

## **GENERAL HIGH-LEVEL COMMENTS**

### **1. Redundancies Across PVARA Documents:**

SBP notes significant duplication across PVARA's various regulatory documents shared with SBP for review and feedback from time to time, particularly regarding subjects of licensing, registration, FPT, and AML/CFT requirements. These stipulations appear in the Licensing Regulations, then again in the Governance and Operations Regulations, and now in the AML/CFT Registration Regulations. Such overlap creates ambiguity for VASPs and complicates enforcement for PVARA. SBP strongly advises that all Licensing, Registration and FPT-related requirements be confined to a separate document with appropriate title, while AML/CFT/CPF requirements be consolidated into a single, comprehensive set of regulations titled "**PVARA AML/CFT/CPF Regulations for VASPs.**"

### **2. Need for a Consolidated AML/CFT/CPF Framework:**

Given that ML/TF/PF risks are fundamental to VASP operations, PVARA should develop a single, comprehensive AML/CFT/CPF regulatory framework that fully incorporates all relevant FATF Recommendations and domestic legal requirements, including requirements under AMLA 2010, ATA 1997, and the UNSC Act 1948. A technically complete and consolidated AML/CFT/CPF framework is essential in view of Pakistan's upcoming mutual evaluation in 2029.

### **3. Reallocation of Provisions:**

In line with the above, SBP recommends that Part 2 (Governance & Key Individuals), Section 6 (Fit & Proper Requirements), Part 3 (Ownership and Controllers), Section 8A (Documentation Standards), and Part 6 (Ongoing Obligations) be shifted to the Licensing Regulations. The current document may then be renamed as "**PVARA AML/CFT/CPF Regulations for VASPs**" and expanded to fully incorporate all AML/CFT/CPF expectations necessary for technical compliance with relevant FATF Recommendations.

### **4. Avoiding Separate AML/CFT Registration:**

The title "PVARA AML Registration Regulations" implies that a VASP, even after obtaining a license, would require an additional registration for AML/CFT compliance. This is inconsistent with international best practices. Once a VASP is licensed in accordance with PVARA's Licensing Regulations, separate registrations for AML/CFT functions add no regulatory value and only increase administrative burden for both PVARA and VASPs. SBP advises discontinuing the concept of separate AML/CFT registration.

## **SPECIFIC COMMENTS**

<b>Sr. No.</b>	<b>Reference Clause</b>	<b>Clause Text</b>	<b>Comments / Feedback</b>
1	1.1	These Regulations may be cited as the PVARA Anti-Money Laundering Registration Regulations 2025 (the "Regulations").	Clarity may be brought on whether AML/CFT regulations will be enforced through these regulations or the "Governance and Operations Regulations" under development which also contain detailed regulations on AML/CFT.  It is advised that PVARA covers all AML/CFT/CPF obligations for VASPs in one consolidated document for ease of understanding and implementation by VASPs. This

			<p>approach will also aid PVARA as a supervisor to enforce AML/CFT regulations.</p> <p>Further, As Pakistan's next Mutual Evaluation is due in 2029, consolidated set of regulations will also help PVARA to ensure technical compliance in all aspects of applicable FATF recommendations.</p>
2	1.1	As above	<p>Since the risks of Terrorism and Proliferation Financing are also required to be covered under these regulations, the document may be renamed as “Anti-Money Laundering, Combating Financing of Terrorism and Countering Proliferation Registration Regulations 2025”</p>
3	2.1	These Regulations apply to all Virtual Asset Service Providers (“VASPs”) seeking authorisation, licensing or registration under the Virtual Assets Act 2025 (the “Act”).	<p><b>May be Changed to:</b></p> <p>These Regulations apply to all Virtual Asset Service Providers (“VASPs”) licensed or registered under the Virtual Assets Act 2025 (the “Act”).</p>
4	2.2	For the avoidance of doubt, these Regulations apply to all VASP Services as defined under the Virtual Assets Act 2025 and which include:	<p>We understand that while the role of some VASPs with respect to implementing AML/CFT measures is very vast e.g. VASPs providing exchange or custodial services, while such role is very limited for VASPs providing other services such as Advisory services. The existing regulations is “One Size Fits All” style which may be very impractical for some VASPs to implement.</p>
5	3.1 (a)	<p>The objectives of these Regulations are to:</p> <p>(a) establish Anti-Money Laundering / Countering The Financing Of Terrorism (“AML/CFT”) minimum standards for all VASPs;</p>	<p>It is advised to please also cover Countering Financing of Proliferation as an objective of these regulations.</p>
6	4.2(d)	oversight of STR/CTR trends and findings of independent audits.	<p><b>May be changed to:</b></p> <p>Review of MIS of STR/CTR and their trends alongside findings of Internal Audit function on the subject.</p>

7	5.1	The Applicant must appoint the following Key Individuals: (b) Director (executive or non-executive) (d) Compliance Officer; (f) Head of Internal Audit;	With regard to the Compliance Officer and Head of Internal Audit, it may be prescribed that these positions shall not be below than other executives in Cadre / Hierarchy to ensure independence of these functions. Further, all positions reporting directly to CEO shall have the same designation title.  Further, clarity may be brought on (b) Director (executive or non-executive) and the managerial function that this position will hold.
8	6.3	No individual may serve as a Key Individual if he or she:	<b>The following may please be added:</b>  d) Designated or Proscribed Persons
9	7.3	The Authority must approve each Controller before AML registration may be granted. Once registered, no Controller may acquire or increase control above thresholds to be determined by PVARA without written approval from the Authority.	<b>May be changed to:</b>  The Authority must approve each Controller/ <b>Beneficial Owner</b> before AML registration may be granted. Once registered, no Controller may acquire or increase control above thresholds to be determined by PVARA without written approval from the Authority.
10	8.2	The framework shall, at a minimum, include:	<b>May be Added:</b>  1. Customer Risk Profiling Procedures 2. Payment System Transparency (Travel Rule) procedures 3. PEP onboarding and relationship maintenance procedures 4. Procedures for adopting new technologies 5. Internal control requirements for Compliance and Internal Audit functions
11	8.2 (c)	The framework shall, at a minimum, include:  Targeted Financial Sanctions (“TFS”) screening procedures;	<b>May be changed to:</b>  Screening procedures for implementation of Targeted Financial Sanctions (“TFS”)

12	8.2 (e)	Suspicious Transaction Reports (“STR”) and Currency Transaction Reports (“CTR”) escalation procedures;	<b>May be changed to:</b>  Suspicious Transaction Reports (“STR”) and Currency Transaction Reports (“CTR”) <b>reporting</b> procedures;
13	8.2 (i)	an outsourcing risk management framework	Since these are AML/CFT/CPF obligations and ML/TF risks are critical in the core functionality of VASPs, outsourcing of any AML/CFT functions should not be allowed.
14	9.1	Each Applicants shall implement CDD procedures that comply fully with AMLA 2010 and all applicable rules issued under it.	We understand that AMLA, 2010 neither defines VASPs nor includes them under the definition of DNFBPs.  Thus before enforcing these regulations, appropriate changes to AMLA are necessary.
15	9.2 (b)	CDD procedures shall include:  verification of all Controllers;	We understand that the intent of this clause is directed to the customers of the VASP, not to its controllers or beneficial owners. Controllers’ CDD is part of the Fit and Proper exercise which is separate from customer due diligence.
16	9	Customer Due Diligence	Under this section, PVARA must ensure that relevant provisions of section 7(A) of AMLA, 2010 alongside full technical coverage of FATF recommendation 10 are covered.
17	11.3	Applicants shall file CTRs for all fiat-based transactions that meet or exceed the applicable threshold.	This stipulation requires clarity. CTR filling requirement shall only invoke where customers are allowed to deposit cash directly into their crypto wallets maintained with the VASPs. PVARA may assess whether such an activity will be allowed to VASP customers. We understand that for depositing Fiat into crypto wallets, customers will be required to deposit funds using their bank accounts into the client money accounts of VASPs maintained at Banks.

18	11.4	Each Applicant must register on the FMU goAML platform prior to licensing and demonstrate technical readiness to file STRs and CTRs immediately upon registration.	We understand that for GoAML registration, an entity has to first become a reporting entity of FMU or requires provisional/full license from respective regulator/supervisor.  PVARA may confirm the practicality of this clause from FMU before issuance.
19	12.1	Applicants shall implement controls to screen all customers, beneficial owners, counterparties and transactions against domestic and United Nations sanctions lists.	<b>May be changed to:</b>  Applicants shall implement controls to screen all customers, <b>Controllers</b> , beneficial owners, <b>employees</b> , counterparties and transactions against applicable sanctions lists.
20	12.2	Applicants must immediately freeze assets of designated persons and report such freezes to FMU and any other designated authority in accordance with Pakistan's TFS framework.	<b>May be Changed to:</b>  Applicants must immediately freeze assets of designated/ <b>Proscribed</b> persons and report such actions to PVARA alongside reporting STRs to FMU.
21	13.1	All AML/CFT records shall be maintained for a minimum of seven (7) years.	<b>May be changed to:</b>  Applicants shall maintain a record of all transactions for a period of at least Seven years following the completion of the transaction, and records of business correspondence, documents, of all records obtained through CDD and the results of any analysis undertaken for a period of at least Seven years following the termination of the business relationship.  In case of transactions / wallets subject to litigation, the above mentioned records shall be maintained till the completion of the litigation process.
22	14.1	Applicants may not outsource AML-critical functions, meaning those that go to the core of the Applicant's AML/CFT duties such as CDD, EDD, sanctions/TFS screening, transaction monitoring, STR/CTR reporting and MLRO responsibilities, unless the Applicant:	As per FATF recommendations, a financial institution or VASP may only rely on other regulated financial institutions under the "Reliance on 3 <sup>rd</sup> Parties under FATF Recommendation 17 and when the VASP assumes full responsibility of the CDD measures in respect of their customers.

		<p>(a) conducts due diligence on the service provider;</p> <p>(b) maintains effective oversight arrangements;</p> <p>(c) retains audit and inspection rights; and</p> <p>(d) ensures the legal enforceability of audit and supervisory rights, including cross-border arrangements.</p>	<p>It is advised that since ML/TF are the most critical risks in the business of VASPs, they must not be outsourced.</p> <p>However, PVARA may allow VASPs to rely on third parties for CDD purposes only in accordance and full technical compliance with AMLA and FATF recommendation 17.</p>
--	--	---	---