

Strategic Policy Options to Curb Terrorism Financing in Pakistan



NATIONAL INITIATIVE
AGAINST ORGANIZED CRIME
PAKISTAN

POLICY BRIEF

Strategic Policy Options to Curb Terrorism Financing in Pakistan

A COMPREHENSIVE POLICY PAPER PRODUCED BY NATIONAL
INITIATIVE AGAINST ORGANIZED CRIME-(NIOC)

This policy brief was researched and written by Kashif Noon, consultant and research lead at NIOC. DIG Shehzada Sultan DG (CVE) National Counter Terrorism Authority, extensively reviewed this policy brief and added very valuable comments. DG NACTA DIG Iqbal Khan also provided useful insights in the development of this Policy Brief. President Advisory Board NIOC provided strategic guidance. This policy brief is issued after the review and approval of the NIOC Advisory Board and with the support of NIOC Secretariat.



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Executive summary

Curbing terrorism financing has become one of the primary policy concerns for Pakistan, particularly since the Financial Action Task Force (FATF) put the country on its ‘grey list’.¹ The next FATF review is expected in June 2020, which will reevaluate Pakistan’s compliance with the provisions suggested by the global money laundering and terrorist financing watchdog in form of 27-points Action Plan.

This policy paper delves deep into the issue of terrorism financing, employing a risk-based analytical approach. It analyzes risk factors and vulnerabilities in public and private sectors against international expectations, and suggests a comprehensive strategic approach to deal with the issue and associated challenges. The FATF framework views money laundering and terrorism financing as interlinked, however scope of this paper has been limited to terrorism financing only.

The first section discusses the persisting terrorist threat in Pakistan, albeit reduced in magnitude and scale, as well as risk profile of the country for terrorist financing. The comparative ‘reduction’ in terrorist violence is largely attributed to kinetic operations conducted by the security forces. As cited earlier, the issue of terrorism financing attained policy focus in Pakistan after the FATF started scrutinizing the country for that. In that regard, this section also explains the risk profile of Pakistan and contributing factors.

The second section primarily deals with the key areas and factors of vulnerabilities, and also touches upon law enforcement challenges, which have been interacting with the state’s responses to curb terrorism financing. The vulnerabilities have been categorized into structural and transactional, based on their scale and timeframe. The structural vulnerabilities include proximity with an active conflict zone in Afghanistan, religiosity in the society, and an undocumented economy. The existence of these vulnerabilities raises the risk profile of Pakistan, and has led the FATF to put the country on ‘grey list’; the country also holds the critical risk of being blacklisted. The transactional vulnerabilities have been separately analyzed for public and private sectors vis-à-vis terrorism financing, across all its four stages. Public sector has been analyzed at two levels: a) mapping of the institutions developed to deal with the challenge; and b) analysis of their capacities and results in their respective jurisdictions. The vulnerable private sector bodies and entities are analyzed individually, including DNFPBs, precious metals, gems & jewelry, non-profit organizations (NPOs), real estate, hundi/hawala or money value transfer systems (MVTs), and charity sectors. This vulnerability analysis not only takes into consideration the FATF framework, but also Pakistan’s legal framework governing terrorism financing, and also explains implementation problems.

The third section is prescriptive and proposes a comprehensive model, strategizing a multi-layered action plan to reduce the vulnerabilities at structural and transactional levels. It is proposed under the first strategic objective that for strengthening the legal framework both tools of amendment and repeal may be used. This strategic proposal is not limited to anti-terrorism act only but other

procedural and substantive laws are also included in the proposal's ambit. An action plan is also proposed with timelines and responsibilities. The second strategic objective deals with proposals regarding coordination and strengthening of regulatory regime for curbing terrorism financing, and also provides an action plan. The third proposed strategic objective is about the implementation deficit and suggests ways and means to bridge the deficit. The last strategic objective focuses on structural vulnerabilities which need medium to long-term treatment. The idea is to make these long-term issues as part of the policy debate.

The paper concludes by highlighting the methodology of FATF – which has a dual focus including on the laws, policies and institutions in place, as well as on effectiveness of the arrangements, which are quantitatively measured against the risk profile. There is a need to involve more stakeholders to demonstrate a socio-political consensus, which can demonstrate the seriousness of governmental resolve to adopt a devolved implementation approach to the level of districts, tehsils and hamlets. Local governments and police departments are the key actors in this proposed approach and by increasing capacities at local level, the requisite numbers can be generated, mitigating the risk of being blacklisted and curbing of terrorism financing.

1. Terrorism financing in Pakistan: introduction and background

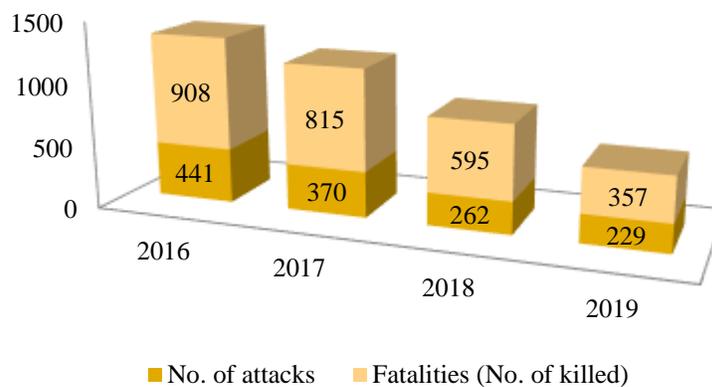
According to different counts, Pakistan's war on terror has claimed 60 to 70 thousand lives since 2001. Just between 2009 and 2018, over 50,000 fatalities were reported in different incidents of violence – mostly linked to acts of terrorism, counterterrorism operations and related incidents. Out of those 50,931 people killed in violent incidents, as many as 17,513 were civilians, 5,796 personnel of security and law enforcement agencies as well as 27,622 militants.² The war has been long and bloody and has affected an entire generation of Pakistanis.

Though the frequency of terrorist attacks has decreased in recent years, the fear of their resurgence still remains. For one, in 2019, as many as 229 terror attacks happened in Pakistan.³ This indicates that the problem persists and terrorism in Pakistan is still a threat, though with a reduced magnitude and incidence. A potential resurgence of the terrorist threat and the risk of its resuming high frequency still remains a formidable challenge.

Terrorist networks and operations feed on financial resources. Preventing and effectively curbing terrorism financing is therefore among the most important steps for countering terrorism. Curbing terrorism financing is indeed tantamount to nipping the evil in the bud.

As cited earlier, terrorist threat in Pakistan has reduced in proportion and magnitude over the last few years. This represents the success of kinetic operations, or the use of force and hard approaches against the terrorists. The curve of terrorist threat has declined over the years, as shown in the Chart 1.

Chart 1: Comparison of Terrorist Attacks and Fatalities in Pakistan (2016-2019)



(Source: *Pakistan Security Report 2019* by PIPS)

The reported reduction in scope, scale and magnitude of terrorist attacks indicates that the capacity of terrorist groups to finance complex and high-impact attacks has also reduced over the last three years, or so, in Pakistan. That is a valid indicator of Pakistan's success against terrorist groups and their financial channels and resources.

The terrorist attacks in the region, mainly in Afghanistan, however, have been posting a rising trend in recent years,⁴ with consequences for Pakistan.

The global efforts on combatting terrorism recognize the importance of terrorism financing as key ingredient of the operational capacity of the terrorist groups. Curbing the availability of finances, and the capacity to transfer and use them for operations, is high on policy agenda of counter terrorism regimes. The global approach for dealing with terrorism financing considers money laundering as a similar criminal act. It is based on the following assumptions:

- i. Overlap of sources of funding in similar predicate crimes.
- ii. Overlap of similar transfer channels used for the both.
- iii. Risk Based Approach is applicable to both, including for assessing the causal relationship among threat, vulnerability and risk.
- iv. Both occur in weak regulatory environments.
- v. Both are very good at adapting to changes.
- vi. Both use largely illegitimate money.
- vii. Similar legal, regulatory and enforcement measures can curb and restrict the both.

Risk Profile of Pakistan: The FATF has defined Pakistan as a jurisdiction with strategic deficiencies in its Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regimes.⁵ This high-risk profile of Pakistan not only placed it under the scrutiny of FATF but also increased the risk of restrictions on the country's trade and financial transactions with other countries. The Asia Pacific Group (APG) of the global regime conducted a Mutual Evaluation Report (MER) of Pakistan based on National Risk Assessment Report (NRA) presented by Pakistan in 2019. Pakistan has a high-risk profile for both money laundering (ML) and terrorism financing (TF).⁶ This high-risk profile is constructed on the following parameters by APG as reflected in MER 2019:

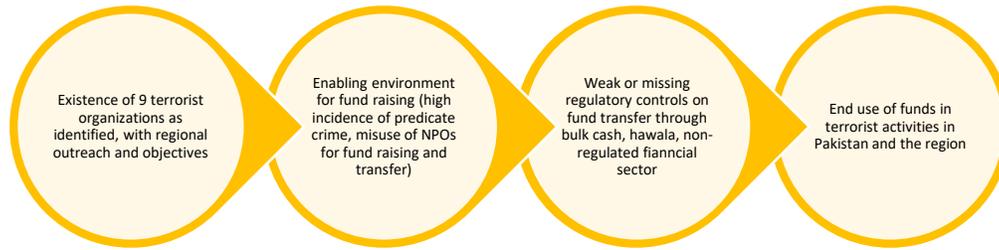
- i. Long porous border with Afghanistan, i.e. 2,430 km, which facilitates predicate crimes for example smuggling, drug trafficking, human smuggling, cash smuggling as well as terrorist transport to and from Afghanistan.

Predicate Crimes

1. Corruption
2. Tax evasion and fraud
3. Drugs trafficking
4. Smuggling & human trafficking
5. Extortion
6. Kidnapping for ransom
7. Bank robberies
8. Illegal arms smuggling and sale

- ii. Presence of militant groups and individuals in Pakistan, which are proscribed by the United Nations Security Council Resolutions (UNSCRs) 1267 and 1373, is seen as a major threat, vulnerability and risk. The groups and individuals proscribed by the government of Pakistan are not considered in the said report.
- iii. [A prevalence of] high incidence and frequency of all predicate crimes both for ML and TF.
- iv. Presence of a robust *hawala* and *bundi* sector in Pakistan (Money/Value Transfer Services-MVTS), which is used not only for ML and TF but also for overseas remittances from Gulf and elsewhere especially by the less literate workers employed in low skilled labour markets. They have lesser trust in and understanding of formal banking. The recipients of the remitted money (usually old parents, women) are even more distrustful and unaware of formal banking sector.
- v. Weak regulation of the financial sector, inter-alia banking, Insurance, NBFIs (Non-Banking Financial Institutions), Non-Banking Financial Companies (NBFCs), and Exchange Companies, as well as Directorate of National Savings and Pakistan Post's agency functions.⁷
- vi. Pakistan is rated very low on Transparency International's index; 120th on a list of 180 countries. This indicates a high perception of corruption. This is a highly likely predicate crime for ML but far less likely predicate crime for TF.
- vii. A large segment of nonprofit organizations is not regulated and is sparingly documented. This includes trusts, Waqfs, cooperatives and societies.
- viii. Almost completely unregulated sectors of real estate, precious metal gems and jewelry are the most likely repository of ML and TF for stashing of funds and their transfer.
- ix. Pakistan's tax to GDP ratio is 11.6%, which indicates an undocumented economy and tax evasion. This creates an enabling environment for money laundering and reinforces the risk which an undocumented economy could poses for both ML and TF.
- x. The Asia Pacific Group conducted a review based on National Risk Assessment report provided by Pakistan and an onsite visit in early 2019. The APG's report (MER, as cited earlier), released in October 2019, placed Pakistan on 'grey list' of FATF. APG reviewed Pakistan's compliance against its 40 recommendation for compliance.

The Process Flow of TF: The multiple factors of high risk profile, high incidence of predicate crime, existence of UNSC-proscribed terrorist organizations, and availability of weakly regulated or non-regulated channels of funds transfer enable a process of flow of terrorism financing, which is explained in the following diagram:



This process flow of terrorism financing is because of existence of different vulnerabilities within the public and private spheres. As these vulnerabilities have become opportunities for terrorism financing, these need to be closely examined and analyzed to understand the process.

2. Vulnerabilities and responses

The FATF assessment is done on the basis of Risk Based Approach (RBA), built around the causal chain of threat-vulnerability-risk. The jurisdiction being assessed has to provide evidence of compliance, i.e. it has mitigated the risk and reduced the risk profile. The APG vulnerability analysis approach, as reflected in MER 2019, relies in most part on National Risk Assessment provided by a sovereign jurisdiction. However, the basic assumptions are constructed around the risk profile of a country, and as cited earlier, Pakistan falls under the high-risk category.

Vulnerabilities to terrorism financing in case of Pakistan are explained as follows.

2.1 Structural vulnerabilities

Structural vulnerabilities are a set of deep-rooted problems that can only be addressed by adopting some long-term strategic measures and solutions. Some critical structural vulnerabilities are listed below.

- The *long porous border with Afghanistan* with a 30 year-old conflict is a long-term structural vulnerability. Border fencing is costly and entails cultural and diplomatic problems. This segment of Pakistan's risk profile will continue for foreseeable future.
- The increasing trend of *religiosity in Pakistan*, which began in the 1980s and has continued to grow since, creates an enabling environment for religious organizations to grow and operate, besides impacting social narratives. The larger religious landscape also provides support to religiously inspired extremist narratives and organizations, which feed into violent extremism and terrorism.
- The size of Pakistan's economy is estimated at \$313.13 billion.⁸ The tax to GDP ratio is 11.6%, which indicates a largely non-tax paying population.⁹ Pakistan has a large diaspora employed mainly in Gulf, and the country's foreign remittances in 2019 were \$5,198million.¹⁰ Therefore, a lot of money comes from abroad through various formal and informal channels. These economic indicators tell that Pakistan has *a cash-based, undocumented economy*, which receives a sizeable amount of remittances from abroad through formal but mostly from informal channels. This poses a structural risk for terrorism financing, because people largely do not pay taxes or use informal channels for remittances because of trust deficit between citizens and the state.

2.2 Transactional vulnerabilities

Transactional vulnerabilities are relatively easier to address in comparative terms. They relate to issues and gaps within the ambit of government actions at institutional, legislative, policy, coordination and implementation levels. The focus of Mutual Evaluation Report (MER) has been

mainly on these transactional vulnerabilities. Pakistan’s transactional vulnerabilities, which exist within the public and private sectors, and as reflected in the MER are listed below:

- Sub-optimal institutional understanding and appreciation of TF risks, resulting in avoidance of adopting risk based approaches
- Lax legislative frameworks without ‘dissuasive sanctions’
- Regulatory weaknesses and gaps
- Non- transparent policymaking
- Capacity issues at implementation level
- Information and data gaps
- Coordination deficit
- Weak monitoring
- Undocumented and unregulated private sector actors

It is therefore pertinent to review the public sector institutional landscape to determine these weak links and propose ways and means to strengthen the weak links as well as plug the gaps. This will help to situate the discussion on technical compliance parameters of FATF.

Public sector institutional landscape.¹¹ As cited earlier, Pakistan was defined as a jurisdiction with strategic deficiencies.¹² In response, Pakistan has been trying to put in place the policy and regulatory structures for addressing issues linked to money laundering and terrorism financing. Federal level institutions are part of the top tier of governance infrastructure to curb terrorism financing. The National Executive Committee (NEC) and General Committee (GC) have federal level memberships. At the provincial level, committees headed by Chief Secretaries have been formed which are institutionally linked with the GC. Similarly, there are district working groups particularly focusing on nonprofit organizations.

It will also be useful to undertake an institution-wise analytics to ascertain the risk across the policy and implementation landscape. The table below presents the findings of MER report regarding public sector institutions and identifies the gaps and deficiencies. The same report also examined the private sector for identifying the weak links and enabling environment for terrorism financing.

Table 1: Institution-wise analytics to ascertain the risk of terrorism financing

Institutions and Function	TF stage and relationship	MER assessment	Recommendations
Policy level			
NEC, GC, MoF, MoI, MoFA (legislative and policy-level recommendations)	All 4 stages (collection, stashing, conveyance and use).	Demonstration deficit in assessing risk and applying risk based approach for policy action (PC) (No TF risk assessment of legal persons, NPOs, Waqfs, trusts; risks	Assess, Appreciate and Apply (AAA) RBA (Risk Based Approach) across all sectors (TF in Pakistan and from Pakistan)

Institutions and Function	TF stage and relationship	MER assessment	Recommendations
		associated with funding of TOs; No analysis of new technologies; and lesser focus on cross border (cash smuggling). ¹³	
Regulatory level-Federal			
SBP and SECP (regulatory level)	Stashing and transfer/conveyance (including cash).	Limited understanding at the time of onsite visit. However SBP and SECP have issued regulations for CDD, and EDD, which have been incorporated by banks. FIs do not have adequate systems to provide STRs on high-risk predicate crimes like drug trafficking. ¹⁴	Improve regulations of FIs and demonstrate risk assessment of legal persons (SECP); there was no risk understanding of STR reporting on legal persons.
PSX (Pakistan Stocks Exchange)	Stashing and transfer.	PSX is regulated by SECP and has data on public limited companies (legal persons).	Improvement in CDD and risk based approach regarding TF should be observed (only 926 cases of CDD, KYC breaches were detected till 2019; not commensurate with the risk profile). ¹⁵
Pakistan Post and Central Directorate of National Savings (CDNS) – undocumented and unregulated agencies	Stashing of funds and transfer.	<ul style="list-style-type: none"> • More than 13,000 Post offices across the country performing agency function (Saving Bank) and PLI on behalf of Ministry of Finance. Transactions manual and no understanding of TF risks • CDNS issues bearer bonds and National Saving Certificates which are alternate legal tender; a similar high risk profile as for Pakistan Post. 	Raising TF risk understanding and regulating these hitherto unregulated agencies, at the institutional and operational levels. Establishing reporting mechanisms is also crucial.
Implementation level-Federal			
Financial Monitoring Unit (STRs and CTRs)	Detection- Financial intelligence for preventing stashing	<ul style="list-style-type: none"> • CTDs don't have direct access to FMU intelligence; only 	FMU to be strengthened further and its role in providing financial

Institutions and Function	TF stage and relationship	MER assessment	Recommendations
	and conveyance	<p>though court order.</p> <ul style="list-style-type: none"> ● FMU has no access to tax database. ● No formal linkage between FMU and NACTA. ● No formal exchange of info between FMU and foreign similar agencies. ● Currency seizure cases are shared with FMU by customs on monthly basis. ● FMU does not share data with NACTA. ● 1394 proactive Intel cases provided by FMU16. ● Gives detail of use of FMU agency wise. 	<p>intelligence may be strengthened; also needs capacity building.</p> <p>CTDs to directly access FMU data proactively.</p> <p>Besides FIA, CTD persons to be deputed to FMU.</p>
FIA	Investigation and prosecution TF cases	Demonstrated low capacity and use of FI for proactive investigation, e.g. 81 cases of TF proactively reported to FIA (27 closed and 54 at inquiry stage). ¹⁷	The capacity of FIA for investigation of TF may be augmented. A Federal CTD may also be established with amendments in FIA Act.
NACTA	Policy coordination at all levels for all stages of TF (TF-Sub-Committee with in NACTA)	NACTA has not access to FMU (not an investigation agency). TF Committee is working, SOP issued in 2018, and now TF investigation policy approved and issued by PM office	NACTA's strategic role to be increased. FMU data to be shared with NACTA for trends analysis. High frequency meetings of TF sub-committee be held.
ANF	Drugs trafficking a major predicate crime (Collection stage in TF).	4951 investigations (2,785 convictions and 3,396 persons convicted – TF angle was not a major concern. ¹⁸ CNSA has provision for MLA and is made use of by ANF.	Parallel TF investigation made part of drug trafficking investigation. Amendment in CNSA 2007 and sub-ordinate legislation be framed accordingly.
Customs	Cash transfer (cross border) and smuggling a predicate crime.	Pakistan Customs confiscated a total of USD 4.32 million currency at various borders between 2012 and 2018.	TF angle to be included as cash smuggling and smuggling are major predicate crimes. It is being done, however it needs to

Institutions and Function	TF stage and relationship	MER assessment	Recommendations
			be strengthened and mainstreamed.
Implementation level-Provincial			
Provincial Police and CTDs	Investigation at all stages of TF (collection-stashing-conveyance and use)	CTD Punjab stands out as having better understanding of TF and also has established an R&W Wing. It cannot directly access FMU data or proactive TF related financial intelligence.	CTDs to be provided direct access to FMU data and CTD personnel to be placed in FMU on deputation for viewing STRs CTRs with TF angle.
Prosecution departments	Prosecution of all TF stages of crime.	Low understanding of TF.	Rigorous training for prosecution departments.
Home Department	Proscription of TOs	Lack of data is the main issue regarding Home Departments.	High frequency data sharing and availability is urged.
Social Welfare Department	Stashing of funds and means of conveyance through cooperative societies.	The information on cooperative societies was meager.	Mapping of all cooperative societies (including beneficial owners) and uploading data on all websites (RTI provisions for proactive disclosure).
Auqaf	Stashing of funds in property.	Waqf properties.	A mapping exercise to be undertaken and information about beneficial owner, use of rent earnings to be documented and displayed under RTI legislation (pro-active disclosures).

Sectoral analysis-private sector: The main concerns as reflected in MER rested in the private sector. The private sector includes many actors who can play a role in terrorism financing. This possibility raises their risk profile as conduits, support and repository of funds for TF.

- Designated Non-Financial Professional Bodies (DNFPBs) in Pakistan, which were reviewed by the APG, included Pakistan Bar Council (PBC) and Institute of Chartered Accountants Pakistan (ICAP).
- It was observed that the DNFPBs were less aware of proscribed organizations and vital information like beneficial ownership was not provided when selecting clients.
- As proscription is a ‘preventive’ measure and does not constitute conviction,¹⁹ PBC may take up the case of any proscribed natural or legal person or it may not debar any person

connected with proscribed organization. However, an understanding of risk of TF needs to be conveyed to PBC, which may make rules regarding that.

- Professional accountancy is more related to money laundering than terror financing, however, the risk awareness [of TF] however needs to be conveyed to ICA.
- DNFPBs are largely an unlikely risk factor for TF. However, more awareness is needed for installing professional safeguards within the ambit of professional self-regulation regime.

Hawala/hundi or Money Value Transfer Service (MVTS): ‘Promissory notes,’ a traditional and informal mode of money transfer, have been increasingly used for TF. Anecdotal evidence points out that the hundi/hawala business in Pakistan is around USD 12 billion;²⁰ it works around the Foreign Exchange Regulation Act 1947. This ancient system of cash transfer poses a huge TF risk, as was also recognized in Pakistan’s NRA report of 2017.²¹ The illegal MVTS operators have opened shops across Pakistan making it a thriving business and a channel for largely less educated Pakistani diaspora. To facilitate remittances through formal, the government implemented the Pakistan Remittance Initiative (PRI) in 2015.²² The success of this initiative is sub-optimal as reflected in NRA by Pakistan in 2017 and noted in MER in 2019.

Civil society and nonprofit organizations: NPOs are considered among high-risk areas because of their possible misuse for terrorism financing; the NPOs’ misuse of donation, as assessed through STRs analysis, is 0.14%.²³ Although SECP has issued guidelines for NPOs to evaluate risks,²⁴ the MER was not convinced by the regulators’ understanding and thus outcome in terms of checking the misuse of NPOs for terror financing. What compounds the problem is multiple types of NPOs such as so-called liberal non-governmental organizations or CSOs, Islamic charities (usually involved in relief and collective goods activities), traders bodies, and manufacturing associations.²⁵ SECP however also de-registered many NGOs. According to some reports, there were 46,000 NGOs operating in Pakistan and after the regulatory focus was diverted to this sector only 16,000-17,000 remained.²⁶

The charity factor: Pakistan has proscribed many so-called welfare or charity organizations, which were reportedly linked to banned militant and religious groups, such as Falah-e-Insaniyat Foundation (FIF), Al-Rasheed Trust, and Al-Khair Trust, among others.²⁷ However, the 2019 Mutual Evaluation Report noted that these charitable organizations were still operating, especially the ambulance service of FIF. Pakistan is one of the most charity giving nations in the world. It is considered a social safety net for poor and needy. A study published in 2016 revealed that just in the year 2014, PKR 239.7 billion were given in charity.²⁸

Table 2: Religious charity in Pakistan in 2014²⁹

Type of giving	Amount (PKR in billions)	Percentage
Non-Zakat/monetary	70.8	30
Zakat [an Islamic obligation]	25.4	11
In-kind [giving]	35.1	14

Type of giving	Amount (PKR in billions)	Percentage
Time [volunteered]	83.2	34
Usher [or agricultural levy]	13.9	6
Animal hides	4.9	2
[Giving at] shrines	6.4	3
Total	239.7	100

There are Zakat and Ushar Departments in provincial government, but they don't have a regulatory mandate. The banks deduct Zakat on 1st of Ramadan but the volume of official Zakat collection is very small; people generally tend to give Zakat directly. The volume of non-Zakat charity is even higher than Zakat. Every year, on Eidul Azha, hides of sacrificial animal are collected, usually, by religious establishments, and the possibility of the collected money ending up for terrorism financing is high. There is hardly any tracking of money being doled out in charity through various means.³⁰

Precious metals, gems, and real estate sectors: Precious metals and gems have been traditional and historical methods of stashing wealth. MER [2019] noted that there were approximately 50,000 dealers in precious metals in Pakistan with an annual trade volume of \$22.1 million in 2016.³¹ There is no licensing regime in place for dealers in these sectors, not even self-regulation, although they have formed associations that are scattered and fragmented, often limited to cities. Both these sectors and their professional bodies are hardly supervised for checking money laundering and terrorist financing. These are high-risk areas and could be used for stashing and conveyance funds; real estate for stashing and precious metal and gems for conveyance of TF.

2.3 Legal framework to curb terrorism financing, and related challenges

Pakistan's Anti-Terrorism Act 1997 (as amended from time to time) is the principal substantive law which governs the offence of terrorism. A 2019 report by Law and Justice Commission of Pakistan on police reforms noted that 48% cases registered under ATA were discharged by the courts. The report also stated that 4.6% cases registered under ATA between 2005 and 2011 were related to bombing, including suicide and complex attacks, in Punjab; therefore about 96% of registered cases were not strictly terrorism offences.³² The report identified certain flaws and suggested remedial measures in ATA, which are summarized below:

- Definitional ambiguity of 'terrorism' and terrorist act.³³
- New offences are not defined properly. Terrorism financing as an offence carries a sentence of 5-10 years, and judges tend to choose lesser penalty.
- The Act does not provide for federal jurisdictions. The process of terrorist acts often crosses provincial boundaries in transportation; in particular for terrorism financing, cash couriers and other such actions have inter-provincial movement. Thus there is a need to make federal jurisdictions part of ATA (USA has similar arrangement in the form of jurisdiction of FBI and NSA).

- Possession of explosives beyond a reasonable quantity should be made a “strict Liability Offence”.
- Terrorist acts often target national ‘symbols’ to simultaneously demonstrate their ability and inability of LEAs to stop them. Such attacks may be categorized separately with harsher sentences.
- Recoveries of explosives and weapons are covered under a fractured legal regime (Explosives Act 1884, The Explosive Substance Act 1908, Pakistan Arms Ordinance 1965). These recoveries should be made offences under the ATA.
- ATA should also have provisions for MLA on the pattern of CNSA especially regarding TF.
- Witness Protection Laws should be enacted (Federal and Punjab laws have been) and special allocation to be made under these laws in recurrent budgets of all LEAs.

Similarly, the Qanun-e-Shahadat Ordinance 1984 needs a major overhaul not only in cases of terrorism but for overall Criminal Justice System. The primacy of ocular evidence needs to be rationalized. Similarly, in acts of terrorism, terrorism financing and planning are often done remotely. The procedural law, however, while recognizing the ‘presence’ on or near the scene of a crime allocates evidentiary value to it. This also needs to be amended in the proposed revision of the primary Evidence Law of Pakistan.

The Investigation of Fair Trial Act 2013 provides for the use of surveillance, email as evidence and is an attempt to incorporate new technologies. However, the procedural bottlenecks have hampered its efficacy. This also needs to be corrected.

Implementation challenges:

While terrorism has been dealt with the use of force, or kinetic responses, the issue of terrorism financing has hardly been treated even as an ancillary part in investigation, prosecution and conviction. At the policy level, the National Action Plan’s (NAP) 20 clauses entail one on curbing terrorism financing, which says that ‘financial sources of terrorists and terror organisations will be cut’. But many contest the effectiveness of NAP as a whole. As cited earlier in the beginning of the report, the threat emanating from TF was not part of the policy calculus until very recently.

Secondly, as also pointed out in MER 2019, Pakistani government tends to operate in less than transparent environment. The stakeholders’ engagement is considered as an unnecessary exercise for policy development. This conservative institutional ‘culture’ of the government often excludes ideas and inputs from key stakeholders, compromising the quality of policy solutions.

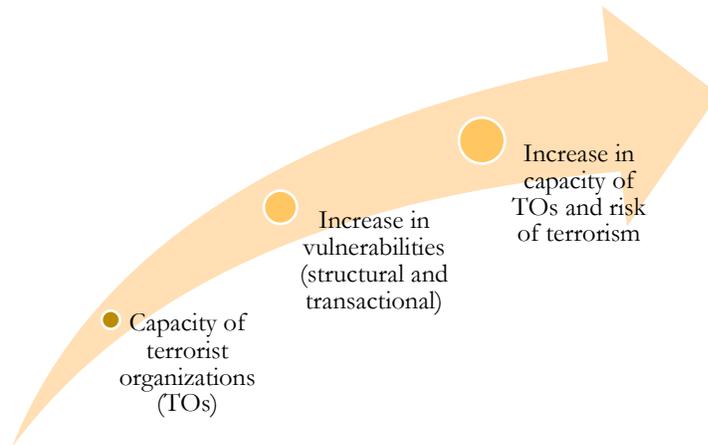
Thirdly, institutional coordination at all levels, between federation and provinces, and right down to the district level is direly lacking. Weak coordination results in suboptimal policymaking and implementation in silos, often exacerbating the problems rather than solving them.

Fourthly, the capacity issues are a serious challenge for addressing the complex crime of terrorist financing. The level of understanding of the risk has been documented as low across most organizations mandated to address the problem.

3. Strategic action plan to curb terrorism financing

The primary theme of this report thus far has been the element of ‘risk’ of terrorist financing. Mutual Evaluation Report 2019 does not provide any evidence about the quantum of funds generated, conveyed and used by terrorist organizations (TOs) at operational level. Terror financing happens below the radar of law enforcement. Therefore, the most plausible approach to curb this secretive crime is to reduce the risk of it by reducing vulnerabilities.

The capacity of TOs has a directly proportional relation with the vulnerabilities existing on structural and transactional levels. The following diagram illustrates this concept:



The proposed strategic approach, as laid down in the following pages, employs a pincer movement to reduce these strategic and tactical vulnerabilities. The approach is explained below through a set of strategic objectives and related action plans.

The first pincer is meant to address transactional issues and strategizes three key areas linked to strengthening the legal framework; consolidating and strengthening the regulatory regime; and strengthening law enforcement and prosecution. The second pincer is meant to address the structural issues.

3.1 Strengthening the legal framework

- Sections 11H to K of the Anti-Terrorism Act 1997 criminalize terror financing, addressing the issue in substantive law. Procedural law (Pakistan Code of Criminal Procedure 1898 as amended by Act 2 of 1997) does not include TF investigation as part of the investigations procedure in terrorism cases and does not provide for pro-active investigation (CrPC sections 156-157). Similarly, the predicate crimes are not investigated with an angle of TF as part of procedural law.
- The sanctions provided under ATA for TF do not carry enough dissuasive strength. The judicial practices have maintained a traditionally way of awarding the lesser sentence. Therefore, usually the punishment is less than the maximum. This needs amendments in ATA.
- Similarly, police cannot, by law, investigate non-cognizable offences. But the TF process often starts with non-cognizable offences (e.g. collection of hives or charity), and is also likely to happen in small towns and hamlets. Police department is the only LEA present at that level. That calls for suitable amendments in substantive and procedural law.
- The laws governing the possession of explosive substances are outmoded. ATA should be amended to include possession of new kinds of explosives (RDX, explosives used in IEDs, landmines etc.), and criminal liability on possession may be added on the pattern of CNSA 1997, which increases with the quantity.
- ATA should also be amended for provision of asset forfeiture of persons found guilty of TF on the pattern of CNSA 1997.
- Qanun-e-Shahadat Ordinance 1984 is the substantive law governing evidence presented in a court. The restrictive nature of primacy of ocular evidence is a serious issue for prosecution in case of TF. The law needs a significant overhaul considering the fact that TF is a process, which hardly leaves behind witnesses.
- The issue of adversarial legal system also needs closer examination. TF is a crime against the state acting in 'public interest' as part of the social contract. A mixed jurisprudential approach of adversarial and inquisitorial may be a suitable legal remedy to address the problem of TF. It needs to be treated as a different category of crime beyond person and property.
- The Foreign Exchange Act 1947 may also be amended to enhance sanctions against cash transfer across border.

Table 3: Proposed amendments in legal instruments/laws

Sr. No.	Legal instrument / law	Structure of proposed amendments
1	ATA 1997	<ul style="list-style-type: none"> Increasing sanctions for TF offence. Adding a schedule to ATA for new kinds of explosives and their purchase and repeal of all outdated laws. The jurisdictional ambiguity in ATA (federal vs provincial) may be removed and ATA may be given federal jurisdictions for investigation of TF and all terrorism related crimes. A sunset clause may be added to this provision. MLA provisions may be added for TF investigations as in CNSA.
2	CrPC (1898)	<ul style="list-style-type: none"> TF investigation may be made part of CrPC with detailed procedural provisions especially for predicate crimes which can be linked to terrorism. The legal lacuna of non-cognizable nature of most TF related actions may be resolved through suitable legal provisions. A check and balance system can be made part of the CrPC by inserting a suitable approval system.
3	QSO (1984)	<ul style="list-style-type: none"> QSO may be amended to include forensic evidence as primary evidence including electronic forensics and money trails.
4	Foreign Exchange Act 1948	<ul style="list-style-type: none"> Harsher sanctions to be incorporated for possession of cash, beyond authorized limit at entry and exit points and possession of cash to be made a 'strict liability offence' connected to quantity as in CNSA.

The government should undertake these proposed legal reforms after a due process, taking all stakeholders on board; all possible implementation bottlenecks be removed for quick results. Following is a proposed action plan:

Table 4: Action plan for strategic objective 1, i.e. strengthening legal framework

Action	Responsible agency	Support role
Hold a series of multi-stakeholders workshops/policy debates on amending substantive law (ATA 1997) and procedural laws (relevant sections) and repeal of archaic laws. The stakeholders may include representatives of PBC, FJA, CTDs, CSOs, academia, other legal experts	NACTA	Ministry of Interior
Legal drafting of proposed amendments in substantive and procedural law and whetting by Ministry of Law.	NACTA with support of LJCP	Ministry of Law
Ministry of Interior proposes a set of bills for amendments and repeal.	NACTA, MoI, MoL	Parliament of Pakistan

3.2 Consolidating and strengthening the regulatory regime

The traditional approach in Pakistan has been enacting new laws to solve emerging problems. This legislative overdrive only leads to confusion and misuse at the field level. The fractured legal regime needs to be consolidated. This fracturing also makes it very difficult to monitor any violations and often results in jurisdictional issues among agencies. One example is multiple laws under which a non-profit organization could be registered.

The section of this report on transactional vulnerabilities has discussed at length different private sectors and inherent risk for terrorism financing. In particular, the section identified and analyzed risk factors and vulnerabilities of Designated Non-Financial Professional Bodies (DNFPBs), Non-Profit Organizations (NPOs), precious metals, gems and real estate sectors, hawala/hundi or Money Value Transfer Service (MVTs), and charity organizations including religiously inspired. Table 5 provides an action plan to address all those issues related to transactional vulnerabilities by strengthening the regulatory regime.

Table 5: Action plan for strategic objective 2, i.e. consolidating and strengthening regulatory regime

Action	Responsible Agency	Support Role
<p>Regulatory consolidation: (Trusts, cooperatives societies) Instead of having myriad laws and regulatory structures for NPO registration and regulation, mandate only one body SECP for registration and monitoring of all legal persons and NPOs. The suggestion is to repeal all archaic laws (Societies Act, Trust Act, Cooperative Societies Act). The present offices and staff could be converted into district level or divisional level offices of SECP. The issue of 18th Amendment can also be resolved consultatively:</p> <ul style="list-style-type: none"> • A multi stakeholders conference to form an action plan for repeal of relevant laws and extending outreach of SECP. • Repeal legislation and consolidated legislation as amendment to SECP Act 1997. 	SECP, provincial governments, Parliament of Pakistan	NACTA
<p>DNFPBs</p> <ul style="list-style-type: none"> • Start a negotiating process with PBC and ICA. • Self-regulatory bodies to self-develop guidelines based on KYC and CDD approaches. • PBC to issue guidelines/rules under Pakistan Bar Council Act 1973 as amended from time to time and ICA to issue similar rules/guidelines. 	NACTA	Ministry of Law, PBC and ICA
<p>NPO/NGOs/charities This sector is already under a lot of scrutiny at federal, provincial and district level, however besides PCP certification, NOC from District Intelligence Committee may also be made mandatory before registration with SECP.</p>	Home Departments, Deputy Commissioners, DICs	NACTA to coordinate

Action	Responsible Agency	Support Role
<p>Waqfs The issue of Waqfs has only figured in MER due to lack of available information.</p> <ul style="list-style-type: none"> • The religious endowment lands and properties need to be mapped at district level and documented; and displayed on Provincial Auqaf Departments websites and on NACTA's website. • Auqaf Department may also be required to do proactive disclosure by publishing its annual report under RTI Laws. 	Provincial governments	NACTA to coordinate
<p>Precious metals, gems and jewelry</p> <ul style="list-style-type: none"> • Develop pamphlets/IEC tools in Urdu on KYC and CDD approaches. • Organize tehsil level meetings with Sarafa Bazaar Associations through SDPOs. 	NACTA to develop IEC material in coordination with Provincial Police Departments.	CTDs
<p>Real estate sector</p> <ul style="list-style-type: none"> • Scattered association may be contacted through similar approach as Sarafa Bazaar Associations. 	Same as above	Same as above
<p>MVTS/hawala/hundi There is a strong case for continuity of hawala and hundi for remittances. There is an equally strong case for the visibility and regulation of this entire sector. The proposed approach is arriving at a point where tradition meets innovation.</p> <ul style="list-style-type: none"> • Foreign Exchange Act makes hawala illegal. The Act may be amended with a sunset clause for making them legal. • Provide a tax holiday for all dealers who chose to register with District Administrations across Pakistan. • Re-start and reinvigorate the 2015 initiative of Ministry of Overseas Pakistanis and SBP, Pakistan Remittance Initiative (PRI), and popularize Pardes Card Scheme, through media and other means at district and tehsil levels. 	MoOP, SBP, MoIB and NACTA	Provincial Governments

3.3 Strengthening law enforcement and prosecution

National Counter-Terrorism Authority (NACTA) has the policy mandate to look into terror financing crimes. Federal Investigation Agency (FIA) has the law enforcement mandate in terror financing as well as other predicate crimes. Anti Narcotics Force (ANF) holds the mandate for investigating, interdicting and prosecution of drug related offences. Drug trafficking is the most likely predicate crime for terror financing. FBR-Customs also holds a federal level mandate to look into predicate crimes like cash smuggling, smuggling, and drugs, etc. Similarly, paramilitary organizations for border control (Pakistan Rangers, Pakistan Coast Guards and Frontier Corps, GB Scouts, ASF), working under Ministry of Interior (MoI), are also mandated for trans-border

predicates. At federal level, MoI is the premier law enforcement ministry. At the provincial level, there are police departments and dedicated counter-terrorism departments (CTDs). There are 54 Anti-terrorism Courts functioning in Pakistan for prosecution of offenses pertaining to terrorism and its financing.³⁴ The conviction rate, however, remains low; an International Crisis Group report in 2010 counted it somewhere between 5 and 10 percent.³⁵ It is low especially in cases of terrorism financing.

Two issues central to this problem are related to significant coordination and capacity gaps. These gaps need to be addressed through implementing a robust action plan in both areas of coordination and capacity building of all LEAs especially in issues linked to terror financing. It is also recommended that specific PSDP/ADP allocation be made in all ministries and departments' budgets for FY 2020-21 as a five-year project.

Table 6: Action plan for strategic objective 3, i.e. strengthening enforcement and protection

Action	Responsible agency	Support role
<p><i>Fill the coordination gap:</i></p> <p>a) The forum of NACTA sub-committee on terror financing may be reinvigorated with frequent meetings. It should also be mandated to monitor cases of TF.</p> <p>b) Do regular high frequency TF intelligence sharing by all agencies working under MoI, MNC, FBR, & provincial police.</p> <p>c) Develop a dynamic intelligence-sharing database with a dynamic dashboard. Punjab Information Technology Board (PITB) can be tasked to do it.</p> <p>d) Developing coordinated operational capacities like holding joint operations for TF and predicate crimes.</p>	<p>MoI, MNC, FBR, home departments, police departments, PITB</p>	<p>All LEAs under MoI, FBR, MNC at federal level, and CTDs</p>
<p><i>Making FMU the premier financial intelligence Agency</i></p> <p>Financial Monitoring Unit³⁶ is the premier financial intelligence-providing agency. It has a very significant preventive role in identifying TF, its patterns and geographical spread. These are key elements for tracking TF flows. Similarly, it can also provide proactive intelligence for all TF related predicate crimes. Currently FMU's focus is primarily on money laundering (ML) and secondarily on TF.³⁷ This needs an adequate re-prioritization and balance.</p> <ul style="list-style-type: none"> • FMU to conduct trend analysis of TF and provide proactive intelligence directly to CTDs.³⁸ • Co-locate persons from CTDs' Research and Analysis 		

Action	Responsible agency	Support role
Wings in FMU for analyzing financial data with the TF detection lens. <ul style="list-style-type: none"> • Build the capacity of FMU by training in counter-terrorism in police training schools. • Develop a cadre of financial intelligence specialists for TF, also by recruiting from market. • CTD to have access to FMU data (it's not clear in TF investigation policy). • FMU to conduct trend analysis of TF and provide proactive intelligence directly to CTDs.³⁹ 		
Conduct a training and needs assessment event with a robust sample of all LEAs working on TF and predicate crimes.	NACTA to coordinate	MoI to support
Develop training modules on TF detection, investigation and prosecution including forensic audit (FIA may constitute a special unit for that).	NACTA	Training academies of all LEAs
Conduct joint training of LEAs based on these modules (like CTPs of CSS cadre).	NACTA	Training academies of all LEAs
Train all prosecutors (all agencies) on TF especially evidence collection, presentation, cross examination and mock trials of TF cases.	NACTA (FJA and PJAs)	Training academies of LEAs
Train special judges and add TF module to regular judges' training in FJA and PJAs.	FJA, PJAs	NACTA to coordinate

3.4 Reducing structural vulnerabilities

There are three types of structural vulnerabilities for Pakistan vis-à-vis terrorism threat and consequent terrorism financing risks. Already described at length in Section 2.1 of this report, these vulnerabilities include: long, porous border with conflict-affected Afghanistan; growing religious-ideological spaces in society with implications for extremist violence and its financing; and cash-based, largely undocumented economy of Pakistan. A proposed action plan to address these vulnerabilities is given at Table 7.

Table 7: Action plan for strategic objective 4, i.e. reducing structural vulnerabilities

Action	Responsible agency	Support role
<p>Pakistan cannot change its neighborhood. However it can play a role in building peace and achieving political reconciliation in Afghanistan, for which it has already increased its efforts in recent months and years.</p> <p>Good diplomatic and working ties with the neighbors including for security borders and curbing cross-border terrorism and terrorist financing are the keys to reduce the risk of this structural vulnerability.</p>	MoFA	
<p><i>The religious charity</i></p> <p>NACTA has a safe charities list prepared by Pakistan Center for Philanthropy. However, as noted earlier in the report, the charity happens at grassroots level and those donating are not able to distinguish between welfare/charity and terrorist outfits, or any links between the two.</p> <p>A general awareness campaign like ‘Haq Haqdar Tak’ run by Ministry of Information’s Pakistan Peace Collective Project may be made more rigorous.</p>	NACTA in coordination with Ministry of Information and Broadcasting	MoI
<p>The <i>centralized nature of taxation structure</i> is the main cause of trust deficit and a tax evasion culture. Pakistan perhaps needs to de-centralize taxation. It needs to be devolved to local level so that local governments become the vehicles of tax collection.</p> <p>Collect taxes through local governments, based on local prosperity index. FBR may act as the regulator to monitor the process.</p>	FBR	NACTA

4. Conclusions

The threats of terrorism and terrorist financing are real and grave. They have implications for Pakistan's internal security as well as its international image and relations. A directly proportional relationship between terrorism financing and capacity of terrorist organizations also makes the former more critical.

The methodology for assessing technical compliance with the FATF recommendations and the effectiveness of AML/CFT systems – as adopted in 2013 and updated in 2019 – indicates two criteria: first, technical compliance on setting up of structures, laws etc.; and second, effectiveness which is measured quantitatively. A media report in February this year claimed that a major legal overhaul regarding terrorism financing was on the cards.⁴⁰ The report said that targets have been set for making new laws including “the [amendments to] Anti-Terrorism Act that is already pending with parliament and the Mutual Legal Assistance Act for exchange of legal cooperation with various countries.” Meanwhile FBR is being empowered to regulate real estate, and precious metals, gems and jewelry sectors. Similarly, DNFPBs are also being ‘empowered’ for FATF compliance.⁴¹

These are heartening news. Pakistan's efforts may still hit the ‘rocks’ of ‘effectiveness’ criterion of FATF methodology. It is feared that enough numbers could not be produced by the time of the next review. It is also feared that these centralized legislative actions will hit the treacherous rocks of implementation at the district, tehsil and hamlet levels, where it all actually happens.

Another issue is the non-consultative nature of government's response. The institutions being hit by banning and enforcement measures for compliance, are kept out of the picture, therefore they will resist as they have done traditionally to any measures of regulation.

It is reiterated that terrorism financing happens on the level of districts, tehsils and hamlets. All the wrong numbers happen there, which could be corrected only by acting there. The government may like to continue legislation, which is a necessary step, but it also needs to think of it as a ‘step’ only. The next steps are proposed as follows:

- Create political space and consensus with all political parties. Karachi is the most critical and risky place for all stages of terrorist financing. Recently, an anti-terrorism court confiscated multiple properties of former Taliban chief, late Mullah Mansour,⁴² which are all in Karachi. Similarly, anecdotal evidence points to the fact that major ‘collection’ of TF is done in Karachi. The provincial government of Sindh needs to be onboard for a successful implementation. Similarly, all political parties have a stake in avoiding a FATF blacklist for Pakistan. A multilateral consensus produces a powerful demonstration effect.

Adopt a transparent and inclusive approach by having public consultations. It is important to create awareness in people that TF risk could lead Pakistan to be blacklisted, thus increasing their economic woes. Taking people and organizations into confidence also has a powerful demonstrative effect. ○

- The local governments be modeled into effective tools for TF prevention and documentation of a very undocumented economy. A multi-stakeholder approach right down to district levels also has a powerful demonstrative effect.
- Build the capacity of police departments, including CTDs, for risk awareness of TF. They are the first responders. Make procedural law amendments so that TF risk awareness is mainstreamed across all personnel of police.

In brief, the approach and plan of eradicating terrorist financing needs to be developed beyond FATF. As a sovereign responsibility on the pattern of sovereign funds, it needs to be intergenerational.

List of Acronyms

FATF	Financial Action Task Force
RBAA	Risk Based Analysis Approach
TF	Terror Financing
ML	Money Laundering
DNFPBs	Designated Non-Financial Professional Businesses
NPO	Non-Profit Organizations
MTVS	Money/Value Transfer Services
ATA	Anti-Terrorism Act
TOs	Terrorist Organizations
APG	Asia Pacific Group
NRA	National Risk Assessment
UNSCR	United Nations Security Council
NBFI	Non-Banking Financial Institutions
NBFC	Non-Banking Financial Companies
CDNS	Central Directorate of National Savings
NEC	National Executive Committee
GC	General Committee
MoI	Ministry of Interior
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
CDD	Customers Due Diligence
EDD	Extra Due Diligence
KYC	Know Your Customer
NACTA	National Counter Terrorism Authority

SBP	State Bank of Pakistan
SECP	Securities and Exchange Commission of Pakistan
MER	Mutual Evaluation Report
PSX	Pakistan Stock Exchange
PLI	Postal Life Insurance
CTDs	Counter Terrorism Departments
FBR	Federal Board of Revenue
STR	Suspicious Transaction Reports
CTR	Cash Transaction Reports
FMU	Financial Monitoring Unit
FJA	Federal Judicial Academy
LJCP	Law and Justice Commission of Pakistan
PITB	Punjab Information Technology Board

Notes:

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- ¹ The countries on the FATF grey list are described by the organization as the ones with inadequate control over curbing money laundering and terrorism financing.
- ² Pak Institute for Peace Studies, “Pakistan’s achievements in War on Terror but at what cost: a special review of the current decade,” May 2019, <https://www.pakpips.com/article/book/pakistans-achievements-in-war-on-terror-but-at-what-cost-a-special-review-of-the-current-decade>
- ³ Pakistan Institute of Peace Studies, *Pakistan Security Report 2019* (Islamabad: PIPS, January 2020).
- ⁴ Statista, “Terrorism – deaths in Afghanistan 2007-2018,” November 19, 2029, <https://www.statista.com/statistics/251408/number-of-deaths-in-afghanistan-due-to-terrorism/>
- ⁵ For details, see Box 4: FATF and AML/CFT Regime in Pakistan in State Bank of Pakistan’s Financial Stability Review, 2018, at: <http://www.sbp.org.pk/FSR/2018/Box-4.pdf>
- ⁶ Ibid.
- ⁷ This is an understanding reached in 2019 MER, which reflects the situation of onsite visit of APG in early 2019.
- ⁸ Bilal Memon, “Size of Pakistan’s economy is \$313.13 billion, says SBP,” *Express Tribune*, July 20, 2018, <https://tribune.com.pk/story/1762089/2-size-pakistans-economy-313-13-billion-says-sbp/>
- ⁹ Shahnawaz AKhtar, “Tax-to-GDP ratio shrinks to 11.6pc in FY19,” *The News*, September 1, 2019, <https://www.thenews.com.pk/print/520164-tax-to-gdp-ratio-shrinks-to-11-6pc-in-fy19>
- ¹⁰ For details, visit Trading Economics page here: <https://tradingeconomics.com/pakistan/remittances>
- ¹¹ This mapping is limited to terrorism financing related institutions only; institutions directly dealing with money laundering have been kept out, such as National Accountability Bureau (NAB)
- ¹² See “FATF and AML/CFT Regime in Pakistan” in State Bank of Pakistan’s Financial Stability Review, 2018, at: <http://www.sbp.org.pk/FSR/2018/Box-4.pdf>
- ¹³ APG (Asia Pacific Groups), “Anti-money laundering and counter-terrorist financing measures – Pakistan Mutual Evaluation Report,” October 2019, p. 38. The reported can be downloaded here: <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-frsb/APG-Mutual-Evaluation-Report-Pakistan-October%202019.pdf>
- ¹⁴ Ibid, pp. 55, 163; STRs of TF were communicated by banks to FMU.
- ¹⁵ Ibid, Table 6.11, p. 117.
- ¹⁶ Ibid, Table 3.1, p. 54.
- ¹⁷ Ibid, p. 51.
- ¹⁸ Ibid, p. 61.
- ¹⁹ Marieke de Goede, “Proscription’s Futures,” *Terrorism and Political Violence* 30, no. 2 (2018): 336-355.
- ²⁰ Ashraf Malkham, “How hawala, hundi business goes on,” *The News*, June 24, 2019, <https://www.thenews.com.pk/print/488765-how-hawala-hundi-business-goes-on>
- ²¹ APG, “Anti-money laundering and counter-terrorist financing measures – Pakistan Mutual Evaluation Report,” October 2019, p. 21.
- ²² World Bank Group, “A migrants journey for better opportunities: the case of Pakistan,” 2016, <http://documents.worldbank.org/curated/en/540841530861637430/pdf/Pakistan-International-Mobility-Draft-06.pdf>
- ²³ APG, “Anti-money laundering and counter-terrorist financing measures – Pakistan Mutual Evaluation Report,” October 2019, p. 59.
- ²⁴ These guidelines can be assessed here: <https://www.secp.gov.pk/document/aml-cft-guidelines-for-npos-2018/?wpdmdl=32268>
- ²⁵ Mohammad Qadeer, “The evolving structure of civil society and the state in Pakistan,” *The Pakistan Development Review* 36, no. 4 (1997): 743–762.
- ²⁶ Author’s key informant interviews with NACTA officials.
- ²⁷ Dr Farhan Zahid, “Islamic charity organizations: avenues of terrorism financing in Pakistan,” The French Center for Research on Intelligence, October 2015, <https://cf2r.org/foreign/islamist-charity-organizations-avenues-of-terrorism-financing-in-pakistan-2/>

- ²⁸ Pakistan Centre for Philanthropy, “The state of individual philanthropy in Pakistan-2016,” January 2017, <http://www.pcp.org.pk/uploads/nationalstudy.pdf>
- ²⁹ Ibid.
- ³⁰ Federal government has developed a model charities law, which has been enacted in Punjab, however the social charity given without an institution is neither documented nor covered by the law.
- ³¹ APG, “Anti-money laundering and counter-terrorist financing measures – Pakistan Mutual Evaluation Report,” October 2019, p.33.
- ³² Law and Justice Commission of Pakistan, “Police reforms: way forward,” 2019, <http://ljcp.gov.pk/nljcp/assets/dist/Publication/b1896-title-brochure-final-14-01-2019-pdf.pdf>
- ³³ Most heinous crimes are registered under ATA, rather than offences under PPC, including crimes such as murder, and acid throwing, apparently to speed up the trial process but this dilutes the application of law.
- ³⁴ Syed Manzar Abbas Zaidi, “Terrorism prosecution in Pakistan,” United States Institute of Peace, April 25, 2016, <https://www.usip.org/publications/2016/04/terrorism-prosecution-pakistan>
- ³⁵ International Crisis Group, “Reforming Pakistan’s Criminal Justice System,” October 6, 2010, <https://www.crisisgroup.org/asia/south-asia/pakistan/reforming-pakistan-s-criminal-justice-system>
- ³⁶ SBP and SECP, other key regulators of financial sector, are already proactively involved in regulating their respective areas, but FMU is the only one with direct interface with LEAs adding to its significance for detecting TF.
- ³⁷ Details can be see here: <http://www.fmu.gov.pk/>
- ³⁸ Trend analysis is limited only to money laundering and that too is inconclusive; see details here: <http://www.fmu.gov.pk/strategic-analysis-on-high-risk-professions/>
- ³⁹ Ibid.
- ⁴⁰ Khaleeq Kiani, “Pakistan set to get four-month FATF breather,” *Dawn*, February 21, 2020, <https://www.dawn.com/news/1535711>
- ⁴¹ Ibid.
- ⁴² Naeem Sahoutara, “Court seizes slain Taliban chief’s properties for auction,” *Dawn*, May 8, 2020, <https://www.dawn.com/news/1555423/court-seizes-slain-taliban-chiefs-properties-for-auction>



About NIOC

National Initiative against Organized Crime (NIOC) is the first-ever initiative in Pakistan, which was launched in November 2019 in collaboration with the Global Initiative's Resilience Fund. It is led by a group of committed professionals and experts with law enforcement, media and other public service backgrounds. Through developing an empirical evidence-base and conducting hand-on consultations, NIOC aims to build community resilience and influence public policy to combat organized crime including terror financing, drug trafficking, human trafficking and cybercrime. With a complex governance structure having multiple layers of stakeholders, the criminal justice system and law enforcement apparatus require better coordination and capacity building. NIOC tries to identify the gaps and suggest improvements in the system.



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