

FATF's Concerns and Pakistan's Measures for Compliance

Tehmina Aslam*¹ & Muhammad Asad Aslam²

1. School of Integrated Social Sciences, The University of Lahore, Lahore, Pakistan.
2. Faculty of Law, The University of Lahore, Lahore, Pakistan.

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Abstract

Since August 2018, Pakistan has been dealing with the Financial Action Task Force (FATF) to avoid its harsh conditions. The aim of the study was to examine the current position of Pakistan vis-à-vis the conditions laid down by the FATF. A literature review was conducted to assess the situation over 20 months and a comparative analysis was done. Findings of the study showed that the ministry took nine actions. First, it banned two main and eleven affiliated organizations. Second, it froze 976 moveable and immovable assets of the banned organizations. Third, it intervened in the social welfare activities conducted by the banned organization and seized relevant institutes. Fourth, it ministry convicted more than 200 individuals concerned. Fifth, it appropriated funds amounting to Rs 2,400 million. Sixth, it introduced the mutual legal assistance law and contacted about 84 countries to glean information from them. Seventh, it formulated asset-freezing regulations. Eighth, it introduced the charity law across the country. Ninth, it tri-furcated the 4th schedule of the Anti-Terrorism Act of 1997 and established procedures for watching the prospective offenders. The result was that, in 20 months, Pakistan formulated policies meant for curbing money laundering and combating terrorism financing.

Keywords: FATF, Pakistan, Grey List, Black List, Money Laundering, FATF Compliance.

1. Introduction

After the end of the Cold War, the world confronted the threat of terrorism coming from small groups, later on called non-state actors, which could work on their own to meet their objectives. The groups could launch operations both inside their host country to hold monopoly over certain areas of interest and inside a foreign country to carry out sabotage activities. To meet this newly evolved challenge, in 1989, in Paris (France), western countries comprising G-7 took an initiative to found an inter-governmental body called the Financial Action Task Force (FATF) to combat money laundering (Sharma, 2019). In 2001, the FATF's mandate expanded to include terrorism financing as well (FATF, 2019).

In the post-1989 era, the South Asian region also witnessed certain terrorist activities and the emergence of a number of militant groups thus unleashing terrorist activities. Related to Pakistan, the major areas of concern were two: Afghanistan and India. In November 2008, India's city of Mumbai came under a series of attacks launched allegedly by the Lashkar-e-

Taiba, a Pakistan-based organization (Khosha, 2015). In October 2009, by accepting USD 7.5 million in non-military aid over five years (from 2010 to 2014) through the Kerry-Lugar-Berman Act, Pakistan acknowledged the existence of certain groups that were using Pakistan's soil to launch attacks on neighbouring Afghanistan and India including Indian Administered Kashmir (Iqbal, 2009).

The Mumbai attacks that had consumed the lives of the nationals of both India and multiple other countries brought immense pressure on Pakistan to handover the masterminds of the assaults; however, Pakistan kept asking for proof (Dodd et al.2008). From 2012 to 2015, the FATF placed Pakistan on the grey list (FATF, 2020). In 2016, Pakistan came out of the list after legislating anti-money laundering and counter-terrorist financing regulations (Khalid, 2018). The objection remained that Pakistan did nothing after passing the laws. Pakistan remained deficient in implementing its own legislations. In February 2018, the FATF approved a nomination proposal tabled by the US, and approved by the UK, France and Germany to put Pakistan again on the grey list (Economist, 2018).

On 29 June 2018, the FATF put Pakistan on the grey list and gave it a plan of action to complete by October 2019 or face the risk of subsuming under the black list (Kiani, 2020). Earning the blight of blacklisting meant that international financial institutions such as the International Monetary Fund, Asian Development Bank, World Bank and the European Union would withdraw their financial assistance and lending (Sharma, 2019). Further, the state of blacklisting would adversely influence Pakistan's import, export and remittances. By 21 February 2020, North Korea and Iran were on the FATF blacklist (Chaudhury & Tripathy, 2019). Pakistan hankers after returning to the white list. The FATF has asked Pakistan to comply with the given action plan fully.

2. Background

The FATF has emerged as a global watchdog for money laundering and terrorist financing by individual, groups, institutions, or states. As an inter-governmental body, the FATF performs three functions (FATF, 2019). First, makes policies to produce political will in a country to carry out reforms in legislation and regulatory bodies. Second, ensures effective implementation of legal, regulatory and operational measures to combat money laundering, terrorist financing and other related threats to the integrity of the international financial system. Third, monitors the progress of implementation of suggestive measures, to review money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. The FATF had already provided Pakistan a list of banned organizations and proscribed persons (Shams, 2020). In June 2018, the FATF put Pakistan on the grey list and gave 27 points list to act on, as an action plan, to come out of the list (Devasher, 2019). Pakistan did make certain efforts by complying with the requisite points gradually (Kaim & Hayat, 2020).

In October 2019, the FATF declared that Pakistan was fully compliant on five points (Haider, 2020). First, Pakistan understood risks of Counter Financing Terrorist (CFT) by the financial sector. Second, outreached session of Anti Money Laundering (AML) and CFT for the financial institutions. Third, developed an integrated database at airports. Fourth, developed a mechanism to publicize designated terrorist persons and proscribed entities. Fifth, established Terrorist Financing Specific Units (TFSU) and get the analysis done by the Financial Monitoring Unit (FMU) and the State Bank of Pakistan (SBP).

In February 2020, the FATF announced that Pakistan had complied with another nine points (Kiani, 2020). First, the SBP conducted the audit of financial institutions. Second, the FMU did the requisite analysis to make Suspicious Transaction Reports (STRs). Third, Pakistan established and activated the TFSU to do the requisite terror financing risk assessment. Fourth, Pakistan established an inter-coordination mechanism of federal and provincial departments. Fifth, established a parallel investigation system run by Counter Terrorism Departments (CTDs). Sixth, did risk assessment of cash smuggling. Seventh, established a system of domestic cooperation to curb cash smuggling. Eight, established a system of conducting sessions to make its judiciary to get aware and trained on the FTSU. Ninth, established a risk-based outreach of Designated Non-Banking Financial Institution (DNGFI) and Non Profit Organizations (NPOs).

Pakistan was left with the remaining thirteen points to abide by. To do so, Pakistan missed the dates of April 2020 and May 2020. Hitherto, the FATF declared that, out of given twenty-seven points, Pakistan had fully complied with the fourteen points.

3. Research Methodology

As the study did not involve primary data collection, reliance was placed on secondary data collection (Mammond & Wellington, 2013). That is, gathering data that already exists. These were all resources where data could be found. Of the given research methods (such as traditional literature review or narrative literature review, argumentative literature review, integrative literature review, and theoretical literature review), a systematic literature review was selected because it offered comprehensive study and it encompassed a time frame within which the literature was selected (Walliman, 2011). The systematic literature review is a scientific tool that can be used to summarize, appraise and communicate the results and implications of otherwise unmanageable quantities of research (Hammond & Wellington, 2013). The systematic literature review is a purposeful and intentional collection of data – a purposive sample – to be included in the research study (Neuman, 2018).

Within the context of systemic literature review, data-analysis was not done because it entailed standardized statistical procedures for analysing findings from several studies by using a deductive research approach; instead, meta-synthesis was done because it needed non-statistical techniques (Hammond & Wellington, 2013). For this purpose, an inductive research approach was adopted to integrate, evaluate, and interpret the findings of multiple qualitative research studies. The inductive research approach helps synthesize the results of a number of small studies (Connett, 2018). In literature-based methodology, existing literature was the population. Relevant published articles, books, journals and other resources were searched out, reviewed and findings were collected. Both historical and present information were collated. To meet the needs of literature review, background of the study was also done to elicit the context of the research (Neuman, 2018).

Inclusion and exclusion criteria were set. The inclusion criteria were the type of data such as research papers to be included, language and context, timeframe and a variety of research (Hammond & Wellington, 2013). The time frame used as the research material related to FATF was three years since 2018, in the English language. The exclusion criteria were that papers which were not current, research conducted externally, and any other methodology (Cooper, 2010). For data analysis, the synthesis method for the data was used. Key information and themes were extracted from each piece.

4. Development on Thirteen Points: A Discussion

In the first week of June 2020, the plenary session of the FATF met in Paris to evaluate if Pakistan had made progress on the rest of thirteen points (Haider, 2013). The evaluation was significant to decide on the future of Pakistan in the grey list. In case of non-compliance, Pakistan could have fallen into the blacklist. The FATF showed its non-satisfaction with Pakistan's progress. Pakistan has to show some progress on thirteen points.

First, to curb the terrorist financing, Pakistan will have to demonstrate the effectiveness of sanctions including remedial actions. It means that merely the process of imposing sanctions was not enough, the demonstration of the effectiveness of the sanctions was imperative. That is, the sanctions should yield results. Similarly, the remedial measures carried out should also bear fruit.

Action taken: The Anti-Terrorism Act of 1997 laid down the basic legal framework for counter-terrorism prosecutions in Pakistan (Pervez & Rani, 2015).

The Anti-Terrorism Act followed the parameters set by the United Nations Security Council (UNSC) Act of 1948 to include in its 1st schedule the organizations and its 4th schedule the individuals banned by the UNSC Act of 1948 (Zaidi, 2018). On the other hand, the UNSC resolution 1267 made it obligatory for all its members states to implement measures of asset freeze (targeted financial sanctions), an arms embargo, and travel ban on both individuals and entities designated on the sanctioned list (UNSC, 1999). Further, the UNSC resolution 1373 required from member states to implement counter terrorism measures, especially countering the financing of terrorism through domestic laws (UNSC, 2001).

Against this background, the Ministry of Interior divided the 4th schedule of the Anti-Terrorism Act of 1997 (in its amended form in line with the UNSC resolutions 1267 and 1373) into three categories by classifying the proscribed persons and organizations, and established Standard Operating Procedures (SOPs) for bringing them under permanent surveillance regarding their activities and movements. The persons placed on the 4th schedule by government are required to seek prior permission from the local police station before moving from their residence area for any period and that they will have to keep the police informed about their whereabouts (Shehzad, 2020). To this effect, Pakistan has proscribed two main and eleven affiliated organizations (Hussain, 2020).

Second, to curtail the terrorist financing, Pakistan will have to ensure the better effectiveness of its financial institutions against the banned outfits and proscribed persons. It means that Pakistan should improve the effectiveness of its financial institutions such as banks against banned organizations and proscribed persons. Effectiveness means the banks should be powerful enough to sort out and stop transactions. The FATF considers that sanctions for illegal Money Value Transfer Services are neither proportionate nor dissuasive. The FATF recommends that Pakistan Post be supervised for Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT). Hence, the FATF considers that Pakistan is partly compliant.

Third, to deny the flow of cash by Personal Reference System (PRS) across the border, Pakistan will have to take punitive actions against the illegal Money or Value Transfer Services (MVTs) such as the system of Hundi-Hawala. It means that all transactions should be done

through official and formal recorded channels of the transaction instead of the system that remains unaccounted for.

Action taken: No doubt, on 27 March 2010, Pakistan had enacted the Anti-Money Laundering Act (AMLA) of 2010 (AMLA, 2010), and certain claims were made regarding its effectiveness (Daudpota, 2013) the implementation remained deficient against the Hundi-Hawala system. In this way, Pakistan is largely compliant. The FATF, however, considers that there are deficiencies in AMLA's scoping of predicate offences. Further, regarding the regulation of Designated Non-Financial Businesses and Professions, Pakistan has not put in place neither any supervisory authorities or risk-based supervision. Similarly, sanctions for legal persons are not dissuasive nor proportionate (including limited fines) to the nature of offence. There is a minor deficiency in the ML offence set out under the Control of Narcotic Substances Act of 1997. Moreover, there are gaps in national policies on key risk areas such as the Hundi-Hawala system and real estate. Hence, Pakistan is non-compliant.

Fourth, to discourage the flow of cash by hand inside the country, Pakistan will have to place a sanction regime against cash couriers. It means that Pakistan should not tolerate the transfer of money in cash outside the banking system inside the country.

Action taken: Pakistan has put a regulatory mechanism to discourage unrecorded and untraceable cash flow inside the country. The FATF, however, considers that sanctions outside the banking sector relating to AML/CFT requirements are limited. Moreover, overall Targeted Financial Sanctions (TFS) are short of being dissuasive. Pakistan has not identified a subset of registered and international organizations that fall within the FATF definition of Non-Profit Organization for high-risk to Terrorist Financing (TF). Similarly, there are no AML/CFT related sanction powers for Non-Profit Organizations (NPOs) or Designated Non-Financial Businesses and Professions (DNFBPs) to set up preventive measures. Hence, the FATF considers Pakistan party compliance in this regard.

Fifth, to set an example, Pakistan will have to ensure bringing the ongoing terrorist financing local investigation of Law Enforcing Agencies (LEAs) against banned outfits and proscribed persons to a logical conclusion. It means that the investigation cannot continue for an unlimited period. Further, Pakistan cannot leave any ongoing effort not concluding. Pakistan has to produce results.

Action taken: Pakistan has carried out investigations in this regard, but so far, their results are not known.

Sixth, to facilitate the process of accountability, Pakistan will have to ensure international cooperation-based investigations against and convictions of banned outfits and proscribed persons. It means that Pakistan cannot shy away from cooperating with international bodies to investigate them.

Action taken: The FATF considers that Pakistan lacks legal arrangement to provide Mutual Legal Assistance (MLA) in matters of terrorism financing and most predicate offences (whether or not linked to Money Laundering (ML)). To this effect, the Ministry of Interior introduced the Mutual Legal Assistance Act of 2020 in criminal matters and contacted about 84 countries to glean information from them for freezing and confiscation of properties and assets (The News International, 2020). Nevertheless, the Mutual Legal Assistance Act's Clause

17 (Refusal of request for assistance) is a major hindrance in the way of the implementation of the FATF's concerns (MLAB, 2019). The FATF also considers that there should be bilateral treaty or other arrangement to meet foreign MLA requests concerning ML. Pakistan should construct a more legal base to provide MLA in terrorism, TFSU cases and in most predicate offence cases to other countries. Further, the FATF objects that the act does not contain the definition of the Customer Due Diligence (CDD), though the act talks about the CDD. The FATF considers it non-compliance.

Seventh, to investigate the terrorist financing, Pakistan will have to put in place an effective domestic cooperation mechanism between the Financial Monitoring Unit (FMU) and LEAs. It means that Pakistan will have to establish an effective intra-country system of coordination between domestic institutions or bodies being responsible for investigating the terror financing. Further, to investigate terrorist financing domestically, a system of inter-departmental cooperation should be put in place.

Action taken: Pakistan has put in place an intra-country system of coordination to investigate terror financing. The FATF, however, underlines that there are no public procedures for the 1988 committee to review implementation, nor for affected persons. Further, there is no legal obligation for all natural and legal persons to freeze the funds or assets without delay. Moreover, there are no enforceable requirements for Pakistan Post, Central Directorate of National Savings, cooperatives or DNFBPs to ensure resources are not made available to designees. There are no measures to protect the rights of bona fide third parties. Hence, Pakistan has partly compliance in this regard.

Eight, to set an example, Pakistan will have to prosecute the banned outfits and proscribed persons. It means that Pakistan will have to take legal action against both the banned outfits and the proscribed persons. No such person and organization could be saved as being a strategic asset. When the state punishes them, no doubt, the link between the state and the bodies/persons will become severe.

Action taken: The Interior Ministry banned two main and 11 affiliated organizations (Hussain, 2020).

Ninth, to set an example, Pakistan will demonstrate convictions of both proscribed persons and banned outfits from the court of law. It means that Pakistan will neither spare anyone (body or person) under any rules nor kill anyone extra-judicially. Everything has to pass through the court of law. The US has shown its reservations on the news of Maulana Masood Azhar and his family's missing (Singh, 2020). Masood Azhar runs Jaish-e Mohammad actively in the part of Kashmir lying with India (Kumar, 2020). Similarly, Hafiz Saeed of Jamaat-ud Dawah (an alleged Mumbai attacks mastermind) and Lashkar-e-Taiba is the focus of attention for international community (Zaidi, 2018). In December 2008, Hafiz Saeed was listed under UNSC resolution 1267 (The Economic Times, 2018). The Haqqani network and the Quetta Shura are also the focus of attention (Mitra, 2019). Pakistan will have to produce evidence against such persons/bodies before the court to let the court decide on them to punish them legally. To produce evidence to do so will be a huge task. Similarly, to force the court to issue a verdict of punishment will be next to impossible. Mere condemnation and arrest were not enough. Pakistan will have to ensure their journey ending behind bars. Lately, Pakistan has removed thousands of names from the terrorist watch list, the explanation of which is still unknown (Tokar, 2020).

Action taken: The Interior Ministry got more than 200 individuals related to the banned organizations convicted (Shehzad, 2020).

Tenth, to show the seriousness of the actions, Pakistan will have to seize the properties of banned outfits and proscribed persons. It means that the seizure should be legal. Either the courts will have to issue a verdict in this regard or Pakistan's government should seize the properties of such persons and bodies to discourage their followers and fellows from continuing with the same activities.

Action taken: The Interior Ministry formulated asset-freezing rules and froze 976 moveable and immovable assets of the banned organizations (Shehzad, 2020). Further, the ministry intervened in the social welfare activities conducted by the banned organization and took control of the relevant educational institutes and hospitals (Shehzad,2020). The FATF, however, recommends that measures should be put in place to mitigate the Money Laundering and Terrorist Financing risk with trust structures and other legal arrangements. Hence, in the context of transparency and beneficial ownership of legal arrangements, the FATF considers Pakistan non-compliant.

Eleventh, to diminish trends in the future, Pakistan will have to take measures to convert madrassas to schools and health units into official formations. It means that Pakistan will deny infrastructure to such persons and bodies by not only seizing their properties but also converting these properties into some beneficial form such as schools and government offices. The confiscated properties cannot be left vacant and on their own; instead, they have to be utilized by the government to ensure that no body retrieves them. Similarly, the government cannot sell them. The government has to convert them to utilize in a different way. The welfare work was used to penetrate the people who get recruited easily or get influenced to the cause of a given organization. The organizations pick up volunteers and channelize them to conduct various terrorist operations. Pakistan will have to ban the welfare work and welfare organizations run by such persons and entities.

Action taken: The Interior Ministry introduced the Charity Law of 2018 across the country (Salahuddin, 2020).

Twelfth, to set an example, Pakistan will have to cut off the supply route of the funding of banned outfits and proscribed persons. It means that Pakistan will have to obliterate the welfare work of such persons and entities run through donations such as alms and offerings. People usually donate as a religious duty and fund organizations. The funding source should be cut off to dry these organizations. Similarly, Pakistan will have to wipe out the route of their funding from foreign countries in the name of religion or welfare works.

Action taken: The ministry appropriated funds amounting to Rs 2,400 million meant for the management of the taken over educational and health facilities.

Thirteenth, to set an example, Pakistan will have to put in place a permanent mechanism for the management of properties and assets owned by banned outfits and proscribed persons. It means that the properties and assets, which were seized and converted, would be brought under a permanent mechanism of management.

Action taken: Not known.

Thirteen Concerns of the FATF	Actions taken by Pakistan	Suggestions
1. Effectiveness against terrorist financing		
i. Demonstrate effectiveness of sanctions and remedial actions	Under the amended Anti-Terrorism Act of 1997, Pakistan proscribed two main and eleven affiliated organizations.	Seek sentences from the courts.
ii. Demonstrate effectiveness of financial institutions	Not known	Seek penalties from financial institutions.
2. Cash flow		
iii. Discourage cash flow across the border (through Hundi-Hawala)	Deficient in implementing the anti-Money Laundering Act of 2010.	Fill up deficiencies
iv. Discourage cash flow inside the country (through cash couriers)	Not known	Regulate the domestic sector.
3. Investigation and cooperation		
v. Effectuate and conclude local investigations	Investigations have been carried out but most remain inconclusive.	Conclude investigations
vi. Local interdepartmental cooperation and investigation	Not known	Develop the requisite system
vii. Cooperate with international investigative systems	Under the Mutual Legal Assistance Act of 2020 (for criminal matters), Pakistan contacted about 84 countries.	Upgrade the law
4. Legal Action and Conviction		
viii. Take legal action	Pakistan banned two main and eleven affiliated organizations.	Do more
ix. Demonstrate conviction	Pakistan convicted more than 200 individuals.	Do more
5. Sources of funding		
x. Cut off sources of funding	Pakistan appropriated funds amounting Rs 2, 400 million	Do more
6. Seizure		
xi. Seize properties and assets	Under the Mutual Legal Assistance Act of 2020, Pakistan froze 976 moveable and immovable properties	Upgrade the law
xii. Convert seized properties/assets into official formations	Pakistan introduced the Charity Law of 2018 across the country.	Upgrade the law
xiii. Manage properties and assets under a permanent mechanism	Not Known	Do legislation
Table showing the rest of 13 FATF's concerns (regarding terror financing, proscribed persons and banned organizations), actions taken by Pakistan and suggestions.		

5. The Critique

There are four reasons to cite why Pakistan has faltered on the FATF's concerns. First, Pakistan remained in a denial mode to acknowledge that terrorist financing was an issue. Second, Pakistan considered certain groups and people its declared or undeclared strategic assets, which Pakistan endeared to meet its security and strategic objectives. Third, Pakistan remained wary

of backlash that could come from inside the country against banning certain people and organizations busy in public works. Fourth, Pakistan lacked the infrastructure to meet the requirements of the FATF.

In the past 20 months, however, Pakistan has travelled a considerable distance to formulating policies, enacting laws, and laying down procedures to comply with the requirements of the FATF. Yet, Pakistan has to do more. Pakistan has never fluctuated between grey and blacklists of the FATF. Instead, Pakistan remained on the FATF's grey list for three years, from 2012 to 2015. In 2016, after legislating on anti-money laundering and putting in place counter-terrorist financing regulations, Pakistan re-joined the white list. In February 2018, on the request of the US backed by the UK, France and Germany, the FATF decided to put Pakistan again on the grey list. On 29 June 2018, Pakistan was on the FATF's grey list. Being on the grey list does not imply or invite any economic sanctions. In June 2018, the FATF handed over a 27-point action plan to Pakistan to act against money laundering and terrorist financing.

Pakistan is heavily dependent on foreign loans from international banks and institutions such as the World Bank, Asian Development Bank, and the IMF. Pakistan also needs bilateral and multilateral foreign aid such as coming from the US, UK, Germany and the European Union. International transactions are also important to keep the country connected with the world. If Pakistan falls into the FATF's blacklist, the flow of money from these resources will stop. Perceptibly, India is forcing the FATF to pressurize Pakistan to proscribing certain terrorist organisations and banning certain persons allegedly working for the Kashmir cause or involved in the Mumbai attacks of 2008. India might be active in the Asia-Pacific Group of the FATF but that group is a subsidiary. On the other hand, China is requesting the FATF to give time to Pakistan to comply with the conditions of the FATF. That is, China is asking the FATF not to take a hasty decision on Pakistan, which is complying and which is willing to comply. The FATF has devised its own assessment criteria to judge Pakistan's compliance with the FATF's recommendations. The FATF requires new or amended laws, new or upgraded regulations and procedures, and results on the ground. All the FATF criteria and recommendations revolve around these three points.

In June 2018, the FATF put Pakistan on the grey list. The foreign policy of Pakistan has a wide-ranging subject. The grey list does not offer any sanctions on Pakistan. Hence, there is no adverse impact on Pakistan's foreign policy. One challenge Pakistan has faced since June 2018 is to convince the FATF to offer Pakistan time to introduce the requisite changes in its domestic institutional structure and introduce or amend the laws and regulations to meet the needs of the 27 points given by the FATF in June 2018 to comply with. The FATF has shown its impatience each time the meeting is held with Pakistan's representatives. Consequently, Pakistan had to ask its friends such as China, Turkey and Malaysia to speak on the FATF forum to offer Pakistan some more time to implement reforms proposed by the FATF. So far, Pakistan has been successful in seeking time from the FATF for taking necessary measure. In this regard, the bearing on Pakistan's foreign policy could be that Pakistan feels obliged of its friends that supported and helped Pakistan in seeking more time from the FATF. Nevertheless, if FATF puts Pakistan on the blacklist, there would be problems for Pakistan's government on the foreign policy front. In Pakistan, it is hoped that such time would not arrive, as Pakistan's government is committed to meeting the demands of the FATF. Pakistan is a responsible country and a nuclear power (though not officially recognized), and Pakistan understand the repercussions of any such blacklisting.

6. Conclusion

The aim of the study was to find the reasons because of which, despite all efforts undertaken, Pakistan has failed to come out of the grey list of the FATF. The study helped draw seven more conclusions. First, just slapping a ban on the organization, proscribing individuals and imposing fines are not enough. Pakistan has to demonstrate the effectiveness of sanctions and penalties by yielding results. Second, Pakistan has to discourage the flow of cash both inside the country and across the border by making laws and by putting in place regulations. Third, mere investigation is not enough. Pakistan has to conclude the investigation. Fourth, Pakistan has to develop domestic interdepartmental cooperation and international investigative cooperation backed by law and procedures. Fifth, Pakistan has to prosecute and convict banned outfits and proscribed persons, who should be dispatched to jails. Sixth, the source of funding still persists. Pakistan has to cut off all sources of funding, local or foreign, of both banned organizations and proscribed persons. Seventh, merely seizing properties and assets is not enough. Pakistan has to make laws to convert these properties into official formations and devise a permanent mechanism to operate them. In short, Pakistan has to deliver on the ground, upgrade several existing laws, and enact a few more to mollify concerns of the FATF.

Four reasons made Pakistan falter on the FATF's concerns. First, Pakistan failed to acknowledge that terrorist financing was an issue to be reckoned with. Second, Pakistan was reluctant to accept the reality that the declared or perceived strategic assets meant for meeting its security objectives were a source of disrepute and disgrace. Third, Pakistan was fearful of the repercussions that could come from inside in the wake of proscribing certain personalities and organisations engaged in performing public works. Fourth, Pakistan was deficient in the ways and means that could be employed to meet the demands of the FATF. The persistence of these four reasons is keeping Pakistan in the grey list. These four reasons are the areas for further study.

6.1. Recommendations

- First, Pakistan has to upgrade its Foreign Exchange Regulation Act of 1947 and the Anti-Money Laundering Act of 1997.
- Second, Pakistan has to adopt fully the UNSC Act of 1948 in its updated form to enhance punishment for terrorist activities to Rs 200 million (from the existing fine of Rs 1 million) and 10-year rigorous imprisonment.
- Third, Pakistan should also update its Criminal Procedure Code to meet the international standards.
- Fourth, Pakistan has to upgrade the Companies Act of 1984 to include provisions for compliance with FATF standards.
- Fifth, Pakistan should upgrade a number of subordinate legislations to help the Securities and Exchange Commission of Pakistan and other central and provincial bodies to regulate domestic inter-departmental transactions and cooperation. The upgraded laws would also help the Federal Board of Revenue to regulate and coordinate activities. The same is true for the National Counter Terrorism Authority.
- Sixth, Pakistan, as a state, is required to avoid supporting any person or organization as a security or strategic asset that could indulge in terror financing, money laundering, and internal or cross-border terrorism.

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