DAWN

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Team from FATF affiliate due today

ISLAMABAD: A delegation of the Asia-Pacific Group (APG) on money laundering — a regional affiliate of the Financial Action Task Force (FATF) — will arrive here on Monday (today) to assess whether Pakistan has made enough progress on global standards against financial crimes to warrant its exclusion from the watchdog's grey list.

"The meetings will start on Tuesday and will end on Thursday," said Finance Ministry's spokesman Dr Khaqan H. Najeeb.

He said the APG assessment team would meet officials from the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, Election Commis-sion of Pakistan, Ministry of Foreign Affairs, Ministry of Interior, National Counter Terrorism Authority, law enforcement agencies and counter terrorism departments.

In response to a question, he said the experts from the ministries and other key institutions would get an opportunity to explain and convince the assessors about Pakistan's performance.

The country has taken certain steps since the February 18-22 meetings with FATF functionaries to comply with latest instructions to meet various deadlines in order to avoid being included in a blacklist. It declared as "high risk" all the eight entities and related elements specifically named by FATF as threats to the global financial system.

Sources said that India had taken an aggressive stance against Pakistan in the FATF and Islamabad had repeatedly called for removal of Indian vice president from the APG.

Achieving 27 targets under a 10-point action plan has now become a top priority for the government. As the FATF meetings were still in progress in February, the government had announced a ban on Jamaatud Dawa (JuD) and Falah-i-Insaniat Foundation (FiF) to partially address the concerns raised by India that Pakistan supported these and six similar organisations, including Jaish-e-Mohammad (JeM), or at least considered them low-risk entities, and then declared them "high risk" ones.

Under the high risk category the government is required to start monitoring and re-examining the groups' activities and profiles under heightened security checks at all layers of legal, administrative, investigative and financial regimes.

All these entities are now subject to greater scrutiny by all agencies and institutions of the state regarding their activities starting from registration to operations and from fund collection to bank accounts and issuance of transactions.

The government has so far fined six banks and started investigations against 109 bankers for opening 'fake' bank accounts. About 8,707 suspicious transaction reports (STRs) were issued last year by the Financial Monitoring Unit, showing almost 57 per cent growth over the 5,548 STRs issued in 2017.

About 1,100 STRs were issued in January and February this year alone. Smuggled currency and jewellery worth more than Rs20 billion were confiscated between July and Jan 31, up 66 per cent from Rs12bn a year ago.

Memorandums of understanding are being signed in this regard with the United Kingdom, Qatar, United Arab Emirates and Australia for sharing of intelligence. Pakistan is also trying to improve coordination among different agencies of the government through centralised software.

While such data may impress many Pakistanis, the FATF and its partners review processes, systems and weaknesses on the basis of a standard matrix. Pakistan is being monitored on 27 indicators under the 10-point action plan with deadlines.

The ICRG that reviewed Pakistan's performance in recent meetings was not satisfied with the progress made by it vis-a-vis milestones set for January. This was despite improvements in the anti-money laundering and combating the financing of terrorism (AML/CFT) regime and on the integrated database for currency declaration arrangements.

Therefore, FATF urged "Pakistan to swiftly complete its action plan, particularly those with timelines of May 2019" to address strategic deficiencies. The FATF had noted that Pakistan had revised its terror financing risk assessment, but did "not demonstrate a proper understanding of the terror financing risks posed by Islamic State group, AQ [Al Qaeda], JuD, FiF, LeT [Lashkar-e-Taiba], JeM, HQN [Haqqani network], and persons affiliated with the Taliban".

Pakistan has to comply with the 10-point action plan for which it is required to adequately demonstrate its understanding of the terror financing risks posed by the militant groups. It will have to conduct supervision on a risk-sensitive basis and prove that remedial actions and sanctions are applied in cases of AML/CFT violations, and that these actions have an effect on AML/CFT compliance by financial institutions.

The country also has to demonstrate that terror financing prosecutions result in effective, proportionate and dissuasive sanctions, enhancing the support for prosecutors and the judiciary. It must show effective implementation of targeted financial sanctions (supported by a comprehensive legal obligation) against all those designated as terrorists under the 1,267 and 1,373 UN resolutions and those acting for or on their behalf, including preventing the raising and moving of funds, identifying and freezing assets (movable and immovable) and prohibiting access to funds and financial services.

On top of that, Pakistan will have to demonstrate enforcement against the violations of terror financing sanctions, including administrative and criminal penalties. The FATF will undertake the next review of Pakistan's performance in June, which will be preceded by a face-to-face meeting with the Joint Group in May.

In June last year, Pakistan made a commitment to work with the FATF and APG to strengthen its AML/CFT regime and to address its terrorism financing-related deficiencies by implementing an action plan to accomplish these objectives. The successful implementation of the plan and its verification by the APG will lead the FATF to remove Pakistan from its grey list or move it into the black list category by September.

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