



RESEARCH PAPER

Analyzing FATF's Concerns and Actions taken by Pakistan for Compliance

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ABSTRACT

The Financial Action Task Force (FATF) on June 25, 2021, announced that the status of Pakistan being on its grey list will remain unchanged till it rectifies the single remaining item on the First action plan agreed in June 2018 even Pakistan has made substantial development and it has mostly straightened out 26 out of 27 items on the action plan. Since August 2018, Pakistan has been dealing with the FATF to avoid its harsh conditions. The study aims to examine the conditions laid down by the FATF vis-à-vis measures taken by Pakistan for compliance with these conditions and also analyze the current position of Pakistan and also evaluate the six more action items added in the existing actions plan. Qualitative research has been carried out for this research paper.

Introduction

In the post-Cold War era, the world faced some new major challenges and threats, the most important challenge that arisen after the end of the cold war and the disintegration of the USSR was the threat of terrorism and extremism coming from small groups. Afterward, the term “non-state actors” was used for these small groups which could operate independently both inside their host country and in a foreign country to achieve their goals and to carry out destructive activities. These non-state actors and their financiers were felt like a major threat to world peace and to address this intensifying concern over money laundering and terror financing, a global watchdog the Financial Action Task Force on Money Laundering (FATF) was instituted during the G-7 Summit in 1989 held in Paris (Sharma, 2019). The Watchdog is an inter-governmental policy-making body that sets standards and strategies to encourage the worldwide application of permissible, monitoring, and operative actions for Anti-Money Laundering. FATF holds the culpability of

scrutinizing money laundering practices and tendencies, analyzing the measure which had already been taken locally or globally, and suggesting the actions that are still required for fighting against money laundering (FATF, 2019). In April 1990, just after a couple of months of its establishment, the Task Force introduced a set of 40 Recommendations, aimed to offer a comprehensive road map required to combat money laundering. In 2001, The Task force took some additional measures and its area of scope got widened with the addition of the development of Eight Special Recommendations to combat terrorist financing along with the anti-money laundering standards to the mission of the FATF (FATF, 2019) The modernization of money laundering practices over time forced the Task force to review and upgrade the FATF standards widely in June 2003. One more Special Recommendation was introduced by the FATF in October 2004, making the agreed international standards to curb ML and TF, more clear and comprehensive. In February 2012, the Task force published a revised FATF Recommendations after a detailed and comprehensive assessment of its standards. This revision was aimed to fortify global safety measures and further safeguard the reliability of the monetary arrangements by bestowing governments' better options to combat financial crime

What are the 'Black' and 'Grey' lists?

The Task force neither uses these two terms "Blacklist" and "Grey List" officially nor found in FATF jargon. The global watchdog categorizes "jurisdictions with weak measures" via two public papers deal out after thrice a year held plenaries. The 1st document known as the FATF's "public statement" includes two groups of countries. The first group comprises the "countries or jurisdictions with such serious strategic deficiencies that the FATF calls on its members and non-members to apply counter-measures" and this set is also known as the 'Black List'. The 2nd public document is "Improving Global AML/CFT Compliance: Ongoing process" also known as the "Grey-list". This list is comprised of the countries with a "strategic weakness" in their regime to fight against pecuniary delinquencies including ML/TF. If any state is listed as 'jurisdiction under increased monitoring' by the watchdog, she has to follow a time-bound action plan period to come out of this list. (The Wire, 2020)

Pakistan and FATF

In June 2018, Pakistan was placed in "High-Risk Jurisdictions under Increased Monitoring" also identified as the 'greylist by the Financial Actions Task Force due to 'structural deficiencies that had been a major cause of the country's failure to coup up with money laundering and terror financing effectively(Kiani, 2020). The FATF-ICRG pointed out some key deficiencies regarding weak harmonization between pertinent institutions, including law enforcement agencies, financial entities, and watchdogs. (Rana, 2018) After placing in the gray list, Pakistan was asked to report on its progress on the FATF's 27-Point Action Plan quarterly. Asia Pacific Group (APG) is a relevant watchdog that keeps check and balance regarding compliance with FATF's standers. Being a member of this group, Pakistan is bound to make sure an effective implementation of the globally accepted SOPs

regarding money laundering and terror financing by FATF. A group of international experts on ML/TF financing paid a visit to Pakistan in October 2018, for an 'on-site evaluation' by the AGP and a detailed report known as a Mutual Evaluation Report' (MER) was published by these experts. Some important loopholes were highlighted in the legal framework to combat money laundering and terror financing along with the lack of coordination among key stakeholders including government institutions and law enforcement agencies. (MER, 2019)

The Report declared only one immediate outcome out of 11 as moderate while the remaining 10 were declared as low compliant. According to the MER report, Pakistan was found completely compliant only on 1 indicator out of 40 indicators under Technical Compliance, mostly compliant on 9, partially compliant on 26, and non-compliant on 4 indicators. Pakistan's response to the 27-Point Action Plan drafted by FATF was critically examined. All the plenaries held after June 2018, found Pakistan's adherence to the action plan unsatisfactory and maintained the status of Pakistan on the Grey list, and with the support of China, Malaysia, and Turkey Pakistan had been enough fortunate to avoid being blacklisted. (Latif, 2021) On the other hand, Pakistan is constantly showing its concerns that FATF had been politicized and being used by some countries to secure their aims in regional politics. Imran Khan, Prime Minister of Pakistan has pointed out Indian intentions to destroy the Pakistani economy by using FATF's platform and China has supported Pakistan's stance.

It is not the first time that Pakistan has been placed on the grey list, it was firstly figured in a FATF statement in February 2008, when the task force found the country's performance in embracing anti-money laundering legislation unsatisfactory and advised financial institutions to be aware of the "remaining deficiencies" that could create a susceptibility in the global monetary system (The Wire, 2020)

Pakistan worked to sort out the issues pointed out by FATF and APG and showered satisfactory progress to exit from the gray list in 2009. For the second time, it was placed on the grey list in 2012. In February 2015, FATF acknowledged that Pakistan has made momentous progress to categorize terror financing and to combat money laundering with effective legislation and Pakistan managed to come out of the set of the countries with "Improving public compliance".

Research Methodology

As the research in hand did not use primary data so reliance has been placed on secondary data collection (Hammond & Wellington, 2013). This is about the collection of the data that already exists. A systematic literature review out of the given research methods has been used to conduct this research as it offers a comprehensive study within a given time frame (Walliman, 2011). A systematic literature review is a scientific approach in research methodology that can be utilized to recapitulate, evaluate and communicate the outcomes and implications of

otherwise insurmountable quantities of research (Hammond & Wellington, 2013). In research methodology, the systematic literature review is considered as a decisive and deliberate collection of data – a purposive sample – to be involved in the study (Neuman, 2018). As the research in hand required non-statistical techniques to analyse findings from several existed studies, so meta-synthesis was done despite data analysis that involves standardized statistical procedures. (Hammond & Wellington, 2013). Within the context of systematic literature review, an inductive research approach has been used to assimilate, estimate, and analyze the conclusions of numerous qualitative research studies. To meet the requirements of the literature review methodology, existing literature including articles, books, journals, and other secondary sources have been used as a population to summarize the results. The study involves historical and current information to produce the context of the research (Neumann, 2018).

Analyzing development on the 27-Point Action Plan of FATF by Pakistan

Just after less than four years of getting out of the grey list in 2015, Pakistan had been included in the grey list again in June 2018 as the watch highlighted some Structural deficiencies” in anti-money laundering (AML) and combating the financing of terrorism (CFT) in its public statement after the June plenary. Pakistan had been provided 15 months to come out of the gray list with an action plan containing 27 points till October 2019. (FATF, 2020)

Implementation of the requirements by the watchdog was not an easy task as it required a very proactive and all-inclusive response by the country. All the state institutions including the security agencies and monetary institutions had to work in collaboration with other regulators to fully implement the AML/CFT frameworks

Pakistan's progress between June 2018 and October 2019

Pakistan started implementation on FATF's recommendations with very timely decisions and in an initial phase, some key steps were taken by the government including security operations by law enforcement agencies and establishment of the task forces and governmental bodies. The Ministry of Foreign affairs issued some guiding principles for the effective execution of the provisions of the United Nations Security Council (UNSC) Resolution 1267 that were followed by the National Counter-Terrorism Authority (NACTA) to implement the UNSC Resolution 1373. The same pattern was followed by all regulatory institutions of the country including the State Bank of Pakistan (SBP) and the Securities and this crackdown many key banned leaders and their followers and supporters were arrested, hundreds of Exchange Commission of Pakistan (SECP). Law enforcement agencies of Pakistan took very important measures and an embargo against the militants and extremist groups, band outfits, and their associated organizations, including charities was initiated countrywide. During properties and bank accounts were seized (Khan, 2019). In furtherance of this, the key regulatory authorities, ministries, and administrative institutions issued some very important regulatory guidelines and procedures to streamline the application of UNSC Resolutions 1267

and 1373 and sketchily apprising the AML/CFT outlines including the following measures:

- United Nations Security Council (UNSC) Freezing and Seizure Order 2019
- The Ministry of Foreign Affairs Guidelines to better implement the United Nations Security Council (UNSC) Resolution 1267.
- NACTA Guidelines on the Implementation of UNSC Resolution 1373.
- State Bank of Pakistan (SBP) Guidelines on AML/CFT.
- Securities and Exchange Commission of Pakistan (SECP) Guidelines on AML/CFT frameworks.
- SECP Guidelines banning Exchange Companies “B” and other informal forms of Money or Value Transfer Services (MVTs).
- NACTA-SECP’s AML/CFT Guidelines for Non-Profit Organizations (2018). (NECTA, 2019)

Jointly, these orders and guidelines have had an extensive influence on the implementation of the FATF’s suggestions across the country which brought a paradigm shift in banking and insurance sectors by introducing structural reforms to curtail Terror Financing and Money Laundering transactions.

Results of the October 2019 Plenary

The status of Pakistan on the grey list was maintained even in the FATF’s Plenary held on 18-19 October 2019 because the watchdog found only 5 targets compiled out of the 27-target plan and restated its serious concerns over Pakistan’s progress in tackling its TF challenges. In its post plenary statement, FATF sturdily insisted Pakistan show a pro-activeness to advance progress in AML/CFT agendas in the state and to promptly complete attain amenability in the outstanding points of the Action Plan by the next plenary (FATF, 2019). Along with it the watchdog also warned that failure in accomplishing full completion of the Action Plan by the upcoming plenary in February 2020, would push Pakistan to the list of the countries rigorous monitoring also known as the black-list.

Developments between October 2019 and February 2020

By late 2019, a fresh National Risk Assessment (NRA) was commenced by Pakistan which measured the ML/TF intimidations and intrinsic weaknesses of Pakistan through “a synchronized approach.” In this milieu, some key measures were considered along with the pecuniary and other sectors, during analyzing the costs of ML and TF and their effect on Pakistan (NRA, 2019). By the end of 2019, it

was very obvious that Pakistan has to take instant and immediate action to advance its progress on the FATF-ICRG Action Plan. In this context, a dynamic and high-level commission “the National FATF Coordination Committee (NFCC)” was established consisting of 12 members. The objective of this high-powered committee was to implement all FATF correlated tasks by December 2019. The NFCC took the following steps to achieve its goals:

- The Foreign Exchange Regulation Act (FERA)(Amendment) Bill 2020
- the Anti-Money Laundering (First Amendment) Act, 2020 was passed,
- Mutual Legal Assistance (Criminal Matters) Bill 2020.
- The Anti-Terrorism (Amendment) Bill, 2019.
- The National Counter Terrorism Authority (NACTA) (Amendment) Bill, 2019.
- The Benami Transactions Ordinance 2019.

Above said laws and bills were passed by the administration, along with it the government alerted the Federal Bureau of Revenue (FBR) to standardize the high-risk sectors for ML and TF including the real estate sector, jewelry, and the precious stones/metals industry, etc. highlighted in NRA 2019. (Kiani, 2020). The main institutions including bar councils, legal firms, and the institutions of cost management and chartered accountants were declared regulators for their respective members. The financial Monitoring Unit was authorized to monitor monetary transactions being done via Pakistan Post and the Central Directorate for National Savings (CDNS).

Results of the February 2020 Plenary

The February 2020 Plenary by FATF was held from 19-21 February 2020 under the presidency of President Xiangmin Liu of the People’s Republic of China, and More than 800 representatives from 205 countries and jurisdictions participated in it. Due to the actions of compliance and legislative developments taken by the country, Pakistan had been successful to attain acquiescence on 9 supplementary concerns, making it mostly compliant on fourteen out of twenty-seven conditions on the Action Plan. Regardless of this progress, the global watchdog advised Pakistan to accomplish all the remaining points on the FATF-ICRG Action Plan by the next plenary scheduled in October 2020, and recapitulate its cautionary for other nations around the globe to be careful in business dealings and transactions with Pakistan. The FATF clarified in its statement that Pakistan’s advancement was inadequate and it has to adopt speedy measures for full implementation of the FATF actions plan. (FATF, 2020)

Developments between February 2020 and October 2020

After the 2nd plenary under the Chinese presidency of FATF from 19-21 February 2020, Pakistan improves the pace of its progress to compliance with the FATF action plan. To address the remaining 13 points on the FATF-ICRG Action Plan, the Parliament of the country passed a total of fifteen laws based on FATF's Recommendations during 8 months from February to October 2020. This is remarkable progress by both houses of the Parliament which has been largely inactive in its lawmaking agenda for the past two years due to political deadlocks. Though, the international economic and political implication just because of being on the grey-list has now condensed compliance to FATF action plan a momentous political issue in the country. The opposition played an important role in passing FATF legislation and showed solidarity with the government on this front. A unanimity has been observed among all the stakeholders to pass relevant legislation adhering to the FATF Action Plan as a matter of national interest. The following legislative and regulatory developments were made by Pakistan from February-October 2020 to address the remaining 13 points from the FATF-ICRG Action Plan for Pakistan.

- Foreign Exchange Regulations (Amendment) Act, 2020
- Anti-Money Laundering (Amendment) Act, 2020
- NACTA (Amendment) Act, 2020
- Anti-Terrorism (Amendment) Act, 2020
- Mutual Legal Assistance (Criminal Matters) Act, 2020
- UN Security Council (Amendment) Act, 2020
- Anti-Terrorism (Second Amendment) Act, 2020
- Companies (Amendment) Bill, 2020
- Limited Liability Partnership (Amendment) Act, 2020
- Islamabad Capital Territory Trust Act, 2020
- Control of Narcotics Substance (Amendment) Act, 2020
- Anti-Terrorism (Third Amendment) Act, 2020
- Anti-Money Laundering (Second Amendment) Act, 2020

- Islamabad Capital Territory Waqf Procedure Act, 2020
- The Modaraba Companies (Floatation and Control) (Amendment) Bill, 2020
- Cooperative Housing Society Bill, 2020

Along with these legislative developments, the efforts made by the State Bank of Pakistan (SBP) to efficiently regularize monetary institutions through audits and looking after passengers' data at the airports have been hailed. The FATF had been informed of all the strategic plans adopted by Pakistan to hamper the smuggling of currency, jewelry, and other valuables. To control the smuggling of currency and other valuables, the Presidential Tax Law (Second Amendment) Ordinance, 2019, was issued and severe punishments were suggested on smuggling of foreign currency, gold, and diamonds. (Pakistan Today, 2020)

Results of the October 2020 Plenary

The pandemic of COVID-19 has a shocking influence on the world, as the way to recover the economic losses resulting from the catastrophe will be so far and inexact. The administration across the world will try and determine the struggles to recover the communal groups that have been affected severely by the pandemic. Under these circumstances, the president of FATF under the German presidency Dr. Marcus Pleyer headed the first complete meeting of FATF. The meeting resulted to remain to continue Pakistan on FATF's list of prerogatives beneath the augmented monitoring and care; in other words under the grey list plows January 2021 (FATF, 2020). The meeting ended with the remarks that Pakistan has completed the important development on the numerous measures of the action plan, by finishing the acquiescence associated with 21 of 27 measures prescribed by FATF. The statement exemplifies the gratification to Pakistan's development on the Action Plan, while the unresolved measures not completely comprehended as of up till now. Furthermore, FATF insisted Pakistan carry on working in the direction of compliance with the residual demands of the Action Plan. In its declaration, the ICRG additionally suggested that Pakistan endure to exertion on executing its action plan to discourse its tactical insufficiencies inside the subsequent zones, as delineated underneath. (FATF, 2020)

Developments between October 2020 and February 2021

The limit of February 2021 is debauched imminent and the Government's position is that it has previously approved all the obligatory legislatures (chief laws and procedures). On September 12, 2020, the Assembly accepted alterations in money-laundering and radicalism sponsoring commandments by approving three mandibles at a combined sedentary of both houses of the parliament, however, the Antagonism repelled and pronounced their anxieties. The Administration used it as "extorting" to acquire protection from illegal belongings at inquiry period by National Accountability Bureau (NAB) and certain sub judice in numerous courts. All the Obstruction festivities are now amalgamated underneath Pakistan

Democratic Movement (PDM) challenging the acquiescence of the Prime Minister and new elections. This endorses that on vigorous subjects like contending money laundering and radical sponsoring, contradicting exploitation, and further pecuniary corruptions there is a yank of conflict between the alliance associates of the leading party Pakistan Tehreek-i-Insaf (PTI) and all opposition parties. (Wasim, 2020)

In the combined meeting, three FATF- interrelated rules, specifically,

- the Anti-Money Laundering (Second Amendment) Bill, 2020,
- Anti-Terrorism (Third Amendment) Bill 2020, were passed.
- Islamabad Capital Territory Waqf Properties Bill-2020

Results of the February 2021 Plenary

The subsequent Meeting of the FATF underneath the German Premiership of Dr. Marcus Plyer took place on 22, 24, and 25 February. Owing to the continuing COVID-19 epidemic, the Meeting was encountered effectively for the third spell. In February 2021, FATF finalized to retain Pakistan on its 'grey list', through the state's status usual to be look over subsequent at an astonishing meeting gathering in June 2021. The declaration was finished by FATF President, Dr. Marcus Plyer explained that although Islamabad had completed "noteworthy development", there endured certain "thoughtful absences" in apparatuses to lump radicalism sponsoring. "Three obtainable of 27 facts essential to be completely talked," he alleged, mentioning the action plan decided to by Pakistan. Although repeating that Pakistan has made significant "improvement", the FATF president alleged: "We sturdily impulse conclusion of the proposal by Pakistan. As quickly as Pakistan displays it has accomplished these substances, FATF will confirm and associates of FATF will poll.

Developments between February 2021 and June 2021

The three unresolved action arguments (out of total 27) comprise (i) representative that radical sponsoring inquiries and trials objective individuals and objects substitute on behalf or at the instruction of the nominated individuals or objects; (ii) indicating that Radical sponsoring trials result in actual, proportional and discouraging authorizations; and (iii) validating operative employment of battered pecuniary consents in contradiction of all nominated radicals, predominantly persons substitute for them or on their behalf.

After the February plenary, the government of Pakistan took some more and very important decisions and introduced a new set of rules and procedures to accomplish all the remaining points of the action plan under the National policy statement (NPS). It contained two circles of procedures counting the AML (Forfeited Properties Management) Directions 2021 and the AML (Referral) Rules 2021 under the NPS. These procedures and relevant announcements for particular amendments

in the present agenda of the Anti-Money Laundering Act 2010 (AMLA) would be hooked on power instantly and it would be followed by the nomination of superintendents and special public prosecutors for the execution. The following sets of rules were introduced by the cabinet to address the remaining three points from the FATF's Action Plan.

- Specialized agencies to probe money laundering cases
- Special prosecutors to be hired to ensure implementation

The administration made it clear that all the possible measures would be taken to implement these rules and administrators were authorized to leave no stone unturned to preserve the worth of the consumable or in-consumable (including those at stores, cold stores, or anywhere else) to be seized under the AML 2010 procedures or court orders according to chronicles under AMLA 2010.

The AML (Forfeited Properties Management) Rules 2021 elaborate the operational guidelines including the SOPS for the measurement of the inventors, description, protection of the inventories and their value assessment for the sale, etc. It also introduced different procedures to adopt for different assets including residential, commercial and industrial properties, etc.

Under the decision, every organization would have to set up an asset retrieval bureau to safeguard properties retrieval and administration of the lost stuff and to retain a nominated account with the SBP preserved by the ministry of finance. The Anti-Money Laundering (Referral) Rules, 2021 were announced to empower the transfer of the cases from one set of inquiry organizations to the alternative. Similarly, dozens of special public prosecutors would be employed for the ANF and Counter-Terrorism Department (CTD), in addition to it, a dispersed board of lawyers for customs and the Inland Revenue Services of the Federal Board of Revenue would be appointed. The law officers, not lower the rampant of assistant director legal, would be employed for the Federal Investigation Agency and special public prosecuting attorney for National Accountability Bureau.

Results of the June 2021 Plenary

The 4th Plenary of the FATF under the German Presidency of Dr. Marcus Pleyer was held from June to June 25, 2021. At the end of the plenary, the FATF announced that Pakistan will endure in its grey list for a minimum additional year even subsequently, 'mainly completing' 26 of the 27 targets. Pakistan has provided seven new analogous action points to address the lack in its AML/CFT regime. The FATF announced that Pakistan would need to accomplish the one residual CFT-related item out of 27 by "representing that TF (terror financing) or radical sponsoring inquiries and trials target senior leaders and commanders of UN-nominated radical clusters", as well as the analogous six-point action plan assumed by the Asia Pacific Group (APG), a regional association of the FATF, for augmenting worldwide collaboration. The Global watchdog made it clear that Pakistan's

delisting from the grey list would not yield until both action plans were accomplished and the associates then decided that structures and exertions in contradiction of pecuniary hazards were maintainable.

The FATF noted that in reaction to extra lacks later recognized in Pakistan's 2019 APG Joint Assessment Report, the state had made development to discourse a number of the suggested actions in the MER and delivered additional high-level obligations in June 2021 to discourse these tactical lacks according to a new action plan that principally absorbed on fighting money laundering.

Since its greylisting by FATF in June 2018, Pakistan has made a strong commitment to work with the global watchdog to reinforce its AML/CFT establishment. The strong political commitment of Pakistan has led the country to make significant progress across a widespread CFT action plan. The FATF identifies Pakistan's development and exertions to discourse these CFT action plan substances and notes that since February 2021, Pakistan has completed development to accomplish two of the three residual action items on representing that operative, comparable and discouraging permissions are compulsory for TF beliefs and that Pakistan's embattled pecuniary permissions command was being used efficiently to embattled radical possessions. Pakistan has now accomplished 26 of the 27 action substances in its 2018 action plan. The FATF inspires Pakistan to endure to make development to discourse as soon as possible the one residual CFT-related item by a representative that TF inquiries and trials target senior leaders and leaders of UN nominated radical groups.

In reaction to supplementary lacks later recognized in Pakistan's 2019 APG Mutual Assessment Report (MER), Pakistan has thorough development to discourse a number of the suggested actions in the MER and providing additional high-level promise in June 2021 to discourse these tactical lacks under a new action plan that chiefly focuses on fighting money laundering. Pakistan should endure working to discourse its tactically significant AML/CFT lacks, specifically by:

- augmenting international collaboration by revising the MLA law;
- representing that support is being required from distant states in applying UNSCR 1373 descriptions;
- representing that administrators are directing both on-site and off-site administration proportionate with exact risks related with DNFBPs, counting smearing suitable permissions where essential;
- representing that proportionate and discouraging permissions are practical constantly to all legal persons and legal preparations for non-compliance with valuable possession necessities;

- representing an increase in ML inquiries and trials and that profits of misconduct continue to be controlled and removed in line with Pakistan's risk outline, counting employed with distant complements to hint, restriction, and remove assets;
- Representing that DNFBPs are being observed for obedience with propagation sponsoring necessities and that permissions are being obligatory for non-acquiescence.)

The government claimed credit for making vigorous progress on worldwide obligations bypassing 17 laws within a parliamentary year, moreover making masses of instructions and guidelines and a lot of connected acquiescence actions with the provision of all provinces and civil and military establishments. On the 2018 action plan, the FATF renowned significant development and high-level obligation of Pakistan to whole 26 of the 27 action plan substances. The FATF, after the conversation, decided to maintain the status quo for Pakistan i.e. countries in increased treatment. It is expected the residual action item would be finished before the FATF's next meeting arranged for October.

Conclusion

The chief objective of the research in hand was to examine the plan of action given by the FATF and actions taken by Pakistan to comply with this action plan thoroughly and to find out the causes because of which, Pakistan has been failed to get out of the grey list of the FATF notwithstanding all endeavors undertaken. Pakistan's efforts for full implementation on all recommendations of FATF concerning its AML/CFT agendas are significant which shows its commitment to curtail TF/ML in its jurisdiction. All the steps taken by Pakistan including a wide-ranging of legal developments undertaken since June 2018 have put up its advancement on the FATF-ICRG Action Plan. A comprehensive mechanism to battle TF/ML including extensive legislative, regulatory, and administrative apparatuses largely in place, but the challenge of proper enactment is still there. The remaining parts tinted by the global watchdog in its most recent statement emphasize the word 'demonstrating'. Consequently, Pakistan has to prove that the apparatuses it has initiated for detecting Money Laundering and Terror Financing activities are showing results effectively and that the criminal justice system of the country is proficient enough to implement these regimes, from investigation to prosecution.

The study draws some conclusions that just embargos and sanctions on the extremist and terrorist organizations, individuals, and financial penalties are not enough, Pakistan would have to demonstrate the efficiency of these measures by copulating positive results. Pakistan would have to regularize the flow of cash internally and externally by implementing laws effectively. The only investigation of the financial crimes is not enough, significant conclusions of these investigations are very necessary. The attainment of domestically interdepartmental cooperation and a proper framework for international investigative cooperation, supported by rules and procedures, is the need of time. Pakistan has to ensure the practical

implementation and up-gradation of the existing laws and to ratify a few more to address FATF's concerns. Simultaneously, Pakistan must be aware of the socio-economic and politico-economic implications of the legislative and monitoring systems established to answer its grey-listing. The FATF does not demand any legislation that can be harmful to the country's economy rather it only emboldens jurisdictions to adopt a risk-based mechanism so the purpose to combat TF/ML can be achieved. The legislative and Monitory mechanism to fight against TF/ML is in place in the country, a constantly reviewing and updating system should be established by the concerned and relevant authorities for effective enforcement. Pakistan has been playing an important role in the global war against terrorism and has suffered a 100 billion loss and lost thousands of its people have lost their lives during this so-called war on terror, so it is of colossal value to the countries across the globe.

There is also a question mark on the dogmatic and partisan role of FATF and that can be assumed as one of the several means by which the US is endeavoring to pressurize Pakistan to "do more" on issues regarding terrorism and to play its role according to the US requirements in the Afghan peace process. By maintaining Pakistan's status on FATF's grey list, even after 'largely completing' 26 of the 27 targets, the US has certainly verified its intent to enhance pressure on Pakistan. United States is one of the major stakeholders of FATF and the present president of FATF belongs to it. Pakistan and many other countries have severe reservations about the political role of the US as Pakistan has shown its grievances that there is a possibility that India and other states can use this platform for political purposes. If the questions of the political role of FATF are not addressed, it is obvious that it can be exploited by the major powers to use it in their favor and this situation can have the worst circumstances for Pakistan. The most important factor is that the grey-listing of Pakistan should not be looked at in isolation but has to analyze the broader spectrum of the Pak-US relationship that has had many ups and downs.

Recommendations

- Pakistan has to review and upgrade its Foreign Exchange Regulation Act of 1947 and the Anti-Money Laundering Act of 1997.
- Questions about the political role of FATF has to be addressed so Pakistan should have to lobby in its favor so the global watchdog cannot be misused.
- Pakistan has to make sure the full implementation of the UNSC Act of 1948 in its updated form to increase penalties for terrorist activities to Rs. 200 million (from the existing fine of Rs 1 million) and 10-year rigorous imprisonment.
- Up-gradation of the Criminal Procedure Code to meet the global standards.

- Pakistan has to make modifications in the Companies Act of 1984 to include provisions for compliance with FATF standards.
- Pakistan has to review several subsidiary legislations to help the central and provincial bodies and regulatory authorities structured domestic inter-departmental transactions and cooperation.
- The advanced legislation would be helpful for the Federal Board of Revenue to standardize and synchronize activities. The same procedure should be adopted for the National Counter Terrorism Authority.
- Pakistan has to review its priorities and being a responsible state should avoid backup any individual or organization as a security or strategic asset that could be involved in terror financing, money laundering, and internal or cross-border terrorism.

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