THE JOURNAL OF RESEARCH REVIEW

P-ISSN: 3006-2632	E-ISSN: 3006-2640
Vol. 1. No. 04 (Oct-Dec) 2024	Page 360-370

Counter Financing of Terrorism and Challenges for the government of Pakistan

Dr. Farzana Altaf	PhD in Management from Greenwich University (Pakistan- Mauritius) farzanaaltaf1@gmail.com
Dr. Muhammad Israr	PhD in International Relations from University of Peshawar israricp03@gmail.com
Sikandar Hayat Khan	MPhil Scholar in the Pakistan Study Center at the University of Karachi, holds dual positions: Assistant Comptroller at Federal Lodge No. 1 (Qasr-e-Naz), Karachi, and Deputy Director of the Estate Office, Karachi sikandarhayatkhan446@gmail.com

Abstract: *This article explores the challenges and mechanisms related to Countering the Financing of Terrorism and Anti Money Laundering CFT/AML in Pakistan. It also highlights the role of Federal Board of Revenue and other stakeholders in executing the National Risk Assessment (NRA). Moreover, it emphasis on Pakistan's vulnerability to terror financing and money laundering due to its porous borders, cash demanding economy, and weak regulatory supervision of Designated Non-Financial Businesses and Professions (DNFBPs) like real estate agents and jewellers. In this research the role of FBR is highlighted in particularly through the NRA process, which evaluates inherent threats and vulnerabilities in various financial and non-financial sectors.*

This research finds out different challenges, weak coordination among different agencies, infrastructural inadequacy, and limited human resource which are the main hindrances in effective implementation CFT/AML. Moreover, the non availability of dedicated team in DNFBPs, complexities of risk assessment process and data access is also the challenges. Although in 2022 Pakistan was on the high risk but despite of these challenges it meets the Financial Action Task Force (FATF) demands by ensuring stringent measures.

This study articulates that Pakistan's regulatory framework has considerably evolved. However, allocation of resources, improvement in enforcement mechanism and international cooperation are vital factors for positive outcome. The finding give actionable recommendations to increase public awareness, fortify legal framework, advance regional and international cooperation to tone down money laundering and terrorism financing risks effectively. By addressing these areas, Pakistan can bolster its financial security and compliance with global AML/CFT standards, ensuring a more resilient economic system.

Keywords: Counter the Finance of Terrorism, Money Laundering, National Risk Assessment (NRA), Federal Board of Revenue (FBR), and Pakistan

Introduction

In the context of Pakistan, National Risk Assessment (NRA) holds a very important place in understanding the Anti-Money Laundering and countering the Financing of Terrorism (AML/CFT) risks at the country level. This provides a systematic identification of the risks and vulnerabilities and the potential threat of money laundering and terrorism-financing faced by the country. Conducting national risk assessment involves a multifaceted strategy, inviting the inputs from different stakeholders, the regulatory authorities and law enforcement agencies, along-with financial institutions like state bank and financial Monetary Unit and other related organizations.

Furthermore, the National Risk Assessment is a way for the authorities to measure the degree and nature of the potential risks, providing basis for strategic decision making and allocation of appropriate resources. Through such exercise of NRA, the country can prioritize the risks areas, the sectors or activities prone to increased money-laundering or terrorist financing. Such analysis and assessment enables the enforcement to prioritize their efforts to curb the menace and allocate the resources efficiently to tackle the risks in the order of their gravity. In addition, the National Risk Assessment enables the governments to develop and enhance the scope of AML/CFT legal frameworks and policy interventions.

The FBR regulate the illicit flow through smuggling and activities of non-financial business and professions which include dealers in real estate agents, jewellers and accountants not supervised by other regulators. However, the resources have not been deducted to regulate and supervise the notaries and lawyers in AML/CFT. The Ordinance relating to Taxation has also been amended to allow for FMU to access record and information maintained by the taxing authority (https://propakistani.pk/2022/05/31/fbr-posts-officers-at-directorate-general-of-dnfbps-under-fatf-requirement/).

Problem Statement

The threat of Money laundering and Terrorism Financing undermines national security because it can finance criminal and terrorist organizations, enabling them to carry out their operations and endangering the public's safety. The developing economies like Pakistan are characterized by relatively low institutional capacities, political and economic instability, and high levels of corruption. Factors like the prevalence of cash transactions, alternative remittance systems, smuggling and drug trafficking, availability of outside avenues to park proceeds of crime and confidentiality rules in a few jurisdictions result in increased risk of money laundering and terrorism financing in Pakistan.

The ever-evolving landscape of financial transactions and global trade has intensified the need for robust Anti-Money Laundering (AML) and countering the Financing of Terrorism (CFT) frameworks at the national level. Money Laundering and Terror Financing remain one of the major financial crimes in Pakistan. Smuggling including cash smuggling, drug trafficking is a major problem in Pakistan, mostly because of the long porous borders with Afghanistan and Iran. Additionally, to avoid customs and associated fees, products are frequently trafficked under the pretence of Afghan Transit Trade.

Research Question

1. How do legal frameworks and enforcement mechanisms support the FBR in culture of compliance with AML/CFT regulations among various sectors in alignment with the recommendations of the national risk assessment?

Significance of the Research

The significance of this research lies in its potential to inform policymakers and strategic planners about the intricacies surrounding Money Laundering and Terrorist Financing risks and control mechanism within the country. The findings may contribute substantially toward understanding the specific risks posed by predicate offences of smuggling, cash smuggling, and DNFBPs. The role of FBR in National Risk Assessment is crucial towards prioritizing Money Laundering (ML) and Terrorist Financing (TF) risks during the evaluation stage for allocating equitable resources to implement Anti-Money Laundering (AML) and Countering of Financing of Terrorism (CFT) programs, as well as other public policy and safety initiatives.

The findings of this study have the potential to inform financial crime policy decisions, improve regulatory compliance, and contribute towards Pakistan's efforts in combating financial crimes and strengthening compliance with FATF standards. The study further provides actioable recommendations to bolster the FBR's role, ensuring better alignment with international AML/CTF standards and augmenting Pakistan's overall financial security. Studying the evaluation process of FBR of threat risks, plays a key role in assisting decesion makers in making informed decisions on optimal resource utilization and establishing priorities for regulatory agencies.

Limitations of the Study

This research has constraints, such as limitations in time, the available resources and data availability, particularly in terms of criminal investigations and financial transactions, which impact the depth of the analysis. Additionally, findings may not be directly generalizable to other jurisdictions and qualitative aspects and the effectiveness of law enforcement, may be under-emphasized.

Literature Review

Dr. Huzaima and Ikram ul haq in their book title: Pakistan: Tackling FATF Challenges & Solution, argues that Terrorism, money laundering and tax evasion have effected Pakistan and there exists plethora of evidence suggesting that the terrorist groups s still manage generate hug funds through criminal activities which are such organized that they get generous donations and sympathies in and outside of Pakistan. Thus new systematic approach is required to tackle corruption, tax evasion, Money laundering and Terror Financing as these pose threat to the national security of Pakistan.

Mr. Rui Tavares (Greens/EFA -January 2013) in his report on Thematic Paper on Money Laundering Relationship between Money Laundering, Tax Evasion and Tax Havens, discusses that Money laundering is an offense of criminal nature which gives legal cover to the illegal acquired wealth legitimizing the owner through means which obscure the identity of the ultimate beneficiary. The beneficiary if is a criminal would ultimately use the illicitly acquired funds in terror financing. A study by IPSOS, a French-based research forum on the magnitude of tax evasion in Pakistan in only five key sectors estimates an annual loss of more than Rs. 310 billion on tax evasion.

Rose, K. J. (September 8, 2020) in his paper, Money Laundering Regulation: A Positive Spill over Effect on Tax Inequality (Agenda) concluded that the tax authorities are watchful of the earnings of the people. So any person showing any such increase in wealth is highlighted in the radar of the taxation authorities and thus the timely action is taken by the Law enforcement agencies. Goldman, Maruyama, Rosenberg, et al. (2017) examined that use of crypto currencies for terror financing is associated with online fund raising however, previously it was reported in 2017 that that terrorists used Bit coin for terrorism acts in Indonesia (Goldman, 2017 p-27).

Research Methodology

The research methodology applied for this research study is qualitative and descriptive using both primary and secondary sources. The primary source of data has been obtained from public sector organisations, involoving discussions with personnels directly invloved in NRA 2023 and ealrier excercise of national risk assessment. Further discussions on the tpoic and interviews with various stakeholders, field speclaists and those interested with regulatory and supervisory role has been conducted as tool/technique for data collection.

Secondary sources data has also been acquired from organizations like FATF Sectreteriat Pakistan, UN documents, Mutual Evaluation Reports of Asia Pacific Group on money laundering, Federal Board of Revenue documents, Financial Monetary Unit, Financial Action Task Force documents, National Risk Assessment Policy Document. The exploratory research method used for this research will help understand the foundations and various parameters upon which various sectors and predicate offences for Money Laundering and Terrorist Financing are been assessed during national risk assessment exercise.

Table 1: key Sources Exploited by TF

Sr. No.	Sources	NRA 2023
1	Donations	Very High
2	Extortion	Very High
3	Narcotics trafficking	High
5	Cash smuggling	High
4	Misuse of Properties	Medium
6	Kidnapping for ransom	Medium
7	Goods /Natural resources smuggling	Medium
8	Skin /Hides collection	Low

Source: FBR

Table 2: Key Channels Exploited by TF

Sr. No.	Channels	NRA 2023
1	Cash /Cash couriers	Very High
2	Illegal MVTS	Very High
3	Banking	High
5	Branchless Banking	High
4	Virtual Currency	Medium
6	Exchange Companies	Medium
7	Securities	Low
8	Insurance	Low
9	NBFCs &Moradaba	Low
10	Microfinance	Low
11	Legal persons &legal arrangements	Low

Source: FBR

FATF Guidelines and NRA in Pakistan

In 2012, the Financial Action Task Force (FATF) published an updated and revised set of forty Recommendations concerning AML/CFT measures (Jackson, J. K, 2012), which serve as a comprehensive guide for countries to enhance their regulatory frameworks and align with international best practices. This was a transition towards a Risk-Based Approach (RBA) whereby each country adjusts their policies and procedures based on their relevant risks. National Risk assessment of Pakistan consists of an assessment of inherent threats and vulnerabilities of Money laundering and Terror financing, in financial and non-financial sectors of Pakistan.

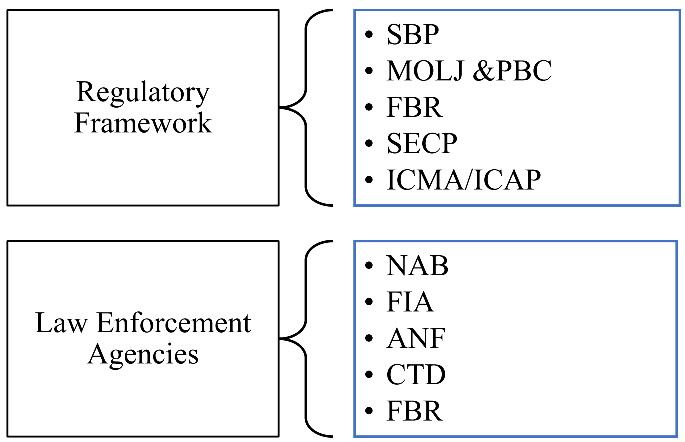
The FATF's guidance serves as a benchmark for Pakistan's efforts in developing, implementing, and continuously updating its AML/CFT policies and practices to align with international expectations and combat transnational financial crimes effectively FATF conducts the mutual evaluations of member and non-member countries to scrutinize AML/CFT regimes, identifying strengths, weaknesses, and areas requiring improvement, thereby ensuring a consistent global approach to combat financial crimes (APG Mutual Evaluation Report of Pakistan- 2019).

National Risk Assessment NRA- 2023 involved greater input from FBR for assessing the inherent risks identifying potential vulnerabilities of the sectors under its jurisdiction. The outcomes marked predicate offences of smuggling; trade based smuggling form major crimes under the jurisdiction of FBR. Further the Designated Non-financial Businesses and Professions i.e Real-estate agents and Dealers in Precious Metals and Stones were found highly vulnerable to TF and ML whereas, the lawyers, accountants and tax advisors were found to have medium level vulnerability (Mutual Evaluation Report, 2019). As per the adopted methodology in NRA 2023, 04 rating scales used to assess the risks of ML/TF threats and vulnerabilities included “Very High’’, “High”, “Medium” and “Low”(UNIT, F. I., & LEONE, S, 2023).

National Regulatory Framework

The regulatory framework and law enforcement landscape shaping Pakistan's National Risk Assessment (NRA) involve diverse entities. The Financial Monitoring Unit (FMU) performs the tasks of gathering and analyzing suspicious transaction data for intelligence purposes. Complementing these regulators are law enforcement agencies which collaborate, share information, and conduct joint operations, collectively assessing and mitigating risks associated with money laundering and terrorist financing in Pakistan's financial landscape through the NRA process.

Fig 1: National Regulatory Framework



Source: FBR

2.2.1 Major AML/CFT Laws and Regulations Empowering FBR

Major AML/CFT Laws and regulations empowering FBR are summarised as below:

- Anti-Money Laundering 2010
- Anti-Money Laundering (Second Amendment) Act, 2020
- Anti-Terrorism (Third Amendment) Act, 2020
- SRO128 (I)/2022 - Regarding insertion of sub-regulations (4) and (5) in regulation 3 of the Federal Board of Revenue Anti-Money Laundering and Countering Financing of Terrorism Regulations for DNFBPs, 2020
- AML/CFT Sanction Rules, 2020
- Counter-Measures for High Risk Jurisdiction Rules, 2020
- Mutual Legal Assistance (Criminal Matters) Act (MLA) 2020

S.R.O. 128(I)/2022 bind DNFBPs to promptly notify FBR of any changes in ownership, beneficial ownership, to enhance transparency and prevent individuals with criminal backgrounds from influencing Designated Non-Financial Businesses and Professions (DNFBPs) in Pakistan. The S.R.O. 950 (I)/2020, issued by the Ministry of Finance of the Government of Pakistan on October 1, 2020, presents the AML/CFT Sanctions Rules, 2020 related to contraventions under the AML Act of 2010, i.e failure to report suspicious transactions, file currency transaction reports to violations of specific sections like S.7 (6) and S.7A related to customer due diligence. The monetary penalties, up to Rs. 100 million per violation, follow a risk-based penalty scale, and failure to pay or appeal penalties may result in further sanctions. Overall, the Counter-Measures for High-Risk Jurisdiction Rules, 2020, reflects proactive approach of the Government to manage and mitigate the specific risks posed by high-risk jurisdictions concerning money laundering and terrorist financing activities within the country's financial landscape.

- Source: FBRPotential DNFBPs Population Data from Tax Record
- Registration
- Off-Site Inspection
- On-Site Inspection
- **Enforcement through Sanctions**
- Action Plan

FBR as a regulator has comprehensive guidelines, setting forth obligations for reporting, conducting due diligence, and assessing risks associated with financial transactions, monitoring through efficient enforcement mechanisms, employing audits, inspections, and investigations to monitor compliance to AML/CFT regulations ensuring that these entities implement adequate measures to prevent exploitation for illicit financial purposes.

Table 3: DNFBPs –Sanctions Imposed

Sanctions Type	Real Estate Agents			DPMS			Accountants			Grand Total
	As of August 2022	Post August 2022	Total	As of August 2022	Post August 2022	Total	As of August 2022	Post August 2022	Total	
Monetary Penalty	241	1464	1705	138	557	695	2	2	4	2487
Censure	478	950	1428	189	286	475	15	140	155	1835
Warnings	537	181	718	276	75	351	32	5	37	380
Directions to take Actions	496	805	1301	157	680	837	24	11	35	1976
Any Other Sanctions			0			0			0	
Total Number of Sanctions	1752	3400	5152	760	1598	2358	73	158	231	6678

Source: FBR

The risk-based approach

The risk-based approach is crucial for tailoring measures to the specific risks identified within a system (Felderer, M., & Schieferdecker, I, 2014). Its primary objective is to ensure that AML/CFT efforts are proportionate to the level of risk, allowing for efficient allocation of resources. In scenarios where higher risks are identified, the AML/CFT regime can then focus on addressing and mitigating these risks more intensively. The continued efforts of the Government of Pakistan and the adoption of a risk-based approach to align its AML / CFT regime, Pakistan exited the FATF list of high-risk jurisdictions in October 2022 after completing two TF and ML-related Action Plans (27+7)(FATF Secretariat; n.d)

Fig 2: Risk Based Supervision Framework

Source: FBR

Table 4: AML/CFT Investigations of Cash Smuggling

Year	Predicate Investigations	ML Investigations	ML Prosecutions	ML Convictions
2019	33	15	1	0
2020	14	13	0	0
2021	3	8	0	0
2022	26	4	5	0
Total	**76**	**40**	**6**	**0**

Source: FBR Customs

a. Vulnerable Sectors/ Destinations

Along with the real estate sector, cash-intensive industries including retail outlets, wholesalers, hundi/ hawala operators and unofficial money changers are seen to be prone to cash smuggling (Parkman, T, 2019). The exchange companies and international trade are also vulnerable sectors in this regard. Individuals and small-scale operators/smugglers, money mules, corrupt officials, traders in cash-intensive industries, and *Hawala/Hundi* operators are among the criminal actors involved in cash smuggling and related money laundering activities in Pakistan. Drug trafficking networks, human smuggling rings etc, engage in money laundering and cash smuggling in Pakistan.

b. Ratings in NRA 2023

As per various estimates of experts, an estimated cash amount in the range of $300 million to $500 million is being smuggled out of Pakistan through the illicit movement of currency across borders annually. It has been estimated that $2 million was being smuggled to Afghanistan each day which may increase the overall estimated amount of cash smuggling in the coming months (Zia, M. A., Abbas, R. Z., & Arshed, N, 2022). Cash smuggling has been rated as a "Very High" threat to money laundering.

c. Sources and channels of Money laundering

Cash smuggling-related money laundering involve funds obtained from illegal or illicit activities such as drug trafficking, corruption, proceeds from other types of organised crime, (Basu, G, 2014) proceeds from tax evasion and fraud, funds used to finance terrorism, illicit funds from the black market, *hawala* settlement money, etc. Money laundering is done through a variety of methods, including cross-border smuggling, money mules, and trade-based money laundering networks. In addition, crypto currencies or virtual assets are emerging as a contemporary method of channelling criminal gains (Wronka, C, 2022).

Challenges

Sectoral Risk Assessments –data challenge

Conducting thorough sectoral risk assessments is critical for identifying and managing various risks inherent in different sectors. . One of the primary hurdles faced by FBR is the accessibility and accuracy of data. Simultaneously, managing the registration of a vast number of reporting entities in DNFBPs, exceeding 86,000 to date, and demands robust systems to monitor compliance effectively across this expansive landscape. This scenario poses significant challenges, especially regarding high-risk entities, as their oversight might be inadvertently overlooked, potentially exposing the institution to Money Laundering (ML) and Terrorist Financing (TF) risks.

Complexity in Risk Assessment process

The effectiveness of the National risk assessment greatly relies on the integrated diligent involvement and efficacy of all the relevant stakeholders like MOFA, NACTA, FMU, SBP, and specifically FBR. The risk assessment comprises threats, vulnerabilities, and potential consequences. While quantifying individual risks in numerical terms is challenging, understanding their impact and probability of occurrence allows for a rough estimation of the risk level. The multifaceted nature of AML/CFT risks presents a challenge owing to the evolving financial systems, intricate transactions, and sophisticated methods employed by illicit actors making risk assessment complex. Implementing strict anti-corruption measures within law enforcement agencies, such as regular audits and internal investigations, can help curb corruption that may enable smuggling, cash smuggling and other crimes.

Absence of Dedicated Team in PRAL/DNFBPs HQ

The absence of a dedicated team in the customs Anti-smuggling establishments, and DNFBPs Headquarters exacerbates challenges. Establishing a dedicated team to oversee DNFBP affairs and counter smuggling activities is of paramount importance. During the discussion with D.G, DNFBPs and other government official for this research work, it was highlighted that considerable challenge lies in the shortage of human resources, especially in meeting the sanctioned strength. Many personnel often find themselves on additional charge, handling responsibilities beyond their original scope. Addressing this shortage is essential for ensuring the effective implementation of anti-money laundering and counter-terrorist financing measures.

Challenge to Meet RBS Framework Target

The inability to meet targets as per the Risk-Based Supervision (RBS) Framework raises concerns about the effectiveness of risk management strategies. Analyzing and rectifying the factors contributing to these failures are crucial to align regulatory efforts with industry risk profiles. Achieving uniformity in regulatory practices and adherence to established standards across all sub-offices might be complex. Regional variations in compliance needs and operational dynamics could pose challenges in ensuring consistent application of regulatory guidelines.

Lack of Infrastructure and Trained Human Resource

An effective strategy challenge involves prioritizing critical areas for regulation, swiftly establishing regulatory offices, developing streamlined SOPs, and conducting targeted training programs for regulatory personnel. Collaborating with international organizations for specialized trainings and seeking external expertise which might aid in expediting the process and building capacity within the regulatory framework. This approach would aim to strike a balance between implementing robust regulations and considering the practical challenges and limitations within the given time constraints.

International Cooperation and Alignment

Ensuring alignment with international AML/CFT standards and fostering collaboration with other jurisdictions presents a challenge. Harmonizing regulations and practices globally, especially in regions with diverse regulatory frameworks, requires extensive coordination and concerted efforts by the FBR. It involves fostering international cooperation, and ensuring a flexible regulatory framework to adapt swiftly to evolving AML/CFT risks and advancements in financial systems.

Undocumented Sectors- Regulatory challenge

Implementing a stringent regulatory framework to counter smuggling and trade based money laundering, Real Estate and (DPMS) amidst highly un-documented and unregulated environments presents significant challenges. Additionally, smaller-scale entities struggle with resource allocation for AML/CFT compliance, facing difficulties in dedicating sufficient financial and human resources to meet the necessary standards. The high risk sectors operate largely in unregulated manner, and it becomes challenging to balance regulatory enforcement without stifling economic growth or inadvertently impeding legitimate business activities.

Mutual Evaluation challenge

The Mutual Evaluation signifies a crucial assessment by international bodies, evaluating a country's adherence to global Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) standards. It involves an in-depth review of a nation's regulatory framework, policies, and implementation mechanisms to ascertain its compliance with international standards set by organizations like the Financial Action Task Force (FATF) or regional counterparts.

International Standards and Compliance Level

The assessment against international standards serves as a benchmark, measuring a country's compliance and effectiveness in combating money laundering and terrorist financing. Adherence to these standards is crucial for fostering global financial integrity and security. It includes legal framework, regulatory oversight, law enforcement capabilities, and the efficacy of preventive measures implemented within the financial and non-financial sectors. These evaluations offer a comprehensive insight into a nation's efforts in aligning its AML/CFT practices with international best practices.

Conclusion

The study concludes that the NRA 2023 has been a source of critical sector-specific risk information to stakeholders, regulators and supervisors, the regulated sectors and entities. The NRA 2023 findings became a stimulus for AML authorities including FBR to address the regulatory gaps and pass required laws. The risk assessment and the recommendation helped the regulators to have a through view of the inherent ML/TF risks to develop and implement the effective preventive measures and controls in line with the risk-based approach on an on-going basis. The hypothesis postulated in this research asserts that the effective integration of the National Risk Assessment (NRA) outcomes by the Federal Board of Revenue (FBR) into the AML/CFT regulatory and supervisory framework in Pakistan has optimized the targeting of high-risk areas.

This, in turn, has led to foster a more adaptive and proactive approach in the implementation of AML/CFT strategies, promoting regulatory compliance and enhancing the responsiveness of the financial system to control emerging threats as proven by the data evidence of various predicate offences and entities under FBR’s Monitoring.The Federal Board of Revenue (FBR) in Pakistan, through its Customs department, holds a crucial role in addressing money laundering (ML) and terrorism financing (TF) risks, related to cash smuggling, trade smuggling and drug trafficking at border entry points. These crimes as source for money laundering and terrorism financing show that there is an increase trend in smuggling as predicate offence as tool used for money laundering.

It is observed that number of ML investigations and the quantity of cash smuggling, currency and trade smuggling investigations declined from 2019 to 2021. However the data shows an increase again in the year 2022 and 2023. Additionally, the FBR functions as an AML/CFT enforcement agency, addressing challenges in ML/TF risks through smuggling and cash smuggling which was marked "Very High" in NRA. The ongoing enforcement and regulatory measures, for effective mitigation of risk posed by Designated Non-Financial Businesses and Professions (DNFBPs), particularly real estate agents, having "Very High" risk has improved during the year 2022-23. The increased scrutiny efforts are required to address vulnerabilities associated with money laundering and terrorist financing within these sectors while sustaining the momentum in supervision and regulation initiatives by FBR.

However, several challenges hinder its seamless execution within the FBR's operational landscape. The lack of proper documentation and regulation in the vulnerable sectors creates loopholes, making it difficult to monitor and enforce compliance effectively. Implementing strict anti-corruption measures within law enforcement agencies, such as regular audits and internal investigations, can help curb corruption that may enable smuggling. The technical challenges, infrastructure and workforce shortages are the main challenges. Moreover, to collectively present formidable barriers in implementing robust AML/CFT measures hindering seamless supervision as regulator of AML/CFT regime is the need of the hour. Overcoming these impediments demands strategic planning, resource optimization, and commitment to navigate.

Ways Forward

Public Awareness: The government and private sectors are required to play their pivotal role in order to create awareness among the masses regarding the risks of informal financial system. Its pros and cons may be communicated to the general public and encouragement may be created to participate in full swing in this noble cause for the sake of the country.

Monitoring and Transparency: Monitoring and Transparency in public and private sector is a very important step. A ruthless transparency and audit can discourage the chances of illegal financial system in Pakistan. Moreover, it will also encourage the justice and fair play in money transfer across the country which in turn will boast the economy of the country.

Economic Reforms: This is another important factor to decrease the money laundering. A balance and justice based economic model with equal opportunity for the people of Pakistan. Moreover, the tax network may be extended to all who fall in the criteria. An equal opportunity and justified tax collection can boast the legal money system in the country. All sectors of revenue may be taken into confidence to ensure a fair collection of tax across the board. For this purpose a uniform tax reform may be implanted to gain the confidence of the masses.

Strengthening Legal Frameworks: This system is desired to mitigate the free flow of illegal money in the country either in the shape of Money Laundering or the Financing of Terrorism. If a stringent legal system is working on the national and international models, then there is an opportunity for the government to follow a fair economic system in the country.

Cooperation and Coordination: Cooperation and Coordination among and between different organisations who work for development and prosperity of country's economy is vital. Without proper cooperation and coordination it is difficult to achieve the output. In our country it is a dilemma that departments have the same tasks do not have proper coordination with each other and each department try to achieve the result at their own which ultimately affect the results. Proper cooperation and coordination is the need of hour to achieve the best results.

Regional and International Cooperation: As we know the world has become a global village. A single state is nothing alone but the comity and cooperation of different country can form an international system. If one country is working on the fair system and its regional countries are not pursuing it ruthlessly then the efforts of a single country is of little value. But if the regional and international community work in collaboration the menace can be eliminated.

REFERENCES

APG (2019), *Anti-money laundering and counter-terrorist financing measures - Pakistan, Third Round Mutual Evaluation Report,* APG, Sydney.

Basu, G. (2014). Concealment, corruption, and evasion: A transaction cost and case analysis of illicit supply chain activity. *Journal of Transportation Security*, *7*, 209-226.

Felderer, M., & Schieferdecker, I. (2014). A taxonomy of risk-based testing. *International Journal on Software Tools for Technology Transfer*, *16*, 559-568.

Goldman, Z. K., Maruyama, E., Rosenberg, E., Saravalle, E., & Solomon-Strauss, J. (2017). *Terrorist use of virtual currencies. Washington DC: Center for a New American Security, May, 3.*

https://propakistani.pk/2022/05/31/fbr-posts-officers-at-directorate-general-of-dnfbps-under-fatf-requirement/

Jackson, J. K. (2012). *The financial action task force: An overview*. Washington DC: Congressional Research Service.

Parkman, T. (2019). *Mastering Anti-Money Laundering and Counter-Terrorist Financing: A Complaince Guide For Practitioners*. Pearson UK.

STRATEGY, T. (2023). IMF POLICY PAPER. https://scholar.google.com/scholar?hl=en&as_sdt=0%2C5&as_vis=1&q=The+continued+efforts+of+the+Government+of+Pakistan

UNIT, F. I., & LEONE, S. SECOND NATIONAL RISK ASSESSMENT REPORT 2023.

Wronka, C. (2022). "Cyber-laundering": the change of money laundering in the digital age. *Journal of Money Laundering Control*, *25*(2), 330-344.

Zia, M. A., Abbas, R. Z., & Arshed, N. (2022). Money laundering and terror financing: issues and challenges in Pakistan. *Journal of Money Laundering Control*, *25*(1), 181-194.