

Government of Pakistan
Finance Division
NS AML-CFT Supervisory Board Secretariat
Islamabad

Subject: Guidelines by National Savings AML-CFT Supervisory Board for CDNS on:
I) Targeted Financial Sanctions (TFS) under UNSC Resolutions
II) Politically Exposed Persons (PEPs)
III) Risk based AML/CFT Supervision and Compliance Inspection Manual
IV) National Savings AML/CFT Risk Based Supervisory Framework
V) Customer Risk Assessment and Rating

Reference to the subject above. The Chairman, NS AML and CFT Supervisory Board has been pleased to approve various Guidelines for CDNS after due deliberations among the Members of the Supervisory Board. The same are hereby issued to CDNS for compliance of FATF Recommendations for Pakistan and applicable laws & rules, including AML Act, 2010 (amended Sep, 2020) and National Savings AML and CFT (Powers & Functions) Rules, 2020. The subject guidelines are listed below, namely:

Guidelines/Template by National Savings AML-CFT Supervisory Board for CDNS on:	Effective Dates of approval:	URL / Web-link for soft-copies:
Targeted Financial Sanctions (TFS) under UNSC Resolutions	1 st of October, 2020	http://savings.gov.pk/guidelines/
Politically Exposed Persons (PEPs)	12 th of December, 2020	
Risk based AML/CFT Supervision and Compliance Inspection Manual	17 th of December, 2020	
National Savings AML/CFT Risk Based Supervisory Framework	1 st of October, 2020	
Customer Risk Assessment & Rating	12 th of December, 2020	

2. CDNS is directed to take all necessary steps to implement the aforesaid Guidelines.


(Hassan Khalid)
Assistant Director
NS AML-CFT Supervisory Board
Finance Division, Islamabad

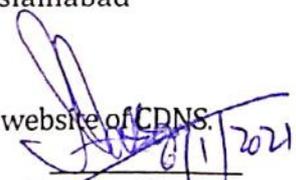
The Director General, CDNS, Islamabad

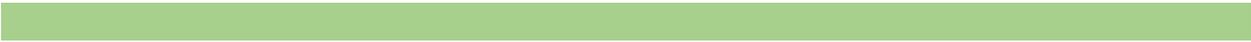
F.No.01(1)-CDNS AML-CFT/S.Board/2020/02/N-1

Dated: 6th of January, 2021

Distribution:

- 1) AFS (Budget) / Chairman NS AML-CFT Supervisory Board, Finance Division, Islamabad
- 2) SO (CDNS), Finance Division, Islamabad
- 3) The Director, Vigilance & Monitoring Wing, CDNS, Islamabad
- 4) The Webmaster, CDNS, Islamabad; with the request to upload the same on official website of CDNS.


(Hassan Khalid)
Assistant Director
NS AML-CFT Supervisory Board
Finance Division, Islamabad



National Savings (AML-CFT) Supervisory Board
Islamabad

Guidelines and Template for CDNS
on
Customer Risk Assessment and Rating

Table of Contents

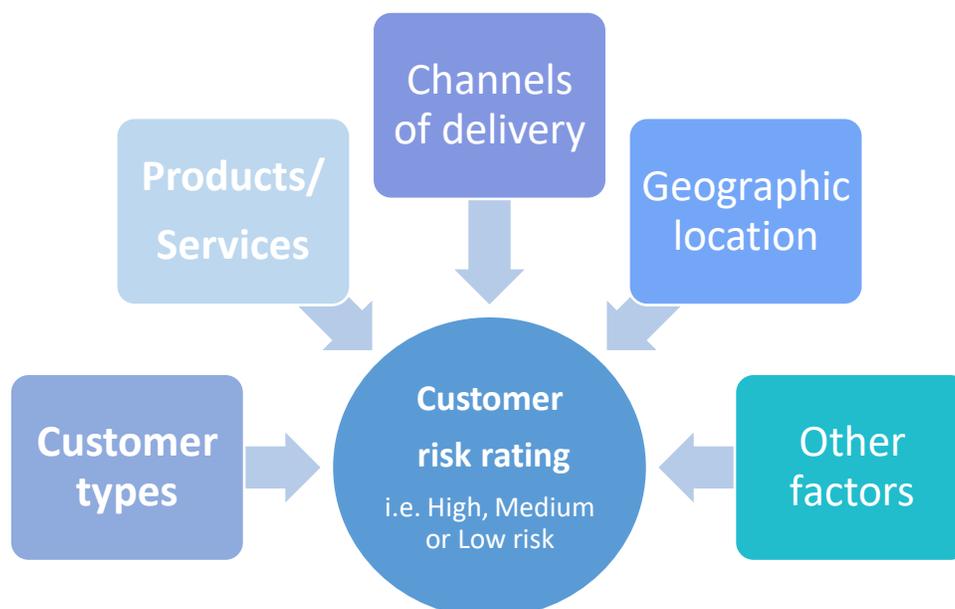
Customer Risk Assessment.....	2
Customer Risk Rating.....	3
Indicators for Customer Risk Assessment.....	5
Customer Risk Assessment Template.....	6

Customer Risk Assessment

Regulation 3 of the National Savings (AML and CFT) Regulations 2020 states that the CDNS must identify and assess the ML/TF risks in relation to its customers, together with other risk categories. In addition, CDNS will take enhanced measures to manage and mitigate risks where higher risks are identified. In this regard, the CDNS internal risk assessment and customer risk assessment are closely linked.

CDNS is required to both (i) conduct the internal risk assessment and (ii) assess individual customer risk. The enterprise risk assessment provides a macro assessment of risk in CDNS, while the individual customer risk assessment is a micro perspective. Customer risk assessment determines the risk profile of the customer only. That said, once CDNS has completed internal risk assessment, the conclusions on the risk variables (i.e. customer, geography, products and services, and delivery channel) will inform your customer risk assessments.

Not all your risks are directly related to your customers, although the customers is the glue that connects the various risk variables. Some may be due to your products, services, or channels for delivering your services or products. For example, if CDNS accepts cash payments, these are inherently higher risk than through the regulated financial sector e.g. banks, where there is a clear paper record. You may decide to apply risk mitigation measures such as not dealing in cash or imposing a threshold - these measures would then apply to all customers irrespective of individual customer risk.



Customer Risk Rating

Detailed checklist is attached as Customer Risk Assessment Template in the next section. The Customer risk rating can be categorised into three groups, as below:



When engaging with the prospective customer, CDNS will need to gather information about the prospective customer through an **Account Opening Form** sufficient to undertake the risk assessment. Each customer must also receive an initial AML/CFT risk rating through **Customer Risk Assessment Template** at the beginning of the business relationship, and it must be kept current based on updates and changes in the relationship. For example, if a customer is inactive over a longer period of time, the risk rating may need to be revised.

The figure below highlights the relationship between low, medium and high customer risk, and the required level of due diligence.

Relationship between customer risk and level of Due Diligence



Once the customer risk has been determined i.e. low, medium or high, the required customer due diligence is determined ie whether Simplified Due Diligence (SDD) or Enhanced Due Diligence (EDD) is required.

Simplified Due Diligence

Simplified due diligence will apply if the customer is not assessed as higher risk and subject to enhanced customer due diligence, or lower risk and subject to simplified customer due diligence.

Simplified Due Diligence measures on customers

- Information to identify and verify identity
- Information to identify and verify address
- If necessary, identify and verify natural person representing the customer
- **Information to identify the identity of the beneficial owner**
- **Take reasonable measures to verify identity of beneficial owner**
- **Ongoing due diligence**

Enhanced Due Diligence (EDD)

As mentioned, Enhanced Due Diligence (EDD) applies to all PEPs and their families and close associates, and to customers and transactions to, or from countries when called upon by the FATF. Enhanced CDD also applies to any other customer rated higher risk.

The required enhanced customer due diligence measures are summarised below:

Enhanced Due Diligence measures on customers

- Information to identify and verify identity
- Information to identify and verify address
- If necessary, identify and verify natural person representing the customer
- Information to identify and verify the identity of the beneficial owner
- **Information on the source of funds or wealth of the customer**
- **Take reasonable measures to establish source of funds and wealth, if a PEP.**
- **Senior management approval before accepting customer**
- **Enhanced ongoing monitoring**

Indicators for Customer Risk Assessment

The following table provides a summary of key, higher risk indicators for the four main risk categories:

Higher risk customers		
1. Politically Exposed Persons (PEP), or a family member or known close associate of a PEP.	2. Discretionary trust (e.g. family trusts).	3. Companies with complex ownership structures.
4. Non-Government Organization (NGO), Not for Profit Organisation (NPO) or charity.	5. Companies that have nominee shareholders or shares in bearer form.	6. Cash intensive businesses.
7. Customers dealing in high value items etc.	8. The business relationship will be conducted in unusual circumstances (e.g. significant unexplained geographic distance between CDNS and the client)	9. Legal persons or arrangements that are personal asset-holding vehicles.
10. Customers belonging to high risk sectors as identified in the NRA.	11. Non-resident customers from countries identified by the FATF (refer geographic risk section)	
Higher risk products/services		
12. Accepting large cash payments from the customer.	13. Products/services identified as high risk in NRAs.	14. Accounts or transactions that involve receipt of funds from unknown or un-associated third parties for services.
15. Providing services that involve the provision of nominee directors, nominee shareholders or shadow directors, or the formation of companies in a third country.	16. When CDNS discovers that a client has provided false identification documentation or information.	17. The product or service that favours anonymity e.g. Sale and Purchase of Unregistered Prize Bonds.
Higher risk delivery channels		
18. Services or products provided exclusively via telephone, email i.e. where non face-to-face approach is used.		
Higher risk geographic locations		
19. The jurisdictions which have been identified for inadequate AML/ CFT measures by FATF or called for by FATF for taking counter-measures.	20. Countries subject to sanctions, embargos, for example, the United Nations.	21. Countries identified by credible sources as having significant levels of corruption, or other criminal activity.
22. Countries or geographic areas identified by credible sources as providing funding or support for terrorism activities.	23. Locations/areas identified as high risk in NRA (including in Pakistan)	24. Locations/areas identified as high risk by National Executive Committee (AMLA)

Customer Risk Assessment Template

Explanatory Notes:

1. This is an example template for customer risk assessment for CDNS. (CDNS may amend this template)
2. The following factors should be considered by CDNS in carrying out its risk assessment for new customers as well as pre-existing customers. The list is not exhaustive, and CDNS may consider additional factors.
3. Before filing this form the customer must be screened from against NACTA and MOFA designated persons/entities lists. For details please refer to the latest version of Guidelines on Targeted Financial Sanctions (TFS) under UNSC Resolutions.
4. Please note that this template is for risk assessment only. There is a separate Account Opening Form (AOF) which contains mandatory requirements.
5. If the response to any of the questions listed in Sections 1.1 - 1.6 is "YES", this accounts for the indicators of higher risk factors. When there are multiple "YES" responses in the aforementioned sections, or yes to a PEP, CDNS is required to conduct Enhanced Customer Due Diligence. The concerned staff member should also consult with the designated officer of Compliance and Vigilance Wing concerning the risk factors identified.
6. After the completion of AOF and Customer Risk Assessment template, CDNS can then decide whether to accept the new customer or not.

SECTION 1.1: CUSTOMER'S RISK FACTORS		
<i>(refer point # 3 of the explanatory notes)</i>		
Is the customer or its beneficial owner a Politically Exposed Person (PEP), family member of a PEP or close associate of a PEP? <i>Note: CDNS must refer to Guidelines on Political Exposed Persons (PEPs)</i>	YES	NO
Is the customer non-resident in Pakistan?	YES	NO
The customer or potential customer is a Non-Government Organization (NGO), Not for Profit Organisation (NPO) or charity? <i>Note: The list of registered charitable organizations / NGOs / NPOs can be obtained from http://pcp.org.pk/pagestyle.php</i>	YES	NO
Is the business cash-intensive?	YES	NO
Is the customer in a high – risk industry? <i>Note: High risk industry includes (but not limited to) following businesses;</i> - Businesses dealing with precious metals (gold, silver, diamond and stones etc.) - Real Estate dealers - High risk sectors identified in the NRA	YES	NO
Is the customer a shell company, especially in cases where there is foreign ownership which is spread across jurisdictions? <i>Note: Shell Company means an inactive company used as a vehicle for various financial manoeuvres or kept dormant for future use in some other capacity.</i>	YES	NO
Does the customer have unusual or complex shareholding structure (e.g. involving 3 layers or more of ownership structure, different jurisdictions, trusts), given the nature of its business? <i>Note: The above excludes publicly listed companies in Pakistan and FATF member countries, or other countries with equivalent transparency standards for such countries.</i>	YES	NO

Will the business relationship be conducted in unusual circumstances (e.g. significant unexplained geographic distance between CDNS and the customer)?	YES	NO
The customer is a legal persons or arrangement that is a personal asset-holding vehicle?	YES	NO
SECTION 1.2: COUNTRY / GEOGRAPHICAL RISK FACTORS (refer point # 3 of the explanatory notes)		
Countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in the fight against money laundering/terrorism financing or subject to a FATF statement? <i>Note:</i> - For countries in black list, please refer https://www.fatf-gafi.org/countries/#high-risk	YES	NO
Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations? United Nations: https://scsanctions.un.org/search/	YES	NO
Countries identified by credible sources as having significant levels of corruption or other criminal activity? Transparency International: https://www.transparency.org/en/cpi/2019/results	YES	NO
Does the customer, beneficial owner or person acting on behalf of the customer have dealings in high risk geographic regions, including Pakistan as identified in the latest National Risk Assessment? <i>Note: The high risk areas / jurisdictions includes western borders / FATA / Southern Punjab and the eastern border.</i>	YES	NO
SECTION 1.3: SERVICES / PRODUCTS RISK FACTORS (refer point # 3 of the explanatory notes)		
Accepting large cash payments from the customer?	YES	NO
Accepting payments from an unknown or un-associated third party on behalf of the customer?	YES	NO
Sale and Purchase of Unregistered Prize Bonds?	YES	NO
SECTION 1.4: DELIVERY CHANNEL RISK FACTORS (refer point # 3 of the explanatory notes)		
Will services or products be exclusively via telephone, email, etc, where non face-to-face approach is used?	YES	NO
SECTION 1.5: REPUTATIONAL RISK SCREENING (refer point # 3 of the explanatory notes)		
Has CDNS performed further screening of details of customer, beneficial owner of the customer, person acting on behalf of the customer, or connected party of the customer against other reliable sources; for example, Internet, Google or sanctions lists published by the Office of Foreign Assets Control of the US Department of the Treasury?	YES	NO
Are there adverse news or information arising?	YES	NO

SECTION 1.6: RED FLAGS <i>(refer point # 3 of the explanatory notes)</i>		
Transaction Pattern or Customer Behaviour matches with CDNS, FMU or EGMONT, FATF Red Flags /Alerts? CDNS Red flags: http://savings.gov.pk/aml-cft-red-flags-cdns/	YES	NO
Transaction pattern matches with FMU or EGMONT on ML/FT Typologies? FMU Typologies: https://www.fmu.gov.pk/category/typologies/	YES	NO
CUSTOMER RISK RATING		
<input type="checkbox"/> Low Risk → Simplified Due Diligence <input type="checkbox"/> Medium Risk → Standard Due Diligence <input type="checkbox"/> High Risk → Enhanced Due Diligence Next Review is scheduled for:		

Note: Please complete CDD before making the recommendation below. If rejected because of failure to complete CDD or suspicion of ML/TF, a suspicious transaction report should be made to the FMU.

Customer Acceptance Recommendation:

<input type="checkbox"/> Accept	<input type="checkbox"/> Reject
---------------------------------	---------------------------------

<p>Assessed by:</p> <p>Name: _____</p> <p>Designation: _____</p> <p>Date: _____</p> <p>Signature: _____</p>	<p>Approved by:</p> <p>Name: _____</p> <p>Designation: _____</p> <p>Date: _____</p> <p>Signature: _____</p>
--	--