



## Pakistan's placement on FATF blacklist least likely

**Nabeel Khursheed<sup>AC</sup>**  
nabeel@topline.com.pk  
Tel: +9221-35303330  
**Topline Securities, Pakistan**



[www.jamapunji.pk](http://www.jamapunji.pk)

**ASIAMONEY**

Best Local Brokerage House  
Brokers Poll 2011-14, 2016-17



Best Local Brokerage House 2015-16

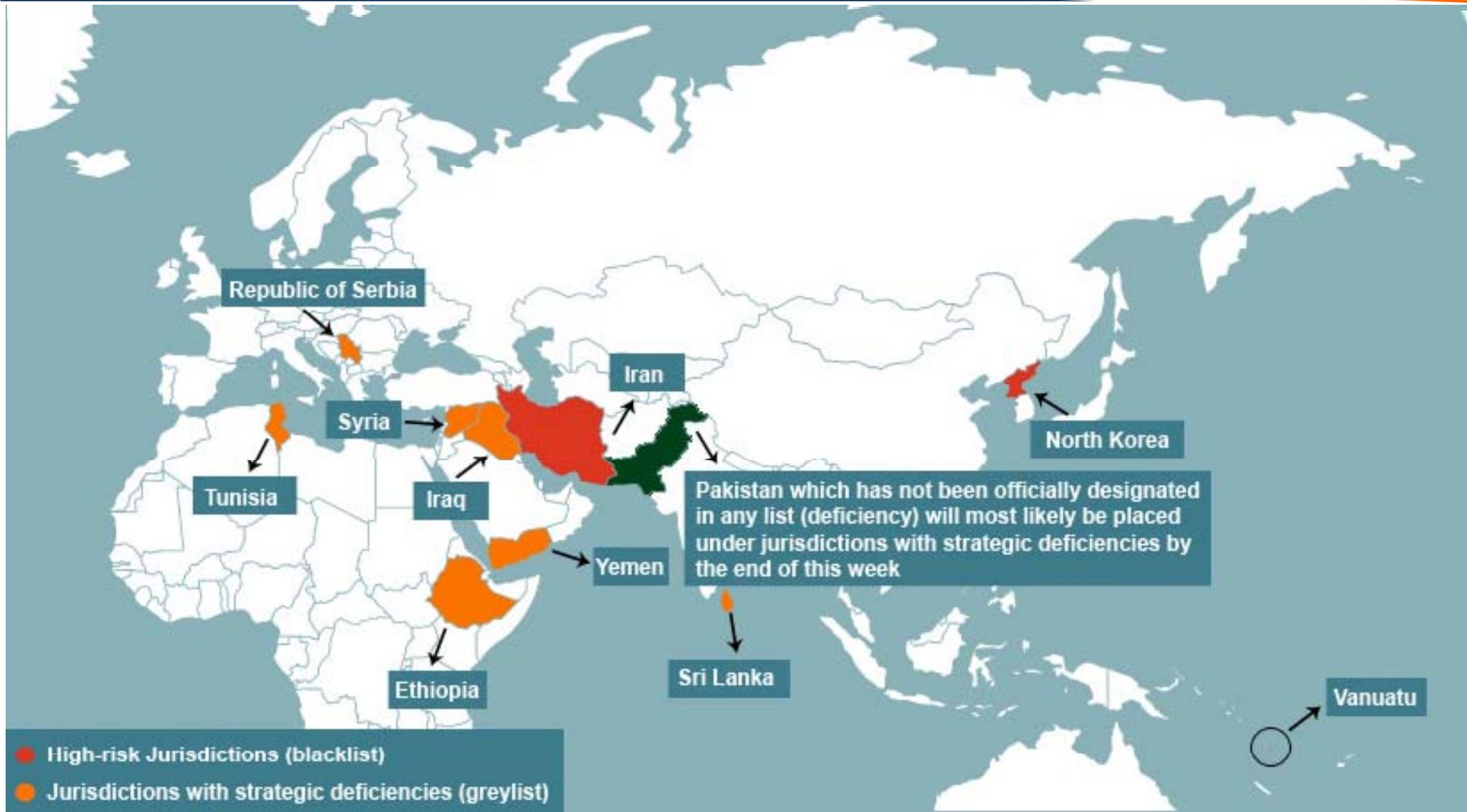
## Pakistan to be officially placed on FATF's grey list

- To protect the integrity of the global financial system and to contribute to safety and security, the Financial Action Task Force (FATF), and the Middle East & North Africa Financial Action Task Force (MENAFATF), are carrying out a 6-day joint plenary meetings (24-29 Jun 2018) in the French capital. The meetings involve delegates from the 203 jurisdictions of the FATF (a global financial watchdog) Global Network, as well as the UN, IMF, World Bank and other partners.
- The week's meetings will conclude with the third and final Plenary meeting on 27-29 Jun 2018, where they will officially place Pakistan on the 'Improving Global Anti Money Laundering (AML)/ Countering Financing of Terrorism (CFT) compliance' list also known as the 'grey' list. This list comprises of jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF.
- To note, FATF identifies jurisdictions with strategic AML/CFT deficiencies in its two public documents—FATF Public Statement (call for action) and Improving Global AML/CFT Compliance: On-going Process—that are issued three times a year. FATF does not use grey list/blacklist terminologies
- To simplify, as per our understanding, countries that are identified as having deficiencies in their financial system are placed on 'grey list' (Improving Global AML/CFT Compliance: On-going Process) while countries that are not making sufficient progress in addressing the deficiencies or have not committed to an action plan (Public Statement-call for action) are then moved to 'blacklist' and are termed as high risk jurisdictions.
- Though FATF did not officially announce Pakistan's placement on the grey list, the US and the UK had jointly moved the FATF in Feb 2018, nominating Pakistan for placement on the grey list and were subsequently joined by France and Germany. Subsequently, Pakistan was asked to submit a comprehensive action plan (to be reviewed in the on-going FATF meeting) for countering the financing of terrorism deficiencies.

## Pakistan to be officially placed on FATF's grey list

- To comply with the FATF requirements, the National Security Committee (NSC) of Pakistan on Jun 8, 2018 reaffirmed its commitment to cooperate with FATF while Securities and Exchange Commission of Pakistan (SECP) issued Anti Money Laundering and Countering Financing of Terrorism Regulations (2018), on Jun 20, 2018.
- Since a comprehensive action plan has already been submitted, we believe that chances of Pakistan to be placed on the blacklist in the on-going FATF meeting (24-29 Jun) is least likely (contrary to market expectations), as only those countries are moved to blacklist that do not make sufficient progress or fail to provide an action plan.
- We also downplay concerns of an adverse impact on Pakistan's economy due to its inclusion in the blacklist (in case Pakistan fails to satisfy FATF) as Pakistan was previously part of high risk jurisdictions (blacklist) in 2008 and 2012 while it was under jurisdictions that were making sufficient progress (grey list) in 2010 and 2014. Pakistan was removed from the grey list in 2015.
- Though Pakistan's inclusion in blacklist may hurt its standing in the international landscape, it will not be as severe as recently been portrayed on the media. This is because when Pakistan was part of the greylist/blacklist (2008-2015), it successfully approached multilateral bodies, floated international bonds and had other international trades.
- Currently, FATF has officially designated ten countries under High-risk jurisdictions (blacklist) and Jurisdictions that are making sufficient progress (greylist). There are eight countries under FATF's greylist (Ethiopia, Iraq, Republic of Serbia, Sri Lanka, Syria, Tunisia, Vanuatu, Yemen and two countries under blacklist (Iran & North Korea).

# FATF's High-risk and other monitored jurisdictions



Source: FATF, Topline Research

Please note that FATF does not use greylist/blacklist terminologies

# Analyst Certification and Disclosures

The research analyst(s), denoted by an “AC” on the cover of this report, primarily involved in the preparation of this report, certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject companies/securities/sectors and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

Furthermore, it is stated that the research analyst or its close relative have neither served as a director/officer in the past 3 years nor received any compensation from the subject company in the past 12 months.

Additionally, as per regulation 8(2)(i) of the Research Analyst Regulations, 2015, we currently do not have a financial interest in the securities of the subject company aggregating more than 1% of the value of the company.

## Rating System

Topline Securities employs three tier ratings system to rate a stock, as mentioned below, which is based upon the level of expected return for a specific stock. The rating is based on the following with time horizon of 12-months.

Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

Ratings are updated daily to account for the latest developments in the economy/sector/company, changes in stock prices and changes in analyst’s assumptions or a combination of any of these factors.

## Valuation Methodology

To arrive at our 12-months Target Price, Topline Securities uses different valuation methods which include: 1). Present value methodology, 2). Multiplier methodology, and 3). Asset-based methodology.

## Research Dissemination Policy

Topline Securities endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc. Nevertheless, all clients may not receive the material at the same time.

# Disclaimer

This report has been prepared by Topline Securities and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Topline Securities and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Topline Securities accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Topline Research Department and do not necessarily reflect those of Topline or its directors. Topline as a firm may have business relationships, including investment-banking relationships, with the companies referred to in this report.

**All rights reserved by Topline Securities. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Topline Securities. Action could be taken for unauthorized reproduction, distribution or publication.**