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Money Laundering a Financial Crime: How Pakistan Deals with It?

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Abstract: *Money laundering (ML) is a worldwide delinquent that needs to be addressed by every state. Its purpose is to hide or promote illicitly. The illegal actions generate financial flows, including diverting resources away from economically productive activities that may influence financial sectors and the external stability of the state. The Financial Action Task Force (FATF) and the other anti-money laundering (AML) programs are one of the strategies to prevent ML, but still, there is a need to know more about the existing laws and regulations to avoid this crime. This research examines the legislative frameworks used to combat ML, how it works, and what modification is required. The qualitative method was used in this study to analyze statutes, local and international protocols. It suggests that the latest amendment creates multiple essential modifications and is carefully prepared to address legal glitches, assuring effective AML legislation and trying to meet international guidelines.*

Key Words: Money Laundering, Corruption, Terrorism Funding, Financial Action Task Force, Drug Trafficking, Market Manipulation, Financial Crime

Introduction

Money laundering (ML) conceals illegally obtained funds from legitimate sources (Aslam et al., 2022). It is the conversion or transfer of property, knowing that such property is derived from a severe crime (Abu, 2019). It is to conceal or disguise an illegitimate source of property or assist any individual intricate in committing such an offence to evade the legal consequences of his action and the concealment or disguise of the true nature, source, and location of the property. ML, bribery, tax evasion, smuggling, illegal immigration, and unlawful bank and real estate acquisitions are illegal activities. The world's worst financial scandals are the "Swiss case" and "BCCI" fraud. It is used to describe the unethical business activities of Jews who hide their wealth from the government (taxes) and deposit it in a Swiss bank since it was tax-free (Ogle, 2017). The bank was discovered to have at least 13 billion dollars in undeclared funds. It offered various services to the entire world when it began, and all unscrupulous characters, particularly criminals, took advantage of this chance.

ML was a term used for a long time to describe the circulation of drug money. In addition to drug trafficking, cybercrime, corruption, and other illicit sources, there are a variety of subterranean activities (Bauhr & Grimes, 2012). It also includes quasi-legal actions such as state agencies concealing earnings, resulting in a shadow economy. As a result, international collaboration is critical in preventing ML across national borders. To combat the rising problem, the Group of Seven established the Financial Action Task Force (FATF) in 1989. The FATF expanded the definition of ML unlawful sources by criminalizing revenues derived from other proceeds, including illegal arms sales, insider trading, embezzlement, bribery, and fraud. Since then, the scope of the ML rule has been continually increased to combat this expanding problem, including acts that finance terrorism (Bartolozzi et al., 2022).

Throughout history, forgery, fraud, and theft have been added to the list of crimes. According to FATF, it is the process of illicit gains to disguise or cover their unlawful origin, and this method lets criminals

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enjoy their riches without jeopardizing their source. According to the Hong Kong Narcotics Division, Security Bureau, it is prohibited in Hong Kong to use any method to conceal the source of cash. One of the most popular means of ML is corruption, organized crime, financial fraud, and terrorist financing (Aluko & Bagheri, 2012). The long-term influence of ML on the global economy cannot be understated. Each year, between 2% and 5% of global GDP is thought to be laundered by drug traffickers through ML. According to the International Monetary Fund, between 2% and 6% of global GDP was expected to be laundered in 2006. Almost every country on the earth has passed anti-money laundering (AML) legislation and regulation. Furthermore, it exacerbates the plague of bribery in that region (Bauhr & Grimes, 2012).

For the same reason, foreign investors and governments avoid investing in states known to be safe havens for ML. A country's international status is harmed by this view of the Asian Development Bank. Financial institutions are weakened because of ML. If it is discovered that a financial institution has illicit or dirty money, its reputation may be harmed. When a corporation is suspected of ML or terrorist financing, its reputation is harmed, and customers and investors cease doing business with it. Depositors withdrawing cash causes financial institutions to run out of funds (Tsingou, 2010).

Despite AML policies and regulations, many Pakistanis have shifted money to foreign institutions. Pakistan was rated third in the globe in 2016 for illegally transferred investment in foreign countries, totalling 85000 million Pakistani rupees. They claim that since the government imposed withholding taxes on taxpayers, they have shifted their money abroad (Alexander, 2001). According to sources, the majority of the investors are politicians or their families (Qadeer et al., 2021). ML create a negative effect on a country's whole economic system. ML and terrorism financing may occur everywhere on the planet, but impoverished countries are more exposed to the consequences (Tsingou, 2010). Because these markets are smaller and more open to criminal or terrorist influence than bigger ones, profitable illegal activity is made simpler. Crime and corruption may also rise in nations recognized as safe havens for ML.

Fraudulent trade invoicing, money service providers, hundi/hawala, and bulk cash smuggling are all common means for transmitting illegal payments. Import/export companies, front companies, and the charitable sector are all used by criminals to carry out their schemes. Because real estate transactions are sometimes inadequately recorded, Pakistan's real estate industry is another popular ML destination. Even though it is unlawful to exchange foreign money without a license, unlicensed hawala/hundi operators are common all over Pakistan, accounting for more than half of all remittances. Unlicensed hawala/hundi operators are also commonly utilized to transport and launder criminal funds around the area. That is why it is required to evaluate how much the Pakistan government is serious about combating the crime of ML through legislation. Rigidities critical overview of all Pakistan's AML laws, including the most recent modifications, namely the Anti-Money Laundering Act of 2020 (AMLA). This study investigates the legislative frameworks used to combat ML, how they work, and what modifications are required. With a coastline on the Arabian Sea, Pakistan is strategically placed at the crossroads of the south, central and western Asia. Its porous borders with Afghanistan, Iran, and China aid drugs and contraband smuggling in international markets. Financial crimes like ML and illicit financial services are in high demand in the black-market economy. So, Pakistan's role in AML has an integral value in the region to control this financial crime.

This study is significant because AML is a broad word that refers to the continuously changing rules and regulations enacted to combat money laundering and other financial crimes. However, before one can adequately comprehend AML activities, the first step is to grasp what ML is and the actual scope of this crime. ML is a financial crime that involves making unlawfully obtained funds that look legitimate. Money launderers seek to make it as challenging as possible for the authority to track down the sources of any ill-gotten gains; therefore, complex the 'washing' process is, the less likely they are to be discovered. It implies that money is frequently transferred across countries or invested in businesses, art, and offshore accounts. Now it has become a universal phenomenon, so collective efforts are required from every state to legislate immaculate statutes to control it.

Stages and Procedures in Money Laundering

ML is typically a three-step process. Three procedures must be performed to launder money legally; however, each ML case does not have to go through all three phases. This process consists of two parts: placing and stacking (UNODC, 2020), presented in figure 1.

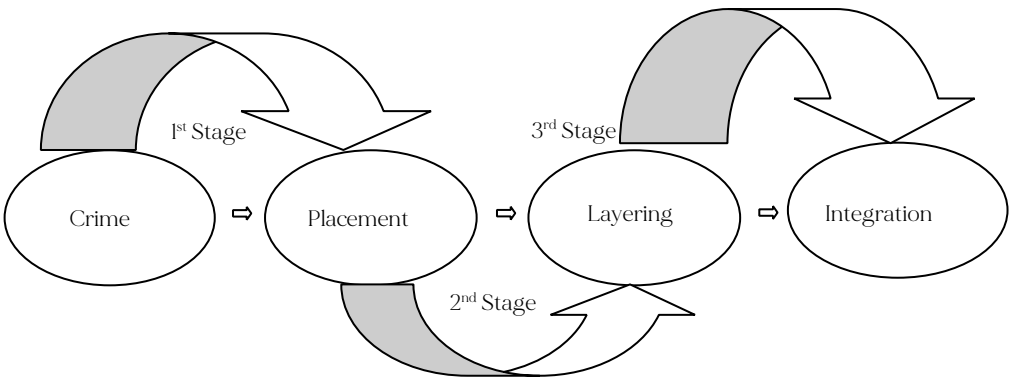

Figure 1: Stages of Money Laundering

Source: Narcotics Division, Security Bureau, 2009.

Placement

Transferring illegal funds into a financial institution is known as placement. During this process stage, smaller amounts of money are divided up and subsequently banked. It might be from a brokerage firm, casino or an insurance firm. Cash transfers, cheques, money orders, and other financial instruments may be purchased and put into bank accounts right away, and other ways can be used to make a deposit. This is the most hazardous phase for the criminal because the government always seeks massive deposits to the account.

Layering

This sequence of complicated financial operations is designed to throw anyone hunting for money off the path. The departure of cash from one institution will coincide with the addition of funds to another but tracking the origin of the money becomes problematic if one step goes unreported. The money launderer employs a sophisticated movement in this phase to conceal the source and ownership of the money or fund being laundered, preventing any audit trail that the illegal money would otherwise leave.

Integration

Money 'cleaning,' also known as integration. The unlawful money is accounted for simply altering a genuine transaction in integration. Ordinary products, for example, may be sold for a specific price, but the invoice will place a significantly greater value on them. The proceeds from the sale of these items are then placed into the filthy money account. The phoney invoice would account for both the legitimate earnings and the unlawful funds in this final step in the ML process. The filthy or illicit funds are returned to the legal economy to establish that the money was produced legally. Expensive commodities such as autos, precious metals, and real estate must be purchased. Finally, the monies are invested in legal ventures. It is challenging to determine if an audit trail was not preserved throughout the placement or layering of illegal money into real money.

Between January and November of 2014, Pakistani Diasporas returned $18 billion to Pakistan in the formal sector. Unauthorized hawala/hundi activities, often known as underground baking, account for more than half of all remittances in Pakistan. Some of these operators have been tied to terrorist fundraising operations, according to reports from ML and Financial Crimes Country Database, 2015. In a public announcement in 2012, the FATF revealed Pakistan's incapacity to overcome flaws in policies related to ML. Nonetheless, the FATF withdrew Pakistan from its public statement in June 2014, citing considerable progress in the technical implementation of Pakistan's action plan. ML is a problem in Pakistan that must be addressed. Pakistan's government and judiciary have taken steps to prevent ML (Yeh, 2022).

Legislative Historical Background

The Control of Narcotics Substance Act, 1997

Control of Narcotics Substance Act, 1997 (CNSA) was the first bill introduced to tackle ML. On July 11, 1997, the CNSA revised legislation about narcotic drugs, psychotropic substances, and control. The Anti-Narcotics Force (ANF) is required to report suspicious

transactions. The CNSA includes provisions related to the confiscation of assets related to narcotics and the formation of tribunals for offences relating to the funding of illicit substances. In this regard, Section 67 subsection (1) of the CNSA mandates that all banks and financial institutions closely observe anomalous transactions with no valid financial or lawful reason (Yeh, 2022). Any unusual transactions might be related to or constitute illegal drug activity. Such suspicious transactions must be reported to the authorized authority by the institution's administration. However, he will be penalized with rigorous jail, up to three years, a fine, or both if he violates the obligations outlined in CNSA as per sub-section (1) of Section 87.

The Anti-Terrorism Act Of 1997

In 1997, the Anti-terrorism Act of Pakistan was enacted to discourage terrorism, religious strife, and the prosecution of major offences. The Act of requesting someone else's financial assistance to use money or other property for terrorism is categorized as terrorism under Article 11-H, (1) A, for this article (Fund-Raising). Anti-terrorism Act, 1997, Section 2 makes it illegal to acquire money or property to utilize it for terrorist operations. According to Article 11-I of the Terrorism Prevention Act, it is prohibited to use or possess money or property if you know it will be used for terrorist objectives. It is allowed to enter into an agreement that encourages the preservation or regulate the property of terrorists by camouflaging, removing property/money from the jurisdiction, changing nominees, or any other methods. Under paragraph 2, a person accused of violating subsection (1) of article 11-K has the opportunity to prove ignorance and a lack of reasonable grounds to assume that the arrangement contained terrorist property, among other defences (Anti-terrorism Act, 1997). Persons who have been found guilty of a crime will be punished under this Act. Provisions 11-H through 11-K of the Criminal Code provide that anybody who violates these sections will face 6 months to 5 years in prison and a reasonable fine. The national association for the development of coloured people is a non-profit organization devoted to identifying, prosecuting, investigating, and prosecuting corruption, power abuse, and asset theft cases. Second, to reclaim debts due to defaulting banks, governments, financial institutions, and other organizations. The third objective is to retrieve the state's finances and assets from those who have embezzled or exported them.

National Accountability Ordinance, 1999

The objective of establishing the National Accountability Bureau was to eliminate corruption and inveterate the accountability of the accused. The chairman of the National Anti-Corruption Board may appoint a Prosecutor General Accountability. The Prosecutor General advises the National Anti-Corruption Bureau (NAB) chairman on legal matters and performs other tasks assigned by the NAB chairman. Suppose a bank or other financial institution has cause to think that a significant or unusual transaction involving the account is linked to or suggestive of unlawful or criminal behaviour, corruption, or corrupt practices. In that case, it must immediately and promptly alert the account holder. Any transactions should be reported to the NAB chairman as soon as feasible by the relevant management or director. According to the law, those who fail to record such transactions risk up to five years in prison or a fine and imprisonment. Article-21 of the ordinance in dispute contains requests for international collaboration or legal assistance. The head of the NAB or any other approved officer of the federal government may transfer corruption and ML suspects to Pakistan. Detection and reporting the out of the box financial activities is its main objective.

Anti-Money Laundering Ordinance, 2007

Pakistan's president utilized Article 89(1) of the constitution to issue an anti-money laundering ordinance in 2007 (AMLO). This ordinance was passed to avoid ML and consequent seizure of any proceeds. If You're a Bankroll Diver, Here's What You Should Do. Anyone who owns, obtains, converts, or transfers property that is proceeds of crime or who may aid another person in the acquisition, transfer, or concealment of such property, is guilty of a crime under the law's definition of guilt, according to Article 3 of the ordinance. Money launderers shall be prosecuted under Article 4. According to the article, anybody convicted of ML risks at least one to ten years imprisonment, a fine of one million rupees, and seizure of all assets linked to the crime (Ramada, 2022). The National Executive Committee (NEC) is to be formed by the federal government within thirty days after the start of this law, according to Article 5 of this ordinance. The committee chairman will be either the prime minister's financial adviser or the finance minister himself. One of the other members is the prime minister's senior adviser on foreign affairs, law and justice and human rights. In addition to their positions as director-general and governor of Pakistan's state bank, this individual would also serve as secretary of the NEC. The committee will design and publish an annual national plan to combat ML. The group will regularly convene to detect crimes, guide the

development of laws and regulations, and make recommendations and national strategies to combat ML (Bartolozzi et al., 2022)

Article 6 of the ordinance mandates the establishment of an impartial monitoring unit stationed at the State Bank of Pakistan (SBP) or any other place in Pakistan. It will work as a decision-making authority with the ability to make daily decisions on problems that fall under its scope. In collaboration with the SBP, the federal government will nominate the Director-General of the Financial Monitoring Unit (FMU). The FMU will be granted the powers & responsibilities: Suspicious transaction reports and the Report on Currency Transaction records (CTRs) are required of financial institutions and non-financial companies. Examine all Suspicious Transaction Reports and Currency Transaction Records in Pakistan for any records or information related to the investigation's topic. All relevant authorities will swiftly give the needed information. Reports and essential information should be transmitted to the appropriate authorities. Suspicious transaction reports, CTRs, and other relevant data must be stored in a database. Information and documents are shared and requested with overseas law enforcement agencies and financial intelligence services. Pakistan's participation in international and regional AML organizations and conferences. Submission of an annual report to the NEC based on AML recommendations or important data.

Anti-Money Laundering Act, 2010

The Act was passed on March 26, 2010, to eliminate ML and terrorism funding and forfeit any property earned via these acts: AMLA. Laundering as a method of theft. For example, this Act has four components that describe ML, but the AMLA, 2010 has only two parts that define ML. A person is a money launderer if they have, acquire, convert, use, or transfer property with the knowledge or reasonable belief that it's the proceeds of crime in their possession, use, or transfer, according to Article 3(3) of this Act. This article partly claims that when someone hides or disguises the true nature, location, origin, and ownership of a property, it is thought to be gained from crime (Ramada, 2022). Anyone who holds or owns property on behalf of another person is deemed a money launderer, according to Section 2,3. Any person who engages in any activities and anybody who assists or abets them is also a money launderer. ML is punishable by one-year imprisonment and fines of at least one million rupees and forfeiture of property involved in ML. Executive Committee of the Nation. Federal Government is required under the AMLO to establish an NEC within 30 days of the Act's implementation. This national executive council's whole organization and functions would remain intact under AMLO.

Regulations against Money Laundering In 2015

FMU created the AML Regulations 2015 after consulting with the SBP and the Securities and Exchange Commission. The NEC approved the regulations. According to Section 3 of this law, currency transactions and suspicious transaction reports must be forwarded to only one Pakistan government organization, the FMU. However, such a report must be kept entirely confidential. When the FMU completes its investigation, inquiry, prosecution, and intelligence activities, including probable instances of terrorist funding and ML, they will be referred to the appropriate investigative or prosecutorial agency (Kang, 2018). Article 4 of this, Director-General has the authority to ask any non-financial firm or profession (NFBP) to report any apprehensive transaction to the federal monitoring unit in any way he deems appropriate. Article 5 of this regulation, when a financial institution or NFBP transacts currency above the minimum threshold set by the NEC (hereafter NEC), the institution or NFBP must report the transaction instantly but no later than seven working days after the transaction has occurred. Currency exchanges between financial institutions and departments or agencies of the federal, provincial, municipal, or statutory governments or organizations are exempt from the requirement to declare. The discretionary exception in article 6 is similar to the reporting exemption in article 6. When a financial institution submits information to the director-general as per the procedure established by the director, the director-general may relieve the financial institution from reporting transactions between the financial institution and a qualified business customer. AML Regulations, 2008, were adopted on January 6, 2009, and were repealed by this regulation.

Controls on Money Laundering Act, 2015

With the AMLA of 2015, amendments to the AMLA of 2010 were enacted. Article 7 of the Act requires reporting entities to notify the FMU if they know, are doubtful, or have cause to doubt that a particular purchase included in the transaction contains money derivative of unlawful doings and envisioned to conceal or camouflage earnings from crime. Likewise, it is hard to make an educated judgement if there is no known information about the transaction, such as its expected purpose and history (AMLA, 2015). If the transaction

contains funding of terrorism, including cash gathered, supplied, used, or intended for terrorism, the transaction is deemed to be covered by Section D of Article 7. This is stated in Section D. Any suspicious transactions must be reported to the FMU as soon as the reporting entity becomes aware of them, but no later than seven working days after they become aware of them. In this amendment, "property" will be used instead of proceeds of crime. Since 2009, Federal Investigation Agency (FIA) has received over 100 suspicious-transaction reports (STRs). There has been a lack of preparedness, training, and inventiveness in dealing with international organized crime within the FIA and other implementing agencies. However, increased training and infrastructure will considerably improve the FIA's capacity to combat ML (Zavoli & King, 2021).

Amendments to Anti-Money Laundering Act of 2020

The World Bank communal assessment report, authorized by the Asia/Pacific Group on ML in 2009, provides widespread efforts done by Pakistan to avert and legalize ML and terrorist funding based on FATF evaluation norms. In addition, the research advises that required legislative changes be made. However, statistics from the NAB of Pakistan's yearly reports on complaint verification, enquiries, and investigations demonstrate a persistent trend of differences between reported and resolved cases from 2013 to 2019. Figures 2 to 5 show a downward trend in accountability inconsistencies from application authentication to the successful prosecution of relevant crimes. Figure 2 shows that the total complaints and average authentication are 64% apart (Anwar et al., 2022).

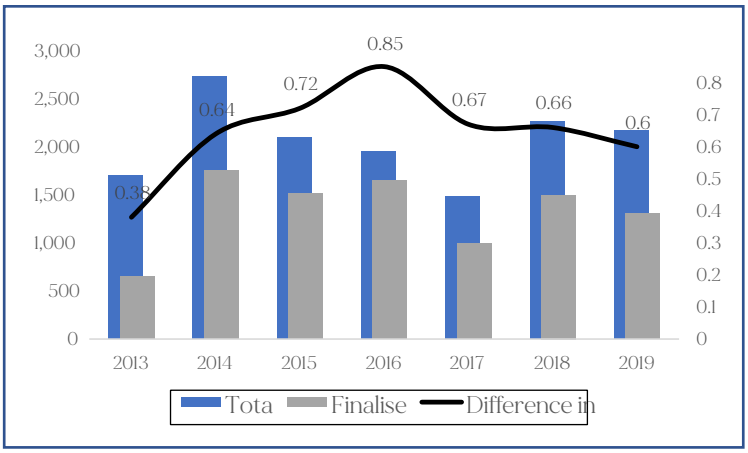

Figure 2: Comparison of Complaint Verifications by Year

In the same way, the total and concluded inquiries and investigations in Figures 3 & 4 have an almost 43% difference. However, in 2019, the number of successful prosecutions climbed due to government initiatives and FATF pressure.

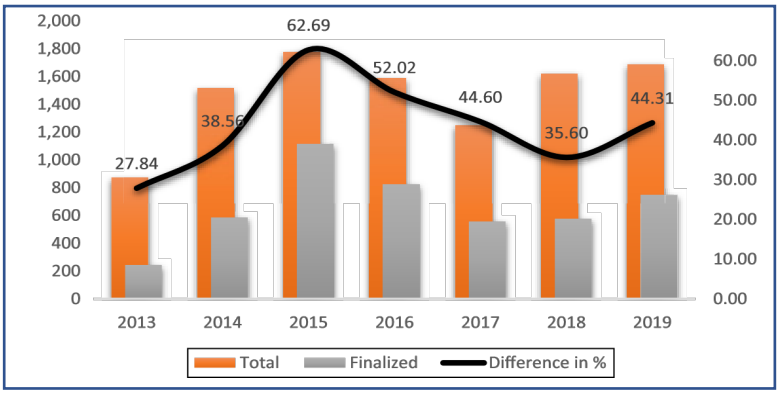

Figure 3: Year-by-year Comparisons of Inquiries

It shows that the nationwide watchdog couldn't resolve nearly half of the complaints due to legal issues, implying that the regulatory system should be reviewed and new legislation introduced. As a result, the current democratic government of Pakistan's focus on eradicating corruption, along with a desire to prevent FATF block listing, cleared the way for AMLA 2020 to combat ML and corruption (Yeh, 2022).

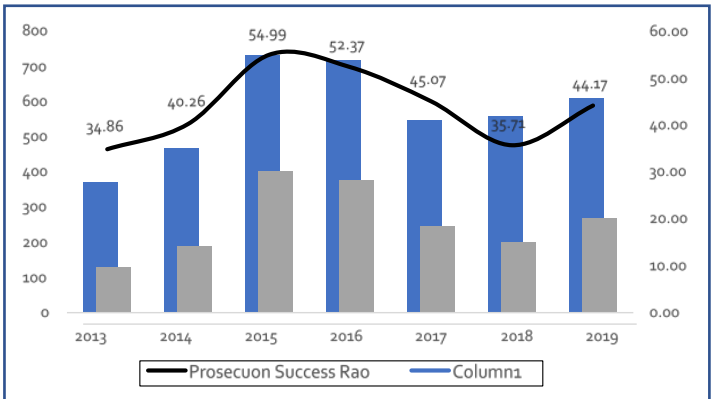

Figure 4: Year-wise Comparison of Total Investigations from 2013 to 2019

Although a percentage of efficacious prosecutions of ML suits increased significantly, as seen in Figure 5,

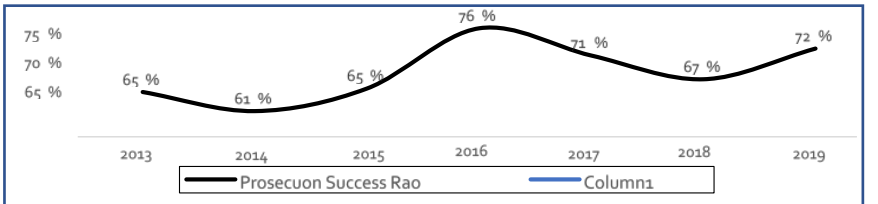

Figure 5: Prosecution Success rate with Time

There was a dismal development in the Consumer Price Index (CPI), as shown in Figure 5. following figures point to the necessity for troubling steps to address the applied ramifications of previous legislative changes, stressing the necessity for more recent changes. Pakistan has demonstrated its commitment to combating ML and improving its legal framework. As a result, the SBP formed an FMU and strengthened banks operating processes to recognize and report suspicious activities. Though, necessary to have systematic debate initiatives with regulatory adjustments to modernize AML legislation and satisfy FATF requirements are still happening (Anwar et al., 2022). Figure 6 shows the CPI percentage of Pakistan.

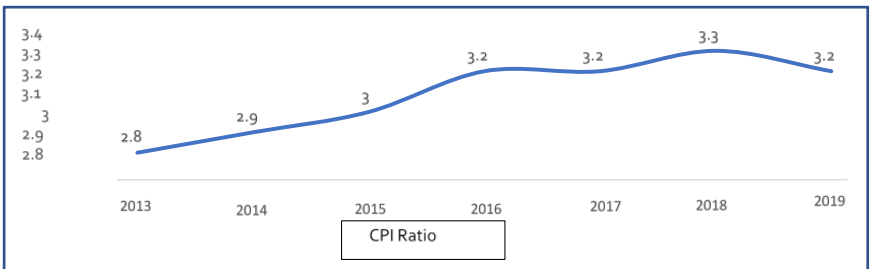

Figure 6: Pakistan's CPI

Up-to-date Amendments in the Anti-money Laundering Act

As a substitute for AMLA adjustments in 2011, 2015, 2016 and 2019, necessary AMLA amendments were made in September 2020, recognizing a constant and large disparity between the stated and final number of inquiries and investigations. The removal of Pakistan from the FATF grey list was based on political will. The AML (Second Modification) Act, 2020 is the most recent amendment to the AMLA. Section 2 of the amending legislation replaces and defines certain crimes while maintaining Section 3 unchanged. The change to Section 4 increased the associated penalties, such as one year of harsh imprisonment, which may be prolonged to ten years, fine of twenty-five million rupees and confiscation of property of comparable value. Section 4 of the AMLA provides fines of up to one hundred million rupees and imprisonment for legal people, including officers, directors, and employees of legal firms engaging in or assisting ML activities (Anwar et al., 2022). In addition, Section 4 of the amended Act replaces Section 5 of the AMLA, requiring NEC to be presided by the finance minister or, in the absence of the former, the financial adviser of the prime minister with nine other members. The standard practices and procedural regulations successful execution of AMLA is the responsibility of this committee. This committee will also keep an eye on developing and predicate offences and make suggestions to the federal government on improving AMLA implementation and complying with FATF countermeasures (Khan & Akhtar 2022).

Section 5 of amending Act replaces section 6 of the AMLA, which requires that an FMU be established and housed at the Pakistan State Bank (SBP) or elsewhere in Pakistan. In collaboration with SBP, Federal Government would designate Director-General to lead FMU as a financial sector expert. FMU will have autonomous decision-making ability to obtain Suspicious Transaction Reports (STRs) and Currency Transaction Reports (CTRs) from reporting companies to meet AMLA's aims daily. The FMU will also examine STRs and CTRs, and it will have the authority to demand records and information from any Pakistani agency or person involved in the transaction. All such entities or individuals shall supply the requested record and information as soon as possible. AMLA or any other relevant law sends information/data to the investigating or prosecuting agencies concerned for inquiry or other action after evaluating the STRs, CTRs and other records. For recordkeeping and future use, FMU shall keep a database of all STRs and CTRs. FMU is also tasked with collaborating with financial intelligence units from other nations (UNODC, 2020). This unit will epitomize Pakistan in global and local financial intelligence organizations and groups and solicit a response from investigation and prosecution agencies on distributions made in the form of periodic reports on money laundering/countering financing of terrorism (ML/CFT) investigations and prosecutions in Pakistan (Kang, 2018). FMU will control the receipt of STRs and CTRs from reporting organizations in cooperation with AML and CFT.

Amendments to AMLA Subsections 6A to 6C are included in Section 6 of the amended Act. The AML/CFT regulating authority is established and granted authority to carry out responsibilities relating to its reporting entities. These rights include licence or registering reporting entities and the ability to place any limits on reporting companies' operations to avoid ML or CFT. This authority will establish regulations, directives, and guidance for funding proliferation commitments. Furthermore, this authority can levy sanctions and monetary and administrative fines on any reporting firm and its directors, senior management, and officers who breach AMLA provisions. Authority must keep records and statistics of all acts taken concerning the functions and powers provided by the AMLA. Authority must report the following figures to NEC and General Committee. Section 6B was added to allow selected authorities to work with their overseas counterparts and establish reciprocal agreements for sharing, requesting, and receiving information related to AMLA obligations. Section 6C was added to give the Federal Government the authority to appoint and govern self-regulatory bodies (SRBs), which are specific bodies that perform authority and purposes such as prescribing regulations for SRBs, monitored and overseeing SRBs, applying sanctions on SRBs that fail to comply with any provisions of the AMLA (Bartolozzi et al., 2022).

Amendments to Subsections 7 and 7A to 7J are unified into AMLA by Sections 7 and 8 of the amended Act. For example, sections 7A and 7B added that all reporting entities conduct customer due diligence before entering into business associations, conducting transactions above the prescribed threshold, any doubt of ML or TF, and any doubt about formerly attained data's accuracy. Table 1 shows the associated facts and comparisons of AMLA changes between 2010 and 2020. According to Table 1, revisions to section 9A of the amended Act are introduced in AMLA under section 9 of the amended Act. According to the amendment, the investigating officer may employ tactics such as hidden operation, interrupting

communication, evaluating computer systems for the investigation of ML, and associating predicated offences and TF with the authorization of the court. In addition, Section 16 of the AMLA allows the investigation officer to make an arrest without a warrant, and Section 21 of the AMLA allows the investigation officer to begin an inquiry without court authority. Section 25 outlines the regulations and penalties for deliberate neglect.

AMLA has been given particular treatment. Further contradictory regulations have an overriding effect under these special laws. As a result, the AMLA takes priority over any other contradictory legislation. Section 111(4) of the Income Tax Ordinance 2001 (ITO) enables every dubious money to enter the state. This part of ITO allows money launderers to send every amount of unaccounted overseas currency through traditional banking channels. This conflicting law is overridden by the AMLA Special Act 2020. Similarly, contrary to the rules of the AMLA, Section 4 of the Economic Reforms Act 1992 and Section 3 of the Foreign Money Accounts (Protection) Ordinance 2001 enable foreign account holders' unfettered movement of foreign currency.

Conclusions and Suggestions

ML is a threat to the economy of every state. A considerable amount of money is illegally trained every year due to bad governance and exclusively scrawny collaboration between law enforcement and intelligence agencies. Pakistan is considered the leading player in the war against ML and terrorism financing. In the absence of modifications to the AMLA in succeeding years, according to yearly reports from the national accountability watchdog, there has been a slight increase in the investigation and indictment of white-collar offences (Khan & Akhtar, 2022). This study examines the 2020 AMLA revisions to compare their overall relevance to previous amendments. We conducted a rigorous assessment of the AMLA and related revisions. Several crucial and major adjustments, including creating innovative governing bodies, risk management structures, assuring compliance mechanisms, and the employment of current investigative methodologies with response and information protection requirements, have been noted. Furthermore, the associated sanctions and punishments have been increased to ensure the effective implementation of legislation to combat ML and terrorism funding.

We propose that financial institutions consider clients' due diligence methods and the idea of mental condition, which is derived from objective factual circumstances. Urge that when dealing with politically exposed people, due diligence and devoted mechanisms of previous approval from higher commands be included and acceptable methods to determine the sources of capital and political funding. To combat ML, AML legislation should incorporate the issues posed by information technology, particularly cryptocurrencies. Furthermore, financial institutions in Pakistan shall possess vital national and international transaction records for at least fifteen years to fulfil information requirements from the appropriate authorities, such as the prosecution and courts. Authority should acquire vital records and evidence without judicial permission. As defined in Article 9 of the Qanun-e-Shahadat Order, 1984, professional confidentiality and legal professional privileges and associated changes to the Legal Practitioners and Bar Councils Act, 1973, should also be considered. A separate budget should be allocated for staff capacity enhancement through training. To combat ML by taking timely instruction and help from internationally qualified instructors or experts. AML legislation should be implemented transparent, uniform, and timely. Customer-related data should be collected, maintained, and disseminated professionally. Effective preventative measures and law enforcement activities are needed to decrease ML offences. The state should impose severe and speedy penalties to create deter. So, others avoid doing ML. Finally, as the FATF advises Pakistan's government to follow the 40 recommendations issued in June 2003, now it should be considered.

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Appendix A

Table of Acronyms

Acronyms	Details
AML	Anti-Money Laundering
AMLO	Anti-money laundering ordinance, 2007
AMLA	Anti-money laundering act, 2010 and it was enacted through notification No. F. 9(4)/2010-Legis on March 27 2020
ML	Money Laundering
FATF	Financial Action Task Force
CNSA	Control of Narcotics Substance Act, 1997
NAB	National Anti-Corruption Bureau
SBP	State Bank of Pakistan
FMU	Financial Monitoring Unit
CTRs	Currency Transaction Records
NEC	National Executive Committee
STRs	Suspicious-Transaction Reports
FIA	Federal Investigation Agency
CPI	Consumer Price Index
CFT	Countering Financing of Terrorism
SRBs	Self-Regulatory Bodies
ITO	Income Tax Ordinance 2001