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RESEARCH PAPER

Money Laundering in Pakistan: Combating Strategies and Preventions

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ABSTRACT

This research seeks to analyze the present legal and regulatory frameworks in Pakistan with regard to their efficiency in combatting money laundering. It will also take a look at the obstacles and complexity that come with these efforts. Pakistan encounters a unique mix of difficulties due to its geopolitical location, leadership problems, and structural deficiencies in its financial and legal institutions. An investigation of anti-money laundering laws in Pakistan, as well as a literature research, interviews with relevant experts and stakeholders, and primary and secondary sources make up this study's thorough methodology. Lack of interagency coordination, political influence on law enforcement, and legal loopholes are some of the serious issues highlighted by the findings in relation to Pakistan's anti-money laundering (AML) system. In order to strengthen Pakistan's AML efforts, the report suggests a multi-pronged approach. This approach may incorporate the finest practices of prosperous nations.

Keywords: FATF, FBR, Money Laundering, NAB, Pakistan

Introduction

AML stands for Anti-Money Laundering, and it is a broad term. The term “Anti-Money Laundering” or “AML” refers to a collection of rules, processes, and technologies that work together to prevent money laundering. It is used to detect possibly fraudulent activities and is applied within government systems as well as the methods of large financial institutions (Sobh, 2020).

To explain it in layman's language, it is the accumulation of wealth in foreign banks and real estate. It's not the export of goods that brings fortune back to the country. Instead, it is the export of that same fortune itself. Forum on money laundering can discuss foreign real estate, bank accounts, or anything of intangible worth. Questions have been raised multiple times on this issue. Even the country's former PM Imran Khan has been dealing with it with more interest, but still, this enigma remains an unsolvable mystery. Where everyone has been sharing their thoughts on curbing this problem, let's discuss some points immediately (Veyret & Waterman, 2022).

Pakistan’s current Prime Minister Muhammad Shahbaz Sharif and ex Chief Minister HamzaShahbaz Sharif of the most populated province are under money laundering charges. In September 2020, Shahbaz Sharif was arrested by National Accountability Bureau (NAB) under money laundering charges and imprisoned.

People lauding the effectiveness of the institutions suddenly, a year later, question their creditability when the same NAB in June 2022 does not find a single evidence of money laundering. Not asking about the credibility of institutions, one can allege the powers of these institutions. How it could be that the same NAB that arrested an accused person does not proceed with any further action once there is a change in government. Apart from political victimization, it can be seen that institutions are directly under order and are not autonomous.

History

The fight against money laundering began globally in the 1970s when the United States implemented a law known as the Bank Secrecy Act of 1970. In the case of Pakistan, the circumstance is unique, and anti-money laundering laws didn't come into effect until the 2000s. An extensive number of measures have been taken to put a stop to money laundering.

The inclusion of Pakistan on the FATF's “grey list” in June 2018 could negatively influence the Pakistani market. Banks, according to currency dealers, will bear the brunt of this. Even though being on the “grey list” carries no sanctions, financial firms are said to be reluctant to do business with Pakistani institutions because of this. As a result, the country's trade deficit would widen even higher. Because it scares away potential investors, money laundering has a significant impact on businesses as well. Furthermore, the presence in the “grey list” can potentially cause international banks to cease doing business in Pakistan (Amin et al., 2020).

If the situation worsens, Pakistan might be added to FATF's “black list,” posing complications for overseas Pakistanis, financial institutions, and investors. Pakistan must identify and eliminate terrorist financing to avoid the “grey list.”

This review discusses Pakistan's money-laundering laws. It is done by addressing its significant loopholes, which facilitate money laundering. This review's rigorous analysis shows that the regime doesn't meet international standards or serve its core goal. The examination identifies structural and procedural issues (Amin et al., 2020)

It highlights Pakistan's global money-laundering position. Here, regional regulations are compared to examine weaknesses in the current framework and find that the shortcomings hinder the battle against money laundering.

A Brief Overview of Anti-Money Laundering History

The Financial Action Task Force was the first anti-money laundering organization (FATF). Money laundering is prevented by ensuring that international standards are implemented.

Since the September 11, 2001, terrorist attacks, the FATF has expanded its scope to include terrorist surveillance to prevent terrorist financing. As a result of its anonymity, crypto-currency has recently come under examination. It has made it easier for offenders to make their operations less risky.

Anti-Money Laundering

Controls are put in place by various organizations, including enterprises, governments, and financial institutions, to combat money laundering. The first of these is that the government has made it a crime. Rules for prosecuting individuals involved in money laundering schemes have been outlined as part of the United Nations Convention against Transnational Organized Crime. These guidelines enable countries to bring charges against individuals involved in money laundering schemes.

To further contribute to the fight against money laundering, financial institutions are required to implement “know your customer” measures. It entails keeping tabs on customers' activities and gaining an awareness of the kinds of financial dealings that need to trigger alarm bells. Reporting suspicious activity to an economic investigative unit is mandatory for all financial institutions.

In addition, businesses and financial institutions keep meticulous records of transactions and have software that can identify potentially fraudulent behaviour. Transactions can be declined if they satisfy several predetermined requirements, and it can categorize customer data according to varying degrees of suspicion.

Most financial institutions demand that deposits be held in an account for a predetermined amount of time. This holding time helps manage the risk connected with money moving through banks for money laundering.

The technology used to identify suspicious activity tied to money laundering is constantly evolving, and as a result, it is becoming more accurate. These systems can advance in intricacy with the help of technologies such as artificial intelligence and software designed for large amounts of data (Ketenci et al., 2021)

The allure between Pakistan and Money laundering is not a new topic, but rather the one which is now unfortunately morally accepted by everyone. The government has not thrown this disease in cold storage. Instead, there have been multiple steps taken to curb this parasite.

Starting from the Federal Investigation Agency (FIA) Act of 1974, coming towards the NAB ordinance of 1999, and finally, towards the Anti-money Laundering Act of 2010 (AMLA) itself, it can't be blamed that the government has not done anything; the main question remains, was it worth it?

Causes of Money laundering in Pakistan

Several reasons give rise to laundering money, and they may be present within a country or state or might function transnationally.

Some of the main causes are as under the following heads:

To escape taxes, people hide their assets and income sources. Avoiding taxes generally means increasing money. Some people don't pay the government if they feel their tax money won't benefit them or if they don't care about the public good.

Tax evaders may also manipulate their tax forms by underreporting their income. They transfer their money to foreign banks or invest in property ventures by hiding their identities and reassigning ownership of their nonmonetary assets and property to someone else, usually a family member without the will or capacity to control that asset independently (De Simone et al., 2020).

It is tax evasion if the transferred property is not reflected on income tax returns and money laundering if cash or property is transferred secretly to foreigners' accounts. Politicians, especially that in or pursuing power, also do this. They hide monetary and nonmonetary assets or move them abroad to escape tax authorities. This crime is committed by politically powerful elites whose influence exceeds AML authorities, and the practice continues until they lose their power.

Weak financial regulations and agencies are another cause of money laundering. Suppose the tax department isn't powerful enough to investigate politicians, elites, and the general public about their incomes and “monetary and nonmonetary” assets. In that case, people can hide taxes and launder money by buying property in stable but offshore economies. Financial regulatory agencies and organizations must curb money laundering and tax evasion.

Bribery is also linked to inadequate financial rules since money launderers may bribe monetary regulatory authorities or airport officials to transfer monies abroad without paying taxes and without following down the sources or destinations of the funds. It facilitates airport officials' money laundering. Money leaves the nation illegally (Campbell, 2023).

Corruption is unethical behaviour that seeks personal gain without power or bribes. Politicians, politicians, ministers, etc., hide ill-gotten money and property. They may receive fixes and invest the money abroad. They wouldn't transfer money to local or personal bank accounts so that local auditors wouldn't find it. Corruption facilitates a flow of funds to foreign banks or prompts them to hide financial assets and sources of income, leading to money laundering. By reducing corruption, we can prevent this crime (Campbell, 2023).

Banks' failure to detect and report laundered money in their reserves also facilitates untracked money laundering. Money launderers transmit huge sums to international banks, which some accept without inspecting their origins.

Money laundering isn't limited to online purchases and airport smuggling. Physically trafficked cash occurs in nations with poor or no cross-border trafficking oversight. This tactic is widespread across international borders that are hilly or too lengthy to police and monitor strictly and consistently, such as the Mexico–U.S. border or the Afghanistan–Pakistan border.

Effects of Money Laundering

The socioeconomic consequences of money laundering can be seen. The nation's economy is impacted by money laundering and several social costs. On the one hand, it undermines the economy's stability, and, on the other, it is a social ill. We'll look at some of the most significant consequences of money laundering here.

The government's ability to shape economic policy is weakened when illicit funds are laundered. As a result, it boosts the danger of banks, enterprises, and the government failing to carry out economic policies effectively. In addition, because of globalization, the effects of money laundering can have a negative influence on foreign currencies and economies.

Another negative impact that money launderers have on a country's economy is damage to the private sector. Many companies are frequently used by criminals to launder money. To reach the market, they can significantly reduce the price of their services or products. They get an advantage over their competitors when the competition can't match their prices.

Even when money laundering does not result in the misappropriation of funds, it tarnishes the reputations of financial institutions and the national economy. As a result, investors lose faith in the local market, and confidence drops (Sharma, 2021).

The government's tax revenue is directly impacted by money laundering. As To avoid taxes, a large amount of money is sent abroad. The government will have to raise taxes on other taxpayers to compensate for this loss of revenue. Honest taxpayers suffer as a result, while the government faces a more difficult time collecting taxes due to possible public backlash against the tax increase.

Money laundering creates social problems and costs. If a country's financial institutions are suspected of money laundering, its worldwide reputation suffers. It can also encourage smuggling, drug trafficking, etc. Money laundering allows criminals and terrorists a safe refuge to hide their unlawfully gained money, which attracts others to join the criminal world because they may consider it a promoter and cover for their nefarious operations. Thus, crime will spread in society, which has both global and geographical repercussions.

In Pakistan, money laundering is carried out through various methods (Sultan & Mohamed, 2022), as outlined below.

Pakistan's position in the Golden Crescent region makes opium growing and trade common. Iran, Afghanistan, and India are major opium-growing and-trading countries. Drug trafficking occurs regularly within and across these nations' borders, mainly the Afghanistan–Pakistan, Iran–Pakistan, and Iran–Afghanistan borders. Drug traffickers carry drugs across the border for drug lords in Pakistan and its neighbors. Unreported cash movement is money laundering.

Iran and Afghanistan's borders and airports are used to carry cash. Smugglers avoid security checks to launder money and bribe officials or surveillance team members to take the cash abroad.

Corrupted Officials

Corruption, bribery, money laundering, and “whitening” black money are spreading in the country because of corrupt politicians and bureaucrats.

Corrupt officeholders promote these crimes by directly engaging in money laundering, offshore property, drug trafficking, smuggling, corruption, misappropriation of funds, bribery, etc. or by collecting bribes from those who commit these crimes. Some politicians allegedly communicate with smugglers, money launderers, and drug lords (Khan, 2018).

Some money launderers buy property using laundered or black money and immediately sell it for “legitimately obtained” money. It helps them whiten black money, leading to money laundering.

Terrorists need funds to operate. Money launderers, drug traffickers, politicians, and society's elite provide covert sponsorship. Foreign antistatic funding overshadows all other terrorist funding, establishing money laundering conduits. Terrorist groups launder money. It is especially true in Pakistan, where RAW, Blackwater, and the CIA have sponsored terrorists and antistatic elements (Jones, 2009).

Literature Review

Pakistan's AML Legislation

Although detailed legislation has been created to limit money laundering, its effectiveness is lost when law enforcement authorities fail to put behind bars money launderers with political power or enough money to bribe law enforcement personnel. This selective approach feeds corruption and money laundering.

The government can strictly enforce AML laws to penalize its opponents, not party members. Most prominent anti-money-laundering legislation includes:

- Anti-Money Laundering Ordinance 2007

- Anti-Money Laundering Act 2010
- Anti-Money Laundering Rules 2010
- Anti-Money Laundering Regulations 2010
- Amendments to the Anti-Money Laundering Act 2010

These laws penalize money laundering and provide the state the right to arrest and jail offenders.

Jurisdictions, Act validations, methods, and conditions have been defined. Individual and organizational violations have been grouped.

Problems Faced in Curbing the Money Laundering

Since no Joint task force is in place, it's difficult to put into practice the AMLA. It raises more questions about the legislative approach to money laundering. All four agencies are working in their spheres, resulting in the absence of cooperation. It means that money laundering and terrorist financing will continue to go unchecked. As a result, a Joint Task Force of various agencies or a single specialized agency is advocated to achieve better results (Sohal et al., 2020).

Anti-Money Laundering Act (AMLA)

The AMLA is ineffectual at preventing money laundering, failing to meet international standards. Our current regime needs a severe overhaul compared to other regional countries.

The agencies' mandate is flawed. These authorities' lack of complete jurisdiction to combat money laundering and terrorism funding under the AMLA aids the crime rather than preventing it. The AMLA schedule doesn't include all FATF predicate offenses.

Globally and regionally, money laundering punishments don't match the AMLA. The AMLA's non-cognizable money laundering offense puts investigating and prosecution authorities on the back foot and allow criminals to launder money easily (Sultan et al., 2022).

Although AMLA provides for managing confiscated properties, there is no central authority, hindering investigating officers. Anti-money laundering is not a scheduled offense under the Offences in Respect of Banks (Special Courts) Ordinance 1984. In reality, having no international collaboration with any country in anti-money laundering defeats this requirement of the AMLA.

Inconsistent laws hinder AMLA's efficacy. With these shielding regulations, AMLA enforcement can be difficult. Special laws inconsistent with the AMLA are still in place and haven't been abolished, hindering the law's implementation. The AMLA prohibits terrorist financing . However, the Anti-Terrorism Act 1997 is used for this purpose (Anwar et al., 2022).

It is problematic because the FATF's principal goal is controlling terrorist financing and implementing strict steps to stop it. Pakistan's worldwide standing on money laundering shows its attitude and its global rating in anti-money laundering measures shows its inadequate efforts.

Stages of Anti-Money Laundering

Placement, layering, and integration are the three primary stages of money laundering. Various controls are implemented to keep an eye out for unusual behavior connected to money laundering.

- **Placement Stage**

The initial phase of money laundering is placing the money in a legitimate source (banks, casinos, financial instruments, etc.) while obscuring its origins. Money laundering is explained in the related articles below. It is the most vulnerable step of money laundering since criminals hang onto a large sum of money and deposit it in the financial system, which may draw law enforcement (Karim et al., 2022).

- **Layering Stage**

The second is “layering” or “structure.” It splits monies into small transactions, making money laundering challenging to detect. It frequently involves international money movement, so law enforcement can't simply monitor unlawful earnings.

In this stage, money will electronically trade on international marketplaces. Once the cash is in the financial system, criminals turn it into monetary instruments. Banker's drafts or money orders are acceptable. Modern funds can be used to trade stocks or currencies across markets.

Criminals often buy and sell assets to hide their tracks. Reselling assets locally or abroad makes them tougher to trace and seize.

Integration Stage

Integration is the ultimate stage of money laundering when the money is returned to the criminals legitimately after being placed in the financial system and broken into several smaller financial transactions. Criminals can now employ illicit cash legally after merging them into a lawful source. Most redemptions include buying expensive assets like real estate, jewellery, etc., which don't attract much notice (Levi & Soudijn, 2020).

Main Dangers Associated with Pakistan Concerning Money Laundering

Pakistan is a country that continues to face money laundering problems. In addition, Pakistan is facing significant difficulties due to financial crimes such as trafficking drugs and people, corruption and funding terrorist organizations. They share the same geography with India, Iran, and China, which are all essential actors in the drug industry, and Pakistan's location makes it an easy target for money laundering. Pakistan's location is both defenceless and vulnerable. Additionally, their location is a significant drug and human trafficking route (Chitadze, 2022).

In addition, Pakistan has the 31st spot on the Corruption Index developed by Transparency International, ranging from 0 to 100.

According to the World Governance Indicator, Pakistan ranks in 21st place out of a possible 100 when controlling corruption. As a result of the location and the corruption present, smuggling, fraud, and kidnapping are all higher risks. The dangers posed by the area and the pervasive corruption demonstrate that Pakistan ought to implement an efficient strategy to combat financial crime (Chitadze, 2022).

Pakistan's Anti-Money Laundering Regulations

In 2010, Pakistan promulgated the Anti-Money Laundering Act, which established a legal framework for the commission of financial crimes. Pakistan was able to demonstrate its eagerness in this domain due to the anti-money laundering act, which is applicable across the nation. The law applies not just to people but also businesses and other organizations. If actions related to money laundering are discovered, offenders face fines ranging from one to ten years in prison. If the offender is a legal person, the penalty can escalate to up to one hundred million Pakistani Rupees.

In addition, the National Accountability Ordinance of 1999 is a crucial piece of legislation since it mandates that financial institutions must notify the NAB of any ambiguous or doubtful transfers (Lughmani et al., 2023)

Additionally, the Narcotic Substance Control Act of 1997 requires that any suspicious transactions be reported to the Anti Narcotics Force (ANF). It allows the government to seize and caveat any money connected to the illegal drug trade (Jamshed & Bakhsh, 2024).

The Asia Pacific Group (APG) on Money Laundering currently includes Pakistan as a member APG. The adoption of the AML and CTF standards, which are outlined in the FATF-8/40 Lists, is one of the most important goals of the APG. The principal goals of the APG are to work together with other nations in their region to combat financial crimes and money laundering and to cooperate on the implementation of preventative measures. In addition, the essential goals of APG include assisting in identifying and reporting suspicious transactions and addressing the legal ramifications of criminal activity, including forfeiture and extradition (Miralis & Gibson, 2020).

Agency For Investigation And Prosecution

The NAO is responsible for establishing the NAB, which has jurisdiction over all of Pakistan, including the federal and provincial levels. The Ordinance schedule does not include terrorist financing as a criminal offense, which means that the Bureau does not have the authority to investigate or prosecute cases involving terrorist funding (Shaikh & Khan, 2023). It is one of the most glaring problems with the Ordinance.

In the introduction to the AMLA, it is stated that the legislation has three primary goals:

- The prevention of money laundering
- Combating financing for terrorist organizations
- The seizure of assets obtained through such activities

The offenses specified in the AMLA include those listed in the program of the Anti Terrorism Act, 1997 (ATA) as well. However, as an institution that investigates and prosecutes crimes, the NAB does not have the authority to investigate and prosecute cases involving terrorist financing.

AML Bodies and Regulators with Responsibilities

It is the role of several government entities and regulators, including the Financial Crimes Enforcement Network, to investigate, prosecute, and impose regulations on financial institutions.

- National Accountability Bureau (NAB)
- Directorate General Federal Board of Revenue (DGFBR)
- Federal Investigation Agency (FIA)
- Other Law enforcement agencies
- The Securities and Exchange Commission of Pakistan (SECP)
- The State Bank of Pakistan (SBP)
- The Institute of Chartered Accountants of Pakistan (ICAP)
- Federal Board of Revenue (FBR)
- Pakistan Bar Council and Other independent legal organs

- The Institute of Cost and Management Accountants of Pakistan (ICMAP)

NAB Counters Terror Financing, Money Laundering

According to a NAB official, as a member of the United Nations Convention against Corruption (UNCAC), the agency was required to set up the unit to root out corruption and make Pakistan corruption-free by implementing the ‘Accountability for All’ policy (Zia et al., 2022).

NAB, the apex anti-corruption body, had a three-pronged policy of 'awareness, prevention, and enforcement

To eradicate this evil from society, it has continually engaged all stakeholders and is tackling this national issue with unshakable resolve, national and international organizations like Pildat, Mishal Pakistan, Transparency International, and World Economic Forum praised the bureau's efforts (Zia et al., 2022).

Due to its remarkable performance, China signed a MoU with it to manage China Pakistan Economic Corridor (CPEC) projects in Pakistan.

NAB was mandated for awareness and prevention under Section-33 of NAO, 1999. Different governments and nongovernmental organizations, civil society, and other parts of society have joined its awareness and prevention push to inform people, especially youth.

A MoU was also inked with the Higher Education Commission of Pakistan (HEC) to educate students about corruption.

NAB has recovered Rs:814 billion directly and indirectly as per law since its creation, with Rs: 323 billion in 2020. There are 1,273 accountability court cases pending, and NAB's conviction rate is 66% (Imran et al., 2023).

Federal Investigation Agency

As a central agency, the Financial Intelligence Agency receives financial information from specified parties and supervisory and accountable institutions to analyze such data. Where there is an indication of money laundering, terrorist financing, or the financing of weapons of mass destruction, it discloses the information to police agencies and supervisory authorities for investigation and possible prosecution (Khan et al., 2021).

It also coordinates AML/CFT activities throughout the country. The unit will also research trends in money laundering and terrorism financing and educate and enlighten the public.

The FIU shares information with overseas counterparts and studies money laundering and terrorist financing strategies.

It also coordinates AML/CFT/CPF efforts in the country. The FIA informs policy through researching trends in money laundering, terrorist funding, proliferation finance, and educating and informing the public.

The FIA is the second agency designated by the AMLA as an investigative and prosecutorial body. It is stated in the preamble of the FIA Act 1974 that the FIA's jurisdiction is limited to the investigation of different federal government-related offenses. A provincial agency cannot operate and prosecute crimes committed only by private individuals, and the FIA is no exception. It is a concern since it prevents investigators from working together because of jurisdictional differences (Sadiq, 2020).

An exception is made for federally-assigned instances of terrorist financing under the ATA, which may be found in the FIA Act of 1974's schedule. As a result, the FIA cannot take the necessary steps, which still creates another obstacle. Before the FIA was turned into an investigation and prosecution, it should have been handled (Ahmed, 2020).

The AMLA is enforced partly by the ANF, which conducts investigations and brings cases to court. Regulation of Narcotics Substances Act 1997 preamble focuses solely on controlling narcotic substances, psychotropic goods, and their linked matters. Hence its primary function is to control narcotics. As a result, it serves no purpose in the inquiry process (Ahmed, 2020).

Federal Board of Revenue (FBR)

The Directorate General (Intelligence & Investigation Inland Revenue) FBR is another organization tasked with combating money laundering. Under the Customs Act 1969, this agency has the authority to investigate and prosecute any situations where the proceeds of crime are gathered (Ullah, 2021).

FBR Customs Operations

Pakistan Customs' Operations arm has taken strong measures to stem illicit currency movement, which is used for money laundering and transporting criminal proceeds in and out of the nation.

The current lead taken by Customs Operations FBR and the effective control measures implemented by enforcement collect orates against currency smuggling led to record seizures of approx.

Four hundred fifty million from July 2018 to April 2019, compared to Rs.150 million in the corresponding period last year, an increase of more than 200 percent (Haider, 2022). Over 30 people have been arrested for cash smuggling this year, and investigations are ongoing to uncover their domestic/international links.

This achievement is due to policy and institutional initiatives established by Customs Operations – FBR and field formations. Customs Operations - FBR has begun an intensive 'Risk Mitigation Strategy' to limit cash smuggling after a risk assessment of border areas and entrance ports. The Currency Declaration System (CDS) was recently improved and integrated with the FIA database at international entry / exit points. In January-April 2019, the CDS captured $20 million in money declarations by incoming/outgoing passengers. They are accessing the FIA database targets suspected travelers. At Torkham, Chaman, and Taftan border stations, baggage/vehicle scanners are used for passenger and cargo screening (Masud et al., 2023).

Collectors of Customs coordinate information/intelligence sharing and actions to restrict illicit money movement. Customs, ASF, ANF, and FIA share airport control rooms.

Under the order, Investigative Officers have been given guidelines for improving investigations, including investigating accused/arrested person(s) association with any religious / political / social organization or group(s), travel history, past criminal record, professional history, etc., along with the motive/linkages of each currency smuggling case with any associated offense. Seizing agency (MCC or Regional Directorate) asked to investigate abroad associations through Chief (International Customs)-FBR, source of smuggling financing, and end-user of proceeds.

Pakistan Customs is redesigning enforcement formations depending on ground demands, introducing APIS at international airports, and building a National Targeting

Centre, an integrated database for all LEAs combating smuggling. Pakistan Customs expects these actions will end cash smuggling, TBML, the dark economy, and tax evasion.

Sanctions for AML and CTF

Anti-Money Laundering / Counter-Terrorist Financing (AML / CTF) Lists of several sanctions, including those listed below.

- Putting restraints and boundaries on the businesses and goods of individuals or organizations
- Taking away a license or not certifying or registering an entity or person
- Putting a restriction on a natural person, whether it be permanent or temporary, and placing a warning on paper
- Punishments including suspension, censure and reprimanding

According to Pakistani law, Sanction Scanner's anti-money laundering (AML) compliance solutions. Suppose you effortlessly integrate Sanction Scanner with API. In that case, you can preserve your reputation while avoiding regulatory penalties, lowering your risk exposure, and reducing the amount of labour you must do (Faysal & Arifuzzaman, 2022).

Material and Methods

The authors aimed to enhance their understanding of the obstacles encountered by anti-money laundering (AML) programs in Pakistan through this research. The process starts with an extensive examination of existing literature.

This article will analyze the worldwide issue of money laundering, the development of anti-money laundering laws, and the unique obstacles faced by Pakistan. The subsequent segment of the study explores the regulatory and legal frameworks. The text underscores the significance of the National Accountability Bureau (NAB) and the Anti-Money Laundering Act in Pakistan. This study's secondaryresearch and case studies focus on many notable instances involving politicians and banks. Furthermore, the present study examines the position of Pakistan on the Financial Action Task Force (FATF) gray list and undertakes interviews with a diverse range of experts, authorities, and stakeholders.

Overall, the findings indicate deficiencies in Pakistan's anti-money laundering framework. The researcher identify the primary factors and facilitators of money laundering and provide strategies to strengthen our endeavors, optimize technological use, and foster collaboration among various government entities.

Results and Discussion

To curb money laundering, we shall strengthen the autonomy of all institutions, and no one shall be above the law if proven guilty.

The case under discussion above is not a penny or two. It is Rs.16 billion when Pakistan faces a 40% poverty rate.

Institutions have been used for personal advantages in the past, even now. Unfortunately would be the same case even in the future. The recent amendment in NAB ordinance 2022 tells this a worrisome thing. The NAB chairman and President first posted with the consent of the PM, now entirely falls under the hands of the executive.

The independence of each institution is a must if Pakistan has to curb money laundering.

According to section 5 of the Anti-Money Laundering act 2010, National Executive Committee should be set up. This committee can make recommendations to the Federal government regarding the laws necessary to regulate this activity, explicitly regarding FATF.

Talking briefly about FATF, it is an international watchdog that handles terror financing and money laundering. Pakistan was placed on FATF's grey list in 2016. Given 32 checkpoints to be completed to overcome the holocaust of being blacklisted, it can be indeed said Pakistan's government, especially former PM Imran Khan's, has done a splendid job.

Imran Khan's government passed the related bills required to tick all the checkpoints for FATF. Ironically he had to call a joint session to probe all the accounts due to the reluctance of some political figures regarding bills in the National Assembly.

Today, Pakistan is off the grey list, shining some hope that the country is retaliating against its worst enemy, money laundering

Section 6 of the same Act demands the setup of a Financial Monitoring Unit (FMU). As specified under sub-section 2.

FMU shall have independent decision making authority on day-to-day matters falling within its area of responsibility.

This sub-section gives autonomy to FMU to work and curb money laundering. As said before, institutions should be autonomous to control money laundering.

According to a Thomson Reuters report, there are five techniques to tackle money laundering. In order, they are as follows:

Anti-money laundering authorities will be able to detect false positives and conduct 24/7 searches thanks to the improvement in technology, such as Artificial Intelligence (AI).

Constant contact between various stakeholders, including law enforcement agencies, governments, and regulators, is necessary. Transparency among all stakeholders is the key to thwarting the activities of money launderers and enhancing the public-private partnership in the fight against them.

Regulators can analyze and recognize patterns in historical data and build a client model to trace any suspicions because of the abundance of data available now.

Different jurisdictions using a network of legacy computer systems may encounter challenges due to the various anti-fraud procedures implemented by multiple regulatory authorities. Without standardization, it is difficult to exchange and analyze data collected with other parties, which might negatively impact fraud detection.

Regarding fraud detection, having the appropriate people on the team is critical. Employees should be provided with a comprehensive training program, stakeholders should be informed, and proper action should be taken if there is any evidence of fraud. It's also critical to have a person in charge of keeping up with the latest news and technology changes and overseeing the fraud detection process (Jha et al., 2020).

Conclusion

Money laundering is a global crime. Terrorists, drug traffickers, smugglers, and black money owners employ money laundering to finance their activities, sell drugs, and clean ill-gotten gains. Money laundering involves three steps: placement, layering, and integration. Although AML bodies in all nations have created systems, laws, and policies to prevent and control money laundering, these measures have proved insufficient, costing billions of dollars internationally.

Money laundering devalues capital, slows growth, affects interest rates and the Consumer Price Index (CPI), generates inflation, and defames financial institutions, which reduces local and international direct investment.

Money laundering can provide safe havens for drug traffickers, terrorists, and other criminals who gain from it. Money laundering is interwoven with other major crimes, such as tax evasion, smuggling, whitening black money, corruption, terrorist financing, and drug and arms trafficking. These crimes can hurt a society's socioeconomic environment; they are also among the main conduits of money laundering in Pakistan and abroad. Law enforcement must stop money laundering by foiling criminals' methods and strategies.

As a result, money laundering can lead to corruption and bribery, as a corrupt individual will prefer to keep their corrupted money out of the hands of law enforcement.

Recommendations

This studycompares the Pakistan's anti-money laundering (AML) process to those of other nations that have improved their systems and stayed off international blacklists would be a valuable exercise. Pakistan might learn a lot about successful programs and approaches from this.

There has to be further research into blockchain and cryptocurrencies to fully grasp how these emerging technologies may affect traditional ways of money laundering. The continuous fight against money laundering must give serious thought to potential partnerships between the public and private sectors.

The vast implications of anti-money laundering legislation can be better understood by looking at the societal and economic effects of money laundering. It is essential that the researchers work together to enforce anti-money-laundering regulations, particularly those pertaining to the monitoring of foreign financial transactions, so that they may have a better grasp of the worldwide initiatives and difficulties posed by this clash.

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