Pakistan Initiatives & Endeavours Tocounter Money Laundering & Terrorist Financing Within FATF Perspective

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Money laundering is involved forthe method of disguising the original ownerships income and circulated in a manner to finally be the part of legitimate source. It is a criminal Act and hiding of illegal assets hence acquired through numerous malicious measures like corruption, smuggling, drug trafficking and most importantly the cross border terrorism. Money laundering generates lots of abuses for the country at national and international platform also and specifically targets the economic and social system of country. According to the report generated by United Nation office on Drugs and crime (UNODC),the Netamount which is laundered per annum globally is 2.5% of Global GDPor 800 Billions USD to 2 Trillion USD1. The Financial Action Task Force (FATF) officially put Pakistan in grey list due to lack of planning and measures for Anti-money laundering and terrorism financing. The decision was taken on June 29, 2018 in Paris.The governing body imposed this decision on the consideration of prepared report of International Cooperation Review Group (ICRG). There is a need of all stakeholders directly or indirectly linked with financial system to understand basic concepts of Money Laundering & Terrorist Financing, International Initiatives and Efforts for Identification, Investigation and Prosecution of cases involving ML & TF,

Introduction

Money laundering is a scheme of continuous process in which criminals try to disguise the identity of the actual owner, and deliver the money to the destination which is obtained through criminal conduct[2].Ultimate Aim of behind all this process of making it believed that the receiving income have come from a legitimate source[3].The process of ML revolves around 3 stages primarily, first stage which is compose of business precipitance through foreign remittance, depositing cash through some structured transactions. Second stages involve layering, which is done through movement of illegal funds. They are dispersed through continuous flow of cash in order to conceal its source. It is performed with series of conversion so that funds are moved far distant for making it more impeccable to be the part of secure financial system which is done through some multiple banks and accounts conversion of assets .These are outward foreign remittance through banks or illegal transfers of money through local points which after numerous circulation from one point to the other point finally reached back to destination or to the third party account. Third and the final stepis the involvement of re-entry into the legitimate economy by integration of funds with legitimate proceeds. By doing so the illegal assets are purified into white and become form of legitimate funds. The stakeholder of funds now can invest, sell and buy any assets, performbusiness, recycling corporate financing trade transaction and invoicing.

Money laundering affects badly on larger scale, the reduction of revenue, collection of taxes and weakens the government control over the economy. It leads to the social injustice as the criminal enjoys more luxurious life style and protocol at the cost of society, which should have been invested on their comfort. It helps the criminals to invest again and again for illegal funds for business hence affects the overall financial system of markets. It finally puts the question mark on the transparencyof financial system andcredible viable actions of the government to take appropriate effective measures against the money launderer.

Global initiative for Combating Money Laundering and Terrorist Financing

Various legislations have been placed which are working very effectively at global level to control money laundering, few of them are as followed

- Financial Action Task Force (FATF)
- United Nation Convention Against Corruption(2003)
- International-Convention for Suppression of Financing of Terrorism-2001(SFT)
- Palermo Convention(2000)– Transnational Organized Crimes (TOC)

Credibility of Financial Action Task Force (FATF)

Currently FATF has been internationally renowned and acknowledged for its certain standards, actions and perhaps the most effective organization of all against Money-Laundering and terrorist financing. This Task Force was founded in 1989 summit by the collaboration and efforts discharged by G7 countries. This organization at the beginning had only 16 countries which on the basis of popularity and some well renowned effective recommendations, it grew to 37 countries.FATF performs to locate vulnerabilities at various levels by giving safety to the global financial system with the collaboration of international stakeholders. It is formally known as international standards for combating money-laundering and proliferation of mass destruction[4]. So the pattern of FATF, nine regional bodies of FATF style have also been established all across which are[5]

- Eurasian Group (EAG) Moscow, Russia;
- Caribbean Financial Action Task-Force (CFATF)Port of Spain, Trinidad and Tobago;
- Middle East and North Africa Financial Action Task-Force (MENAFATF)Manama, Bahrain;
- Council of Europe Anti-Money Laundering Group (MONEYVAL)Strasbourg(France)
- Asia/Pacific Group on Money-Laundering (APG)Sydney(Australia)
- Eastern & Southern Africa Anti-Money Laundering Group (ESAAMLG)Dar-es-Salaam(Tanzania)
- Central Africa Anti-Money Laundering Group (GABAC)Libreville(Gabon)
- Latin America Anti-Money Laundering Group (GAFILAT)Buenos Aires(Argentina)
- West Africa Money Laundering Group (GIABA)Dakar(Senegal)

Response of Pakistan with the perspective of Money Laundering and Terrorist Financing

Unfortunately Pakistan has been critically affected by the curse of money laundering and having more significant risk of terrorist financing. This advantage taken out by many countries especiallyIndia to initiate the blame game in order to degrade the Pakistan in the international forum and to portray Pakistan image as a hub of terrorist financing which resultantly appeared in the shape of Pakistan name in a watch list. It put Pakistan to face theserious threat for his financial position in perspective of her development, her foreign trading and created the unforseen resilient to overcome the economic challenges. Pakistan banking system badly tortured and affected with international financing system. With all these effects of Pakistan name on watch list, there were more barriers and check list imposed on Pakistan banks, record keeping of transactions internationally in order to critically monitor the funding process which might have appeared as a blame of terrorist financing. In a prevailing scenario where Pakistan has been facing many challenges of corruption, terrorism and narcotics traffic, Pakistanhad alreadythe enacted law for Anti money laundering and counter financing terrorism which is formally known as money laundering Act-2010 and Anti-Terrorism Act, 1997.In addition to that government of Pakistan has also formulated acts and laws to counter these challenges which are[6]:-

- Anti-Money Laundering Act(2010)

- National Accountability Ordinance(1999)
- Control of Narcotics Substances Act(1997)
- Anti-Terrorism Act(1997)
- SBP AML/CFT Regulations for Banks & DFIs
- SECP Anti-Money Laundering/CFT Regulations-2015
- NACTA Guidelines on UNSCR 1373
- Anti-Money Laundering Ordinance(2007) (AMLO)

Government of Pakistan has also established financial inelegance unit or financial monitoring unit (FMU) to keep tracking the suspicions transactions and locate the source and destination of the transactions. FMU works in collaboration with Federal Investigation Agency (FIA) and provincial police counter terrorism department.In 2009, parliament enacted the newly law, derived as Anti-Money Laundering Act(AMLA) in March 2010. Major deficiencies identified by FATF were addressed. It is quite obvious that firstly, the offences of money launderingwere criminalized with Predicate Offences. It says that Under the provision of Sub Sec j of Sec 2 of AMLA 2010, LEAs have been designated to investigate and prosecute the offences involving Money laundering and Terrorist Financing which includeFederal Investigation Agency (FIA),National Accountability Bureau (NAB), Anti-Narcotics Force (ANF), DG (I&I) Customs,DG (I&I) Inland Revenue or any designated institution by government.

State Bank of Pakistan and Securities Exchange Commission of Pakistan (SECP) are the essential pillars of contributing economic reforms. The SBP has been directed to follow FATFrecommendations regarding “Know your customer” policy, due persistence of banks, records maintenance and the revelation of Suspicious Transaction Reports (STRs)/ Cash Transaction Reports (CTRs). Moreover the National Accountability Bureau has also recovered with collaboration of SBP round 110.892 billion rupees.FIA is also countering illegal transfer of money through local resources which involves money exchanges without any Tax remittances.FBR (Federal Board of Revenue) is also on toes and working efficiently for tracking the revenue record in terms of tax collection.

National Counter Terrorism Authority (NACTA) March 2018

Pakistan has followed with numerous serious steps to curb terrorism financing in the country. According to the report released by NACTA in 2018, in which 919 Hawala/ Hundi Cases were registered and for that 1209 arrest were carried out and amount recovered around was Rs.1489.918Million. There were 574 of total arrest by Federal Investigation Agency against Anti-Money Laundering Cases and further 32 cases were registered by FIA with the help Financial Monitoring unit for around 176 suspicious transaction reports.Countering Financial Terrorism Investigation (CFT) Units have been established in Counter

TerrorismDepartments.CFT Directorate in NACTA for a unified response of stakeholders.Model Charities/ NGO/ NPO's Regulatory Law are being prepared to closely monitor the sources of transaction records[7].

Challenges of Pakistan at National level and globally within the perspective of ML & TF

Pakistan has serious concerns of combating ML and TF as Pakistan needs to reduce the trust deficient which was developed internationallyin terms of trade and foreign investment. It is only possible when Pakistan is successful in gaining the confidence level of the stakeholders. At large scale acceptance of cash with no documentation is awidely used phenomenon allacross thatposes serious challenges to deal with it, as it does not produce any track or meansof source and finally net revenue which has a very diversify affect on the tax collection. Money Laundering involves the serious possible movement of crimes to other jurisdictions developed countries which come to the embarrassing node for the country in the form of facing the penaltiesin terms of trade, stigma of impotency to counter terrorism and finally let the other countries to put under pressure by imposing some serious restrictions. Tracking of legitimate funding verses illegitimate also require in depth study to deal with it as there are many firms who are currently functional within Pakistan and accepts a huge amount of funding for their smooth functioning.Certain actions limitation of tracing and freezing accounts due to the ongoing long terms judgment based decision by the honourable courts is also one of the challenges for Pakistan.Sec 5 and 9 of the Protection of Economic Reforms Act, 1992 and section 111(4) of Income Tax Ordinance, 2001[8] is also a hurdle in implanting declaration of Foreign Currency as no questions can be asked.Loopholes in Banking and FinancialSystems, which is taken as an advantage for malicious purposeFake accounts, acase recently inquired by a Joint Investigation Team upon direction of Honourable Supreme Court of Pakistan is also one of the clear indication towards the confirmation of loopholes in banking system. Sanctions from international communities for freezing of accounts and trades are also the core issue which hinders the ongoing track of money laundering. Challenges of undocumented economy of cash flowing has a serious concern which is in direct need of focusing due attention hence a big hurdle for imposing Anti money laundering law. Government of Pakistan has recently envisagedsolution for fixation of tax according to the ownerasset and worth of business. For this the method of tax collection is under consideration and effective planning and procedures are being prepared along with the stakeholders to tackle the core issues.Pakistan has embraced resolutions of UNO and is actively implementing FATF recommendations related to ML & CFT. The recommendation presented by FATF are focused on, identification and supervision of these financing of terrorist, remedial actions, Countering the illegal money transfer and flow of cash to stop terrorist financing.[9] Pakistan has recently fought her case very effectively against FATF grey list and informed the successful strict actions taken against the ML & TF which were highlighted by FATF. It will undoubtedly enhance and improve the financial positions of Pakistan and enable the foreign investors to trade with and withinPakistan. Mutual legal assistance and more trust building measure are required with the developed countries for combating money laundering Jurisdictions for tracing and forfeiture of assets & bank accounts collected from money laundering which is otherwise increase the trust level and contribute towards economy building. Government has to devise the centralized mechanism with all (Law enforcement Agencies) LEAs to work together and sharing of information to be more smoothly. There is a need of monitoring of funding of NGOs nationally and internationally to set a method of working in Pakistan.Standing operating procedures to be derived for donationof charity and to track the cash flow, economy has to be documented as much as possible and it has to bechecked periodically.Fixation of loopholes in banking and financial system and public awareness programme to be started which should discourage illegal transfer of moneyacross.

Since Pakistan name on watch list by FATF,Pakistan has prepared action plan to counter the highlighted issues hence the ministry of finance announced that it will have very bright chances o cover almost all the mentioned proposals hence will help Pakistan not to be included in black list rather will surely be extricated from grey list. There is a direct need of asking this question of issue of Pakistan placing its status in grey list whether this decision was imposed basis on the reports and facts produced to the task force or it was a biased or political motive decision for which the ultimate aim was to put more pressure on Pakistan for moulding into the personal motives. As an analysis, Basel AML Index 2017 by the Basel Institute of Governance, Pakistanis currently ranked on 46th position among 146 countries in the world in terms of assessing the riskof money laundering and terrorist financing[10]. On other hand Global Terrorism Index report in 2017placed Pakistan on number 5th in terms of the most affected countries from terrorism[11].It is pertinentto note here that the basis of assessments in both the reports is different which raise a questionmark on the credibility of such reports.

Even with such controversial, Pakistan has formulated a series of recommendations which is beneficial for Pakistanoverall system. Now there is a direct need that Pakistan has to impose serious penalties against the defaulters in banking system. Creation of smooth and friendly linkage between Federal and provincial government Law EnforcementAgencies.In that matter UNODC in collaboration with NACTA and Ministry of Foreign Affairs has multiple meetings and workshops. In December, 2018 workshop held, where the E-Learning module training module were designed regarding financial investigation and net worth analysis of assets and finally the tracking/confiscating of assets of terrorists[12]. Government has to track the full transparency for the cross border transaction currency just to ensure that money is not being played by the wrong hands and at the end to be practically implemented in true and letter spirit. No relaxation on the Freezing of assets of defaulters or terrorist groups according to the United Nations Security CouncilResolutions 1267 and 1373 be granted to any individual or group as it serves as the root for hurting Pakistan economy and over all reputation all across[13].

Conclusions

Money laundering causes many economic, social and political problems and challenges. Currently Pakistan is passing through economic challenges for which it requires massive foreign trading,investment and hence a direct need of having worthy stakeholders for the stabilization of economy. Undoubtedly the economy is one of the strong pillars for the development of country and Pakistan has been severely affected by the money laundering which has led Pakistan economy at declining path. In addition to that the extremist ideology has a very strong targeted influence on our young minds which has composed their parameters. Government of Pakistan has formulated and implemented a series of guidelines and programmes with the help of NACTA for youth to come out from that nut shell. Registration of Madaris and giving them equal status with the collaboration of Federal Board of Revenue and Higher Education Commission are the positive steps for Pakistan peaceful harmony among the education institutions and within the perspective of FATF as well[14]. Undoubtedly the young generations has a very strong role for the development of country and to bring all the youth at same level is the ultimate motto for the Pakistan policy. However Pakistan has devised many centralised mechanism which offcourse are on a right track for monitoring the financial transaction system which is now very close to the certain remarkable standards to track down and freeze the Money Laundering and terrorist financing.

Notes and References

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