

ANTI-MONEY LAUNDERING AND ANTI-TERRORISM FINANCING



Document History

Date & Approval Ref	Version	Issues Addressed	Description of Change *

*Any changes in text/expression/entitlements/limits/policy or procedures through amendment or revision or review after due approvals are the examples of Description of Change and must be recorded in chronological order.

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ANTI-MONEY LAUNDERING AND ANTI-TERRORISM FINANCING

Policy

“It is the policy of the MDF to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorism or criminal activities” by complying with all applicable requirements under the **Anti-Money Laundering Act 2010** (Act No. VII of 2010 - an Act to provide for prevention of money laundering) and **Anti-Terrorism (Second Amendment) Act, 2014** and its implementation regulations. Recently under the national action plan and SECP regulations money laundering has been identified as a major cause for corruption and criminal activities. Therefore, MDF is very sensitive to ensuring that our platform is not used for any such purposes.

Possibilities of money laundering in MDF business

The MDF's business in terms of financials include receiving grants, disbursing grants, transferring funds from head office to regional and field offices, disbursement and collection of micro credit loans, payments to community institutions for community physical infrastructures, payments for venues and resource persons for training and conferences, payments to consultants for services etc. MDF does not encourage financial support in the form of small contributions, charity, and grants from unverifiable sources as it is difficult to assess the intention of these types of donors and funding sources.

MDF has institutionalized the sensitization on its role as a responsible organization. For this purpose, the orientation training workshops, and staff training includes sessions on code of conduct and issues related to money laundering and terrorism financing, religious/sectarian extremism, gender discrimination, violence etc.

Following table shows the potential risk of money laundering and terrorism financing associated with different types of partners and contractors and how these risks are mitigated, and the reference of undertaking taken from each of them:

Table:

#	Type of Partners/ Contractors	Possible risks	Remedial Measures	Supporting Document
1	Staff	Can secretly operate, facilitate, or associate with illegal businesses / activities, money laundering or financial terrorism	• There is no discretionary authority given to any single position • Reference check for new recruits • CNIC is a basic citizenship document required for appointment with MDF. • Engagement of staff without contract is strictly prohibited.	All contracts issued w.e.f. March 1, 2018, will have a special clause related to AML / AFT. For existing employees, an undertaking will be taken for AML / AFT
2	Community Institutions (CO, VO, LSO and specific committees as partners)	Community institutions receiving Grants from MDF or other sources (e.g., physical infrastructure grants and CIF) can be used for any illegal purpose Community Institutions receiving grants from other individuals / organizations / entities can be from non-verifiable / illegal sources.	• Signing of Terms of Partnership and registration of community institutions with MDF. • Institutional assessments for interventions • Screening and appraisals of all projects supported through grants • Transfer of funds from MDF only through banking channels • Withdrawal linked to physical work done • Involvement of MDF in disbursement of loans • Requirement of CNICs • NOCs for large schemes • Acknowledgement from community institutions • Efforts to register these community institutions or get them notified by the District Authorities • Requirement of CNIC for Bank Account signatories of the community institutions	TOPs to be redrafted to include undertaking

#	Type of Partners/ Contractors	Possible risks	Remedial Measures	Supporting Document
3	CRPs / members of Cos	Low risk due to very small financial transactions at individual level	- Requirement of CNIC for recipients of remuneration / individual grant - Engagement of CRPs only through CO / VO / LSOs - Cap on monthly honorarium of not more than PKR 20,000	Undertaking to be added in the CRP Agreement
4	Consultants	Can secretly operate, facilitate or associate with illegal businesses / activities, money laundering or financial terrorism	There is no discretionary authority given to any consultant Reference check for hired consultants CNIC is a basic citizenship document required for engagement of consultants with MDF. Credentials of individuals are checked from ??? Websites	All contracts issued w.e.f. March 1, 2018, will have a special clause related to AML / AFT. For existing employees, an undertaking will be taken for AML / AFT
5	Vendors for procurement	Can secretly operate, facilitate or associate with illegal businesses / activities, money laundering or financial terrorism	- Checking from Schedule 4 - List of prohibited firms / persons explicitly declared by Ministry of Interior / Government of Pakistan - Check from award management systems / designated websites of major donor providing information about the list of EPL (Excluded Parties' List)	Undertaking from vendors Verification report / screenshot from award management systems / designated websites of major donors
6	Sub-Grantees/Sub-Contractors	Can secretly operate, facilitate or associate with illegal businesses / activities, money laundering or financial terrorism	Risk mitigation measures: SGAFP employs highly evolved risk mitigation measures to ensure grant fund utilization for intended purposes. This includes milestone-based disbursement based on clear means of verification, multi-layered auditing system, frequent field visits, SGAFP's prior review and concurrence with procurement processes etc.	

#	Type of Partners/ Contractors	Possible risks	Remedial Measures	Supporting Document
			Verification of credentials: SGAFP verifies credentials of each potential grantee by using the System for Award Management (SAM) and obtaining clearance from the USAID's Verification Support Unit. These measures work as a strong filter to weed out organizations with possible risks. Publicity of Anti-Fraud Hotline (AFH): SGAFP robustly publicizes the Anti-Fraud Hotline through its website and through its grantee organizations. The publicity of AFH is an integral stipulation of the Grant Agreement signed with grantees. Though mandatory compliance with the requirements of AFH does not directly address this risk (money laundering or financial terrorism), however, AFH serves as a potent preventive measure in this respect as any stakeholder of a grant project can raise their concerns in them Complaints.	
7	Associated companies	Can work for and give financial benefit to terrorists' organizations or be engaged in Money Laundering	Undertaking from the Associated companies that they are no involved in Money Laundering or Terrorism Financing	Undertaking from the Associated Companies
8	Networks / Development Partners e.g., educational institutions, researchers, philanthropists etc.	Can secretly operate, facilitate or associate with illegal businesses / activities, money laundering or financial terrorism	Undertaking from the Associated companies that they are no involved in Money Laundering or Terrorism Financing	Undertaking from the Associated Companies

Applicable Laws

Anti-Money Laundering Act 2010 (Act No. VII of 2010 - an Act to provide for prevention of moneylaundering)

MDF is accountable to

SBP, SECP, Board of Directors, Police, Banks, Donors, Security Agencies, MOI, Government of Pakistan and provincial governments and local authorities

AML Compliance Person Designation and Duties

Finance and Accounts, HR and Procurement shall implement this policy. And the Compliance Officer will be responsible to ensure the compliance.

AML Review

The AML / CTF policy shall be reviewed once every three years

Records and reporting

The EAD, SBP, SECP and various investigation agencies (FIA, NAB etc. may require details of funds received, disbursed and projects and personals enrolled in MDF Programs/Projects. In case of any information required by a district level agency, the RGM shall ensure provision of the required information to the agency after seeking clearance from the CEO / Company Secretary at the head office. At head office level all required information shall be provided through the office of company secretary.