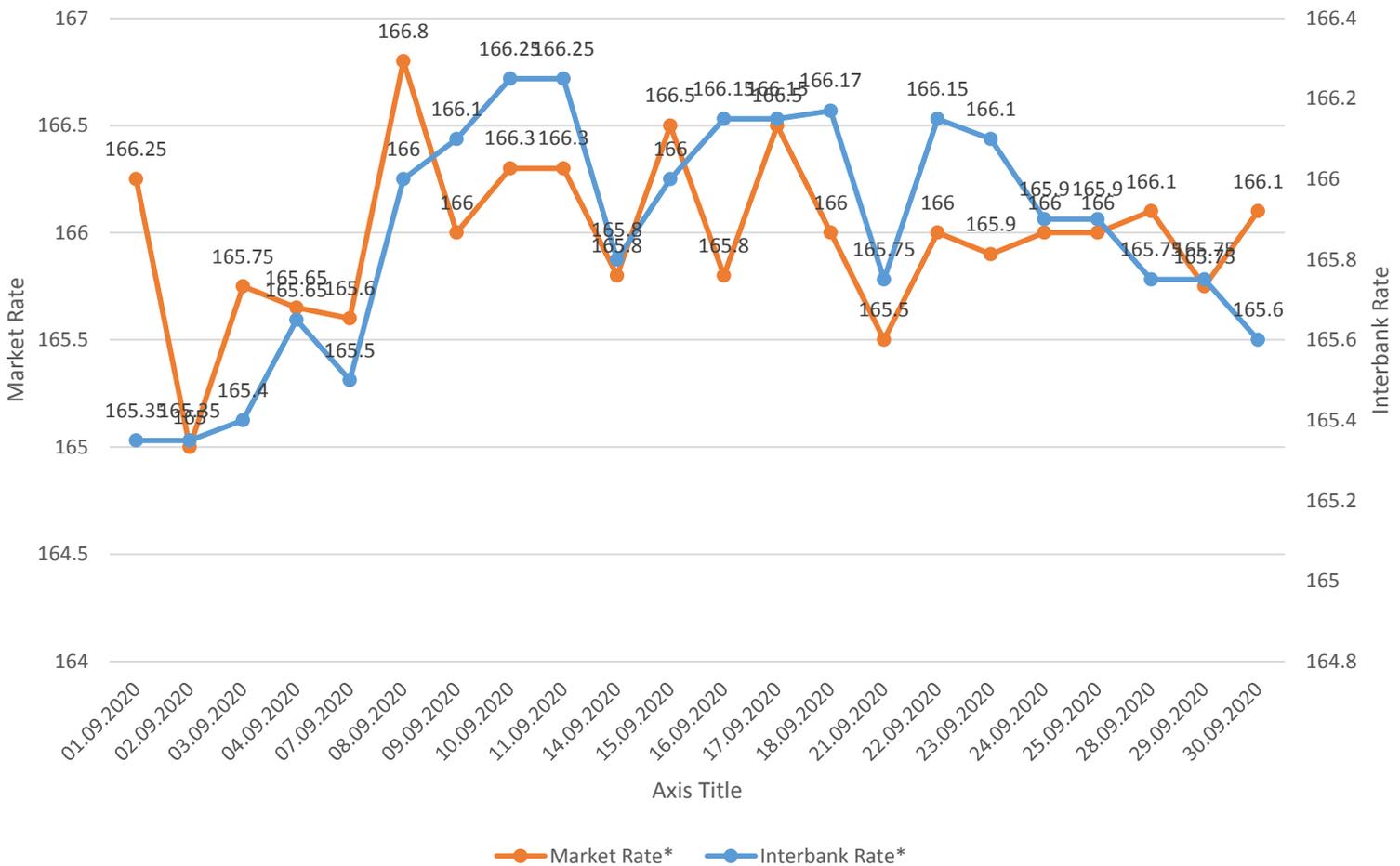
KSE-100 Index Closing Figures*



Rupee-Dollar Parity

Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*	Date	Interbank Rate*	Market Rate*
01.09.2020	165.35	166.25	10.09.2020	166.25	166.30	21.09.2020	165.75	165.50
02.09.2020	165.35	165.00	11.09.2020	166.25	166.30	22.09.2020	166.15	166.00
03.09.2020	165.40	165.75	14.09.2020	165.80	165.80	23.09.2020	166.10	165.90
04.09.2020	165.65	165.65	15.09.2020	166.00	166.50	24.09.2020	165.90	166.00
07.09.2020	165.50	165.60	16.09.2020	166.15	165.80	25.09.2020	165.90	166.00
08.09.2020	166.00	166.80	17.09.2020	166.15	166.50	28.09.2020	165.75	166.10
09.09.2020	166.10	166.00	18.09.2020	166.17	166.00	29.09.2020	165.75	165.75
*forex.pk						30.09.2020	165.60	166.10

Rupee-Dollar Parity during September, 2020



Anti-Money Laundering and Combating Financing of Terrorism Regulations

AML Supervisory Board

Short Title, Extent and Commencement

1. These Regulations shall be called the Anti-Money Laundering and Combating Financing of Terrorism Regulations for Cost and Management Accountants Reporting Firms.
2. They shall come into force at once.

Definitions

3. (1) In these Regulations, unless there is anything repugnant in the subject or context, -
 - (a) "AML/CFT" means Anti-Money Laundering and Counter Financing of Terrorism
 - (b) "AML Act" means the Anti-Money Laundering Act, 2010 (VII of 2010);
 - (c) "Client or Customer" means any person engaging a reporting firm (RF) for the purposes of requesting, acquiring, or using Accountant or Trust Services or carrying out any transaction or business with the reporting firm (RF).
 - (d) "Close associate" of a PEP means—
 - (i) an individual known to have joint beneficial ownership of a legal person or a legal arrangement or any other close business relations with a PEP;
 - (ii) any individual(s) who have beneficial ownership of a legal person or a legal arrangement which is known to have been set up for the benefit of a PEP.
 - (e) "Enhanced Due Diligence" or EDD means taking additional CDD measures and may include the measures set out in Sub-section (2) of Section 21 of this Regulation.
 - (f) "Family member" of a politically exposed person includes—
 - (i) a spouse of the PEP;
 - (ii) lineal descendants and ascendants and siblings of the PEP;
 - (g) ML means money laundering
 - (h) "Member in Practice" – means a member of the Institute having certificate of practice and:
 - (i) Practicing as a "Cost and Management Accountant" individually (i.e. as a sole-proprietor) or in partnership with Cost and Management Accountants.
 - (ii) Practicing as a "Management Consultant".
 - (i) "Politically exposed person" or PEP means an individual who is or has been entrusted with a prominent public function either domestically or by a foreign country, or in an international organization and includes but is not limited to:
 - (i) For foreign PEPs, Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations and political party officials;
 - (ii) For domestic PEPs, Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, political party officials;
 - (iii) For international organization PEPs, members of senior management or individuals who have been entrusted with equivalent functions.
 - (j) "Reporting Firm or RF" – means a Member in Practice when they conduct any activity as specified in AMLA in sections (2) (xii) (c) (d)
 - (k) "Reasonable measures" means appropriate measures which are commensurate with the money laundering or terrorist financing risks;

- (l) "Senior management" includes:
 - (a) A sole proprietor of the Reporting Firm;
 - (b) Individual holding the position of chief executive officer/ managing partner, chief operating officer in a Reporting Firm;
 - (c) Individual holding the position of AML / CFT compliance officer in a Reporting Firm;
 - (d) A partner or employee of the Reporting Firm with sufficient knowledge of the Reporting Firm's money laundering and terrorist financing risk exposure, and of sufficient authority, to take decisions affecting its risk
 - (m) "Simplified due diligence" SDD means taking reduced CDD and may include the measures set out in Sub-section (2) Section 23 of this Regulation.
 - (n) "TF" means financing of terrorism.
 - (o) "Third Party" means any reporting entity as defined in section 2 (xxxiv) of the AML Act.
- (2) The definitions in the AML Act also apply in these Regulations.

Risk Assessment and Mitigation

4. The reporting firm shall take appropriate steps in accordance with section 7F of the AML Act to identify, assess, and understand their risks (for customers, countries or geographic areas; and products, services, transactions or delivery channels). The reporting firm shall:
- (a) document their risk assessments;
 - (b) consider all the relevant risk factors before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied;
 - (c) keep these assessments up to date; and
 - (d) have appropriate mechanisms to provide risk assessment information to ICMA Pakistan.
5. The reporting firm shall:
- (a) have policies, controls and procedures, which are approved by senior management, to enable them to manage and mitigate the risks that have been identified in its own risk assessment and any other risk assessment publicly available or provided by ICMA Pakistan.
 - (b) monitor the implementation of those controls and to enhance them if necessary;
 - (c) take enhanced measures to manage and mitigate the risks where higher risks are identified.
6. The reporting firm may take simplified measures to manage and mitigate risks, if lower ML/ TF risks have been identified. Simplified measures should not be permitted whenever there is a suspicion of ML/ TF.
7. The reporting firm shall:
- (a) identify and assess the ML and TF risk that may arise in the development of new products, businesses and practices, including new delivery mechanism, and the use of new and pre-existent technology.
 - (b) prior to the launch or use of product, practice or technology, shall undertake the risk assessment and take appropriate measures to manage and mitigate the risks.

Customer Due Diligence (CDD) and Beneficial Ownership

8. (1) Reporting firm who engage in the following activities shall conduct CDD in the circumstances and matters set out in section 7A(1) of the AML Act:
- a) When they prepare for, or carry out, transactions for their client concerning the activities described in Section 2(xii)(c) of the AML Act.
 - b) When they prepare for, or carry out, transactions for their client concerning the activities referred to in Section 2(xii)(d) of the AML Act.
- (2) For the purposes of conducting CDD as required under section 7A(2) of the AML Act in the circumstances set out under subsection (1), every reporting firm shall comply with sections 9-23 of these Regulations.
9. The reporting firm shall:
- (a) Identify the customer; and

- (b) Verify the identity of that customer using reliable and independent documents, data or information.
10. Where the customer is represented by an authorized agent or representative, the reporting firm shall:
- (a) Identify every person who acts on behalf of the customer; and
- (b) Verify the authority of that person to act on behalf of the customer.
11. The reporting firm shall also identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner by using reliable and independent document, data or sources of information, such that the reporting firm is satisfied that it knows who the beneficial owner is.
12. For customers that are legal persons or legal arrangements, the reporting firm shall:
- (1) understand the nature of the customer's business and its ownership and control structure
- (2) identify the customer and verify its identity by obtaining the following minimum information in addition to the information required in section 15,
- (a) name, legal form and proof of existence;
- (b) the powers that regulate and bind the legal person or arrangement, as well as the names of the relevant persons having a senior management position in the legal person or arrangement; and
- (c) the address of the registered office and, if different, a principal place of business.
13. For customers that are legal persons, the reporting firm shall identify and take reasonable measures to verify the identity of beneficial owners by:
- (a) identifying the natural person(s) (if any) who ultimately has a controlling ownership interest (as defined under relevant laws) in a legal person; and
- (b) to the extent that there is doubt under (a) as to whether the person(s) with the controlling ownership interest is the beneficial owner(s) or where no natural person exerts control through ownership interests, the identity of the natural person(s) (if any) exercising control of the legal person or arrangement through other means; and
- (c) where no natural person is identified under (a) or (b) above, the identity of the relevant natural person who holds the position of senior managing official.
14. For customers that are legal arrangements, the reporting firm shall identify and take reasonable measures to verify the identity of beneficial owners as follows:
- (a) for trusts, the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership);
- (b) for Waqfs and other types of legal arrangements, the identity of persons in equivalent or similar positions as specified in (a).
- (c) Where any of the persons specified in (a) or (b) is a legal person or arrangement, the identity of the beneficial owner of that legal person or arrangement shall be identified.
15. (1) For the purposes of verification of identity of customers or beneficial owners in sections 9 - 14, reliable and independent document, data or sources of information may include as applicable:
- (a) For natural person, copy of:
- (i) Computerized National Identity Card (CNIC) issued by NADRA; or
- (ii) National Identity Card for Overseas Pakistanis (NICOP) and/or Passport issued by NADRA for Non-resident / overseas Pakistanis or those who have dual nationality; or
- (iii) Pakistan Origin Card (POC) issued by NADRA and/ or Passport for Pakistanis who have given up Pakistan nationality; or
- (iv) Form B or Juvenile card issued by NADRA to children under the age of 18 years; or
- (v) where the natural person is a foreign national, either an Alien registration card (ARC) issued by NADRA or a Passport having valid visa on it or any other proof of legal stay along with passport.
- (b) For legal person, certified copy of:
- (i) resolution of board of directors for establishing of business relationship with the Reporting firm;

- (ii) memorandum of association;
- (iii) articles of association, wherever applicable;
- (iv) certificate of incorporation;
- (v) Securities and Exchange Commission of Pakistan (SECP) registered declaration for commencement of business as required under the Companies Act, 2017 (XIX of 2017), as applicable; and
- (vi) list of directors required to be filed under the Companies Act, 2017 (XIX of 2017), as applicable;
- (vii) identity documents as per sub-clause (a) of all the directors, beneficial owners and persons authorized to operate the business relationship.
- (viii) any other documents as deemed necessary including its annual accounts and financial statements or disclosures in any form which may help to ascertain the detail of its activities, sources and usage of funds in order to assess the risk profile of the prospective customer;

(c) For a legal arrangement, certified copies of -

- (i) the instrument creating the legal arrangement
- (ii) registration documents and certificates;
- (iii) the legal arrangement's by-laws, rules and regulations;
- (iv) documentation authorizing any persons to open and operate the business relationship;
- (v) identity document as per sub clause (a) above of the authorized persons, beneficial owners and of the members of governing body, board of trustees or executive committee, if it is ultimate governing body, of the legal arrangement; and
- (vi) any other documents as deemed necessary including its annual accounts and financial statements or disclosures in any form which may help to ascertain the subject of the trust, the detail of its activities, sources and usage of funds in order to assess the risk profile of the prospective customer;

(d) In respect of government institutions and entities not covered herein above. -

- (i) CNICs of the authorized persons; and
- (ii) letter of authorization from the concerned authority.

16. The reporting firm shall identify and verify the identity of the customer and beneficial owner before establishing a business relationship or conducting transactions for occasional customers.

17. The reporting firm may complete verification after the establishment of the business relationship, provided that:

- (a) this occurs as soon as reasonably practicable;
- (b) this is essential not to interrupt the normal conduct of business; and
- (c) the risks are low.

18. The reporting firm shall adopt risk management procedures concerning the conditions under which a customer may utilize the business relationship prior to verification.

19. The reporting firm shall conduct ongoing due diligence on the business relationship, including:

- (a) scrutinizing transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the reporting firm's knowledge of the customer, their business and risk profile, including where necessary, the source of funds; and
- (b) undertaking reviews of existing records and ensuring that documents, data or information collected for the CDD purposes is kept up-to-date and relevant, particularly for higher risk categories of customers.

20. The reporting firm shall apply CDD requirements to existing customers on the basis of materiality and risk, and to conduct ongoing due diligence on such existing relationships at appropriate times, taking into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained.

21. (1) The reporting firm shall apply EDD in the following circumstances, including but not limited to:

- a) business relationships and transactions with natural and legal persons when the risks are higher

- b) business relationships and transactions with natural and legal persons from countries for which this is called for by the FATF.
- c) PEPs and their close associates and family members.

(2) EDD measures may include but shall not be limited to the following measures:

- (a) Obtaining additional information on the customer (e.g. volume of assets, information available through public databases, internet, etc.), and updating more regularly the identification data of customer and beneficial owner;
- (b) Obtaining additional information on the intended nature of the business relationship;
- (c) Obtaining information on the source of funds or source of wealth of the customer;
- (d) Obtaining information on the reasons for intended or performed transactions.
- (e) Obtaining the approval of senior management to commence or continue the business relationship; and / or
- (f) Conducting enhanced monitoring of the business relationship, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

(3) In relation to sub-section 1(c), the reporting firm shall:

- (i) implement appropriate risk management systems to determine if a customer or beneficial owner is a PEP or a close associate or family member of a PEP, both prior to establishing a business relationship or conducting a transaction, and periodically throughout the course of the business relationship;
- (ii) apply at minimum the following EDD measures:
 - (a) obtain approval from senior management to establish or continue a business relation where the customer or a beneficial owner is a PEP, close associate or family member of a PEP or subsequently becomes a PEP, close associate and family member of a PEP;
 - (b) take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as a PEP, close associate or family member of a PEP; and
 - (c) conduct enhanced ongoing monitoring of business relations with the customer or beneficial owner identified as a PEP, close associate and family member of a PEP.

22. The Reporting firm shall apply the countermeasures sanctioned by the Federal Government, pursuant to recommendations by the National Executive Committee when required.

23. (1) The reporting firm may apply SDD, when identifying and verifying the identity of a customer or beneficial owner, only where lower risks have been identified through an adequate analysis through its own risk assessment and any other risk assessments publicly available or provided by ICMA Pakistan in accordance with section 4 of these regulations and commensurate with the lower risk factors.

(2) SDD measures may include but shall not be limited to:

- (a) Verifying the identity of the customer and the beneficial owner after the establishment of the business relationship;
- (b) Reducing the degree of on-going monitoring and scrutinizing transactions;
- (c) Not collecting specific information or carrying out specific measures to understand the purpose and intended nature of the business relationship but inferring the purpose and nature from the type of transactions or business relationship established.

24. (1) The reporting firm may rely on a Third Party, as provided under section 7B of the AML Act, for identification and verification of a customer as set out in provisions 8 to 16 of these regulations, provided that the reporting firm:

- (a) will remain liable for any failure to apply such CDD measures as indicated above;
 - (b) shall immediately obtain from the Third Party the required information concerning CDD as set out in section 15,
and
 - (c) satisfies itself that the Third Party is supervised by a AML/CFT regulatory authority or an equivalent foreign authority and has measures in place for compliance with AML Act obligation of CDD and record keeping.
- (2) Where a reporting firm relies on a third party that is part of the same corporate group, the reporting firm may deem the requirements of subsection (1) to be met if:

- (a) the corporate group applies CDD and record-keeping requirements in accordance with the AML Act and its associated regulations
 - (b) the implementation of the requirements in paragraph (a) is supervised by an AML/CFT regulatory authority or an equivalent foreign authority; and
 - (c) the corporate group has adequate measures in place to mitigate any higher country risks.
- (3) In addition to sub-section (1), when determining in which country a third party may be based, the reporting firm shall have regard to available information on the level of country risk.

TFS Obligations

25. Pursuant to section 7H of the AML Act, in order to comply with TFS, the Reporting firm shall:

- (i) develop mechanisms, processes and procedures for screening and monitoring customers and potential customers to detect any matches or potential matches with the stated designated/ proscribed person – or if beneficial owners of the designated/ proscribed person – in the SROs and notifications issued by MoFA, NACTA and Mol.
- (ii) If during the process of screening or monitoring of customers or potential customers a positive or potential match is found, the Reporting firm shall:
 - a) freeze the relevant funds and assets, without delay, in accordance with the respective SRO;
 - b) not provide any services, property or funds to the person in question in accordance with the respective SRO; and
 - c) reject the transaction or attempted transaction or the onboarding of the customer, if the relationship has not commenced
- (iii) In all cases referred to in (ii), the reporting firm shall file a suspicious transaction report to the FMU under Section 7 of the AML Act, 2010 and notify ICMA Pakistan in the manner as may be directed by ICMA Pakistan from time to time.
- (iv) Implement any other obligation under the AML Act 2010, United Nations (Security Council) Act 1948 and Anti-Terrorism Act 1997 and any regulations made there under.

Reporting of STR and CTR

26. The Reporting firm shall file STR and CTR to FMU, as per requirements prescribed by FMU as required under Section 7 of AML Act.

Internal Controls

27. (1) In order to implement compliance programs as set out in 7G of the AML Act, the reporting firm shall implement the following internal policies, procedures and controls:

- (a) compliance management arrangements, including the appointment of a compliance officer at the management level, as the individual responsible for the reporting firm's compliance with these Regulations;
- (b) screening procedures when hiring employees to ensure the integrity and conduct, skills, and expertise of such employees to carry out their functions effectively;
- (c) an ongoing employee training program.

28. The reporting firm shall ensure that its foreign branches apply AML & CFT measures consistent with Pakistan requirements where the minimum AML & CFT requirements are less strict than Pakistan, to the extent of that host country laws. If the foreign country does not permit the proper implementation of AML/ CFT measures consistent with that of Pakistan requirements, reporting firm should apply appropriate additional measures to manage the risks, and inform ICMA Pakistan.

Record Keeping

29. The records maintained by reporting firms as set out in section 7C of the AML Act shall be sufficient to permit reconstruction of individual transactions including the nature and date of the transaction, the type and amount of currency involved and the customer involved in the transactions so as to provide, when necessary, evidence for prosecution of criminal activity.

30. Where transactions, customers or instruments are involved in litigation or where relevant records are required by a court of law or other competent authority, the Reporting firm shall retain such records until such time as the litigation is resolved or until the court of law or competent authority indicates that the records no longer need to be retained.

31. The Reporting firm shall promptly provide any records, documents or information upon request from ICMA Pakistan, any investigating or prosecuting agency, or the FMU.

Sanctions

32. Any violation of any provision of these regulations will be subject to sanctions in accordance with the AML/CFT Sanctions Rules, 2020 and imposed by ICMA Pakistan according to Clause (h) of Sub-section (2) of Section 6A of AML Act.

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