



Financial Monitoring Unit

**Red Flags for DNFBPs on
Targeted Financial Sanctions (TFS) related to
Terrorism Financing (TF) and
Proliferation Financing (PF)**



Background

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

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

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

Enforceable Guidelines issued by AML/CFT Regulatory Authorities for DNFBPs

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

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

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



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

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

Customer:

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



Transaction:

- Transaction involves the sale or purchase of dual-use, proliferation sensitive or military goods, particularly with higher risk jurisdictions.
- Transaction involves possible shell companies (e.g. companies do not have a high level of capitalization or displays other shell company indicators).
- Transaction involves person or entity in foreign country of proliferation concern or the country with weak export control laws or weak enforcement of export control laws.
- Use of bulk cash or precious metals (e.g. gold) in transactions for industrial items.
- Complicated structures to conceal a party's involvement, for example, the use of layered letters of credit, intermediaries, and brokers.
- Pattern of wire transfers or payment activity which are unusual, illogical or have no apparent purpose.
- The transaction structure (whether shipping route, financing arrangement or documentation) appears unnecessarily complex or irrational.
- The description of the goods on the trade/financial documentation is obscure, incomplete or misleading.
- Transaction involves the shipment of goods incompatible with the technical level of the country to which it is being shipped.

Follow-Up Actions

If the DNFBP observes one or more of these Red Flags and forms a reasonable suspicion, the DNFBP shall take appropriate follow-up actions to prevent suspected prohibited transactions/ business relationship, which may include:

- Suspending a transaction pending further investigations and completion of Enhanced Due Diligence;
- Refusing to process or execute transactions when unable to obtain additional information;
- Terminating business relationship with the customer or client;
- Freezing the relevant funds and assets, without delay, in line with legal requirements and notifying the same to the respective AML/CFT Regulatory Authority;
- Filing Suspicious Transaction Report to the Financial Monitoring Unit (FMU);
<https://goamlweb.fmu.gov.pk/PRD/Home>
- And storing documentary evidence in line with record keeping requirements.



Helplines of AML/CFT Regulator

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

FBR DNFBPs Directorate for real estate agents, jewelers and dealers in gems and precious metals and accountants (not covered by ICMAP and ICAP) <https://www.fbr.gov.pk/introduction-aml-cft/152366/152367>
Phone Line: +92-51-9107099
Email Address: help.dnfbp.fbr@gmail.com

Institute of Chartered Accountants Pakistan (ICAP) <https://icap.org.pk/aml-supervision/>
Phone Line: +92 21 35184102
Email Address: aml.dept@icap.org.pk

Institute of Cost and Management Accountants Pakistan (ICMAP) http://www.icmap.com.pk/public_practice.aspx
Phone Line: +92 51 4865562
Email Address: aml.supervisor@icmap.com.pk

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

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

- Red Flags for Proliferation Financing:
<https://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Proliferation-Financing.pdf>
- Red Flags for Real Estate Sector:
<https://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Real-Estate-Sector.pdf>
- Red Flags for Jewelers and Precious Metals / Stones Dealers:
<https://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Jewelers-and-Precious-Stones-or-Metal-Dealers-Final.pdf>
- Red Flags for Accountants:
<https://www.fmu.gov.pk/docs/Red-Flag-Indicators-for-Accountants-final.pdf>
- Red Flags for Lawyers Notaries and Independent Legal Professionals:
<https://www.fmu.gov.pk/docs/Circular-for-Lawyers-Notries-and-Independent-Legal-Professionals-Red-flags.pdf>

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