

ELIMINATING FINANCIAL CRIMES RISK OF FOREIGN EXCHANGE TRANSACTIONS

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COURSE OVERVIEW

Banks are expected to take account of the nature, size, complexity and risk profile of their foreign exchange transactions. A bank should have strong governance arrangements that ensure all FX settlement-related risks are properly identified, measured, monitored and controlled on a firm-wide basis.

COURSE OUTLINE

- 1. A Overview to Financial Crime in FX Transactions**
 - Overview of financial crimes affecting FX operations
 - Why FX transactions are high-risk
 - Types of financial crime in FX:
 - Money laundering through trade
 - Terrorist financing
 - Sanctions evasion
 - Fraud and document manipulation
 - Global trends and emerging risks in cross-border payments
- 2. Regulatory & Compliance Framework**
 - Key global standards
 - Financial Action Task Force (FATF) recommendations
 - Office of Foreign Assets Control (OFAC) sanctions framework
 - Local regulatory framework
 - State Bank of Pakistan regulations for foreign exchange operations
 - AML/CFT regulations in Pakistan
 - Role of compliance and risk management departments
- 3. Key Financial Crime Risks in FX Transactions**
 - Trade Based Money Laundering (TBML)
 - Over/under invoicing
 - Multiple invoicing
 - Phantom shipments
 - Sanctions violations in FX payments
 - Third-party payments and unusual remittances
 - Fraud risks in SWIFT/FX payment instructions
 - Misuse of Nostro accounts

4. Red Flags and Risk Indicators

Common red flags in FX and remittance transactions:

Customer Behavior

- Sudden increase in FX activity
- Transactions inconsistent with business profile

Transaction Patterns

- Repeated round-dollar transfers
- Payments routed through high-risk jurisdictions

Documentation Risks

- Invoice value inconsistent with market price
- Shipping documents mismatch

5. Control Mechanisms in FX Operations

Operational controls to mitigate risks:

Customer Due Diligence (CDD)

- Enhanced Due Diligence for high-risk clients

Transaction Monitoring

- Automated monitoring tools
- Sanctions screening systems

Operational Controls

- Segregation of duties in FX dealing rooms
- Proper documentation verification
- Reconciliation of Nostro account

TARGET AUDIENCE

Personnel handling foreign exchange activities at banks, including but not limited to:

- Branch/Operation Managers
- Officials from Regional Trade and Credit Hubs
- Trade Processing Unit Staff
- Audit, Legal and Compliance Officials

FACILITATOR

Mr. Ejaz Ahmed Qadri's illustrious career is a testament to his dedication, expertise, and unparalleled contributions to the banking and training sectors in Pakistan. He boasts an expansive career spanning nearly three decades, primarily within the esteemed corridors of the State Bank of Pakistan and its subsidiary, SBP Banking Services Corporation (Bank). He has held pivotal roles across significant departments such as FEOD, Exchange Policy Department (EPD), Statistics & DWH, FEOD, Development Finance Support (DFSD), and Training & Development Department (T&DD). Since 2015, he has been associated with Habib Metropolitan Bank, serving as a Chief Facilitator and Trade Consultant. His role primarily revolves around Content development, conducting nationwide training on forex operations, international Trade, Compliance- AML, CFT, Proliferation, TBML and Supply Chain. He holds an M.B.A. in Banking & Finance from the prestigious IoBM Karachi, complemented by other degrees including M.A., D.A.E, and L.L.B.