Development Action for Mobilization and Emancipation (DAMEN) Pakistan

ANTI-MONEY LAUNDERING (AML) & COMBATING FINANCING OF TERRORISM (CFT) POLICY 2021 AND ONWARDS

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PURPOSE

To protect itself from the increasing danger of Organized Criminal Activity, Money Laundering and Terrorist Financing, it is essential for Development Action for Mobilization and Emancipation (DAMEN) Pakistan to have a clearly laid down “Anti-Money Laundering” (AML)/“Customer Due Diligence” (CDD)/“Combating the Financing of Terrorist (CFT) Policy to ensure that the Development Action for Mobilization and Emancipation (DAMEN) Pakistan remains protected from the menace of money laundering and is not used by existing and or prospective customers for any criminal activity.
POLICY SCOPE
This policy applies to all applicable Development Action for Mobilization and Emancipation (DAMEN) Pakistan Operations and addresses, measures, and procedures identified in:
- Compliance with Anti Money Laundering (AML) Act 2010 Government of Pakistan (GOP)
- Compliance with State Bank of Pakistan Prudential Regulations on Anti Money Laundering (AML) and Countering Financing of Terrorism (CFT).

AML and CFT POLICY OBJECTIVES
The policy objective is to ensure Development Action for Mobilization and Emancipation (DAMEN) Pakistan is not used to launder proceeds of crime and that Development Action for Mobilization and Emancipation (DAMEN) Pakistan staff are aware of their obligations. Remain vigilant in country’s fight against money laundering and terrorist financing. This policy document provides a framework to comply with applicable Pakistani laws, regulatory guidelines available especially related to detection and reporting of suspicious activities.

DEFINITION SCOPE UNDER AML ACT-2010
Money Laundering:
Money Laundering is criminal practice of process ill-gotten gains or “dirty” money, from a series of transactions, so that they appear as proceeds coming from legal activities. It is also a process to change the identity of illegally obtained money for using Financial Institution channel and appear to have originated from legitimate source.

Stages of Money Laundering
Money laundering can be a diverse and often complex process. The first step in the laundering process by the criminal is to attempt to get the proceeds of their crimes into a financial institution, sometimes using a false identity. The funds can be further transferred to another account/s, locally or internationally or used to buy other goods or services. Eventually making it appear to be legally earned money, which make it extremely difficult to trace or track back to the criminal/s and its/their origin. The criminal/s can then go on to invest or spend it or, as is often the case, use it to fund more crime/s or similar criminals.

Money laundering process is often described as taking place in any one or all three stages:
- Placement
- Layering
- Integration

Placement
Placement is the first preferred stage. In this stage illegal funds or assets are placed in a financial system, to make turn them liquid.

Layering
Layering is the second stage in money laundering activities. Illegal funds or assets are moved, dispersed and disguised to another location by concealing their previous (illegal) origin.
Integration
Integration is the third stage of money laundering process. Illegal funds are successfully legitimized by mixing them with legally legitimate funds or monies within the financial system. The three stages may occur at separate occasions or in a distinct phase. And they can also occur simultaneously, more commonly by overlapping each other.

SOURCES OF MONEY LAUNDERING
Money laundering does not involve wealth related to drug trafficking /terrorism financing. List of that create criminal wealth as pointed by Financial Action Task Force (FATF) also include:
- Illegal arms sales
- Gun running
- Organized crime including drug trafficking and prostitution
- Embezzlement
- Smuggling (including movement of nuclear materials)
- Counterfeiting (making imitation and copies of original products and goods)
- Fraud, especially computer-supported fraud
- Benefiting from insider trading
- Receiving bribery and or kickbacks
- Tax evasion
- Under and over-invoicing of trading transactions
- Bogus trade transactions to launder money through round-tripping
- Facilitating illegal immigration
- Undisclosed beneficiary, or holding real estate property in another name based transactions

TERRORIST FINANCING
Terrorist Financing is financial support for terrorism or terrorists in any form by encouraging, planning, or engaging in terrorism activities by the terrorist or terrorist group. Like other criminal organization, building and maintaining infrastructure to provide funds and channel them to those who provide materials or services or both, for the terrorist organization.

THE NEED TO COMBAT MONEY LAUNDERING (ML) AND TERRORIST FINANCING (TF)
Preventing ML and TF from Development Action for Mobilization and Emancipation (DAMEN) Pakistan has three broad dimensions:
- Ethical (playing role in preventing crime)
- Professional (ensuring Development Action for Mobilization and Emancipation (DAMEN) Pakistan is not involved or part of recycling crime proceeds that would otherwise question her reputation, integrity and or fraud- its solvency)
- Legal (complying with Pakistani Laws and Regulations that impose series of specific obligations on Development Action for Mobilization and Emancipation (DAMEN) Pakistan and its employees).

It is therefore incumbent upon Development Action for Mobilization and Emancipation (DAMEN) Pakistan to conduct and carry out severe due diligence for countering, stopping and where possible
halting activities consequential to rising ML and or TF related suspicions or activities happening within organization.

REGULATORY OVERSIGHT & COMPLIANCE RISKS
The consequence of failing to comply with AML-Act 2010 regulations or failing to adhere compliance can include significant disciplinary measures, imprisonment, fine or all under the law, as well as the loss of reputation of Development Action for Mobilization and Emancipation (DAMEN) Pakistan.

Increased vigilance by Development Action for Mobilization and Emancipation (DAMEN) Pakistan management and its staff will protect Development Action for Mobilization and Emancipation (DAMEN) Pakistan from the following risks:

- Reputational
- Operational
- Legal
- Financial

POLICY OBLIGATIONS

LEGAL
By the promulgation of AML-2010 Act, Development Action for Mobilization and Emancipation (DAMEN) Pakistan is obligated by law to comply with requirements set out in AML Act-2010. It is therefore obligated to take immediate prompt and stringent action by noticing any unusual or large transactions within the organization, by or with its beneficiaries, including but not limited to its, directors, management and their accounts, apparently having unexplained and no genuine economic or lawful purpose.

REGULATORY
If a person or staff member is aware or suspects a transaction or instruction related to any crime, she/he must report the transaction immediately to the Compliance Dept. or the Executive Director, even if she/he is not directly involved in handling the transaction, instructions, or funds in the transaction.

Development Action for Mobilization and Emancipation (DAMEN) Pakistan as an institution and under regulatory obligation category, must have a policy and procedures in place to combat AML and CFT activity/ies. The policy and procedures, at the very minimum must include, but be not limited to:

- Setting up a Compliance Unit
- Verifying and identifying new and old organizational clients;
- New and old staff be engaged using Customer Due Diligence (know your customer and staff) profiling procedures suing all relevant means notified in the AML-Act-2010 and SECP CFT procedures put in place by the Federal Government and updating and recording all such noticeable customer information that may identify suspicious or unexplained activities at reasonably frequent intervals.
- Putting in place and applying all necessary risk-based controls where possible.
- Raising awareness in staff members ranks by training them on AML and CFT topic at regular intervals, even incorporating refresher courses at regular intervals to bring them up to date with newer amendments brought in by the Government agencies and authorities at various levels and on periodic intervals.
- Recognizing and immediately reporting suspicious, activities that may be suspected to be involved or engaged in money laundering and or terror financing as highlighted above.
- Maintaining and retaining records for the future use and reference.
- Testing situations by engaging the internal and external audits carried out by qualified and accredited professionals.
- Conducting frequent Customer Due Diligence (CDD) procedures which should be applied to all occasional customer/s or walk in client/s.
- It is heavily endorsed that AML/CFT threats can be suspected and may arise in the use of new products and or technologies.

OFFENCES AND PENALTIES IMPOSED UNDER THE AML ACT-2010 AND CFT CONTROL
The AML Act 2010 and other related government Laws dealing with AML and CFT violations include imprisonment, fine, or both at the same time. Key punishments that can be extended may include but not limited to;

UNDER AML ACT 2010
Offence (Section 3)
Any person is guilty of offence of money laundering, if the person:

a. Acquires, converts. possesses, uses or transfers property, knowing or having reason to believe that such property is proceeds of crime conceals or disguises the true nature, origin, location, disposition, movement or ownership of property, knowing or having reason to believe that such property is proceed/s of crime.

b. Holds or possesses on behalf of any other person, any property knowing or having reason to believe that such property is proceed/s of a crime.

c. Participates, associates, conspires to commit, attempts to commit, aids, abets, facilitates or counsel the commission of the act/s, specified in the above clauses.

Penalties (Section 4)
Whoever commits money laundering offence, will be punishable with rigorous imprisonment which will not be less than one year but may extend to ten years and will also be liable for fine, which may extend to one million rupees and can be liable to forfeiture of property involved in the laundering of money. The aforesaid fine may extend to five million rupees in case of a company and every director, officer, or employee of the company, if found guilty will also be punishable under this law.
ANTI TERRORISM ACT 1997

Offences (Section 11-K)
A Person commits an offence if she/he enters or becomes concerned in any arrangement which facilitates the retention or control, by or on behalf of another person of terrorist property.
   a. By concealment
   b. By removal from the jurisdiction
   c. By transfer of nominees, or
   d. In any other way.

Penalties (Section 11-N)
Any person who commits an offence will be punishable on conviction with imprisonment for a term not less than six months and not exceeding five years with fine.
DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION (DAMEN) PAKISTAN POLICY FOR AML/CFT

In view of the imminent and present threat, which can have global repercussions as a result of laundering money and terror financing, Development Action for Mobilization and Emancipation (DAMEN) Pakistan has committed to take several synchronous steps to counter its detrimental consequences to the country, it therefore, will apply and in place stringent measures focusing on core and competent Compliance functions guided by a robust Policy procedure across the whole organization and as well as all its clients and beneficiaries to be compliant with AML and CFT regimes out in place by the concerned government agencies and its authorities in all its areas of day to day work regime, board governance matters and while maintaining its association with its clients and beneficiaries.

It AML and CFT Policy dictates that:

- Statutory, regulatory & legal obligations be in place to prevent AML and CFT threat and being fully compliant with the concerned laws, rules and procedures put in place by the concerned government authorities.
- Putting in place systems and controls implemented and reviewed by the organization on preset frequency by the management for minimizing risk for Development Action for Mobilization and Emancipation (DAMEN) Pakistan directors, its management staffs, clients, and beneficiaries in all areas of service so that they do not abuse the functional purpose of the organization in the scope laid forth by the concerned Government authorities under its AML Act-2010 and the CFT measures identified by the SECP.

Therefore, to lay out a roadmap of actionable offences, Development Action for Mobilization and Emancipation (DAMEN) Pakistan would not do business with:

- Individual/entITIES subject to UN sanctions
- Individuals/entities under OFAC or local country sanctions, as applicable
- Unauthorized money changers/prize bond dealers
- Anonymous customers
- Customers hiding the beneficial ownership of their account
- Client or business/es black listed by the Provincial and Federal Government Regulating Agencies and or its authorities.

- Any customer relationship where the customer's conduct gives Development Action for Mobilization and Emancipation (DAMEN) Pakistan reasonable cause to believe or suspect involvement of illegal activities will be required to immediately identify and report to the concerned Regulators or relevant Government authorities.
- Management establishes a criteria to identify and assess AML and CFT risks involving existing and all new products, services, business practices and delivery mechanisms, including review of existing products and services on regular on-going basis.
CUSTOMER DUE DILIGENCE (CDD)

CDD is closely associated with fight against money laundering of its new and old customers, will be a key controller of AML and CFT countering part. In the absence of it, Development Action for Mobilization and Emancipation (DAMEN) Pakistan can be exposed to reputational, operational, legal, and financial risks.

Development Action for Mobilization and Emancipation (DAMEN) Pakistan Policy will enforce:

- Prior to establishing relationship with new customer, basic background information of the customer will be obtained, including identifying and verifying its identity based on documents, data or information obtained from the customer and/or from reliable and independent sources. Furthermore, the understanding and obtaining information for the purpose of intended nature of the business relationship, information related to customer’s business and source/utilization of funds will be verified from all available trusted sources keeping in mind level of expected activity.
- Prior to establishing relationships with correspondent or agents, appropriate steps taken to confirm the identity, integrity and due diligence procedures of representatives or agents and, where necessary, identities of underlying clients.
- Development Action for Mobilization and Emancipation (DAMEN) Pakistan will take actionable measures to identify and verify identities of the beneficial owner/s in relation to its customer. And, in case of a legal person, trust or similar legal arrangement measures will be taken to understand the ownership and control structure of the legal person or its entity, which it represents.
- Development Action for Mobilization and Emancipation (DAMEN) Pakistan Customer’s will update its customer, clients and beneficiaries’ record periodically based on the risk profiling of procedures of the customer. Customer activity will be monitored on pre-determined profiling on an ongoing basis, paying special attention to activities posing higher risk, and take prompt action if there is material evidence of departure from usual and expected activity by regular matching its information already available with Development Action for Mobilization and Emancipation (DAMEN) Pakistan.

ENHANCED DUE DILIGENCE (EDD) (If and when needed)

Enhanced due diligence (EDD) is a process of “digging deep” into a high-risk customer transaction. The process will apply measures that are over and above the standard procedures already put in place by Development Action for Mobilization and Emancipation (DAMEN) Pakistan and are effective and commensurate to the risk level but can be upped in case of higher threat perception, therefore in that case.

Following EDD measures can be applied as applicable at different high-risk elements or situations and will include:

- Obtaining additional information of the customer such as occupation, volume of assets, address, information available through public databases, internet, etc.
- Reducing the interval of updating and review of customer risk profile, including updating identification of customer data and its suspected real beneficial owner.
- Obtaining further information on the intended nature of the business relationship.
- Obtaining further information on the reasons of intended or performed transactions.
- Obtaining additional information on the sources of funds of the particular customer.
- Obtaining approvals from senior management to commence or continue business relationship with a suspected relation.
- Conducting enhanced monitoring of business relationship by increasing number of controls measures applied in selecting patterns of transactions that need further examination or investigation.
- Any signatory, who is neither a beneficial owner nor key principle in a transaction, may also be verified if they principal contact with Development Action for Mobilization and Emancipation (DAMEN) Pakistan or acting on behalf of directors or owners with whom Development Action for Mobilization and Emancipation (DAMEN) Pakistan had little or no direct contact; and
- Gathering sufficient documentary evidence that may be sought to support transaction where possible in property purchase, asset purchase, etc.

NON-COMPLIANCE WITH DEVELOPMENT ACTION FOR MOBILIZATION AND EMANCIPATION (DAMEN) PAKISTAN’S AML AND CFT POLICY:

Failure to abide by the Development Action for Mobilization and Emancipation (DAMEN) Pakistan AML and CFT policy prevent Money Laundering and Terror/ist Financing will be considered treated as a disciplinary gap and issue. Any deliberate or intentional breach will be viewed as a gross misconduct on behalf of Development Action for Mobilization and Emancipation (DAMEN) Pakistan and in such cases it will be referred to HR department for onward initiation of disciplinary action against those which may consequentially lead to the termination from employment and also result in initiating criminal proceedings against which may lead to imprisonment of the concerned Development Action for Mobilization and Emancipation (DAMEN) Pakistan member.

ACCOUNTABILITIES AND RESPONSIBILITIES

The board will be responsible to:
- Ensure all adequate systems and controls are in place to deter, recognize and deal with criminal activity, leading to money laundering and or terrorist financing.
- Seek compliance and taking necessary decisions to protect Development Action for Mobilization and Emancipation (DAMEN) Pakistan use by criminals for AML and CFT activities.
- Approve appropriate policies in combatting AM and CFT control measures by recommending senior management in periodic reviews of its progress and for improving its effectiveness, etc.

Management is responsible to:
- Ensure AML and CFT policy is implemented in its true letter and enforced by actionable decisions.
- Ensure Compliance and immediately inform Executive Director if reasonable grounds are found to know or suspect transactions or instructions that are linked to criminal conduct, money laundering or terrorist financing.
- Ensure Compliance is provided with all relevant and necessary information for carrying out a complete and comprehensive due diligence for under question transaction or relation of any director or management staff member.
- Ensure at all that Development Action for Mobilization and Emancipation (DAMEN) Pakistan policy and its regulatory requirements are being met at all times for effective enforcement.
• Ensure Compliance is provided with all necessary and adequate resources to carry out its duties effectively.

Compliance is responsible to:
• Develop and maintain policy in line with evolving statutory and regulatory obligations.
• Making use of technology to upgrade Development Action for Mobilization and Emancipation (DAMEN) Pakistan’s systems and procedures are in place according to the changing compliance risks.
• Undertake required money laundering and terrorist financing risk assessment for customers, products, services, and its beneficiaries.
• Ensuring internal procedures remain up-dated at all times.
• Monitor and identify transactions of suspicious nature and report it to Regulators in a timely manner in consultation and knowledge of the Executive Director.
• Ensure staff is aware of its personal obligations and is adequately trained to prevent AML and CFT through laid our control measures.
• Represent Development Action for Mobilization and Emancipation (DAMEN) Pakistan on all platforms such as external agencies and any other third-party inquiries related to money laundering, its prevention, investigation, and or compliance.
• Ensure all employees sign-off an undertaking confirming to have read and understood Development Action for Mobilization and Emancipation (DAMEN) Pakistan policy on AML and CFT policy.
• Respond immediately for any request of information made by the Regulators or Law enforcement agency/ies.
• Take appropriate measure action against staff found involved in any activity that comes under AML and CFT domain.

All employees are responsible to:
• Remain vigilant for the possibility of money laundering and or terrorist financing in use of Development Action for Mobilization and Emancipation (DAMEN) Pakistan products and services.
• Comply with all AML and CFT policies and procedures in relation customer or beneficiary identification, account monitoring, record keeping and its reporting.
• Report promptly to Compliance if they have reasons or active knowledge or grounds to suspect a criminal activity or where suspicion of money laundering or terrorist financing even though if they are not engaged in any suspected AML and CFT monitoring activities.
• Ensure customer or beneficiary has not refrained from disclosing sufficient information.
• Understand and acknowledge Development Action for Mobilization and Emancipation (DAMEN) Pakistan Policy and Procedures on AML and CFT by signing off on it.
• Violating employee adherence code of Regulations in Development Action for Mobilization and Emancipation (DAMEN) Pakistan policies and procedures may invoke inquiry leading to legal prosecutions by the concerned Government authorities for such employee/s.