

For Pakistan flight of dirty money abroad more serious: UK report

LONDON: A new report by Britain's Royal United Services Institute (RUSI) has identified a "mismatch in Pakistani and international illicit finance-related priorities" where the international Financial Action Task Force (FATF) priorities lay in counter-terrorist finance, whereas Pakistani policymakers feel the proceeds of corruption siphoned outside the country should have greater relevance.

The report by the think tank identified the opportunities for Pakistan to drive up the integrity of its financial system, enabling the country's leadership to address decades of illicit financial activity by taking steps to stem the flow of proceeds of corruption siphoned off outside Pakistan.

The RUSI report recommended firm action against hawaladars operating illegally and promote dialogue to address mismatch in priorities between international stakeholders such as the UK government, which is concerned about the role of Pakistan-based organised crime in drug trafficking, and Pakistani authorities, which view the UK as a magnet for corruption proceeds.

It said that the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan should clarify 'the interaction between tax and Anti-Money Laundering (AML) rules'.

The report relied on reports of Pakistani government stating that substantial funds have been corruptly misappropriated from Pakistan by government officials and transferred abroad.

Entitled "Security Through Financial Integrity: Mending Pakistan's Leaky Sieve", the RUSI report suggested that the country's financial system is "the first line of defence against the exfiltration of corruption proceeds from Pakistan" while calling for "holistic anti-corruption strategies" that are informed by an understanding of the vulnerabilities in Pakistan's financial sector.

The report identified the need to publish statistics on enforcement actions that Pakistan's government takes against regulated businesses because of financial crime failings. Greater enforcement action is also recommended against informal value-transfer systems, better known as hawala or hundi.

It said the mismatch in priorities is also seen in the UK-Pakistan relationship. With the UK "universally seen as an enabler of corruption in Pakistan", the paper calls for an "open recognition of each other's interests and priorities can provide an impetus for more effective cooperation both on corruption, which is of primary concern to Pakistan, and on organised criminal activities that the UK is anxious to address".

A Middle East country is also frequently referred to, in the report, as a potent magnet for Pakistani money. The report suggested that the Pakistani government "should seek a coalition of international support for pressing greater responsibility and accountability from the government of the ME country for facilitating illicit financial flows from Pakistan, in particular in view of the FATF's upcoming evaluation of the UAE in 2019".

The report said that the UK is universally seen as an enabler of corruption in Pakistan. “In part, this is a consequence of high-profile cases such as that of Nawaz Sharif and Asif Ali Zardari, both of whom owned UK-based real estate. More broadly, there is a palpable feeling that the UK is a favoured destination for dirty funds from Pakistan, and that UK law enforcement would be able to reverse the situation if there were sufficient political will to do so. In particular, there is a widespread awareness of recent legislative developments, most prominently the introduction of Unexplained Wealth Orders, although there appears to be less understanding of their limitations.”

The report said that while the UK government has provided a raft of measures to support Pakistani criminal justice capabilities, including technical assistance programmes, the involvement of UK law enforcement agencies in Pakistan has been largely focused on combatting drug trafficking, and therefore Pakistan is seen predominantly not as a source country of criminal proceeds (that is, of corruption) but as a destination country for the proceeds of drug trafficking and proceeds of other organised criminal activities.

The report dealt with Pakistan’s banking system at length and pointed out the loopholes in the system. It said that Faysal Bank was alleged to have extended a \$20 million loan to a company owned by the family of Nawaz Sharif but the SBP’s inquiry concluded that neither Sharif nor his family owned the company in question.

According to the US Department of State’s 2003 Human Rights Report, said the report, the creation of the NAB was largely a response to systemic bank fraud perpetrated by wealthy Pakistanis.

Murtaza Ali Shah