**The quagmire of Financial Action Task Force (FATF) Part II**

[M Alam Brohi](https://dailytimes.com.pk/writer/m-alam-brohi/" \o "More Articles by M Alam Brohi)

November 7, 2020

After the 9/11, the terrorism, the terrorist organizations, their sources of finance, assets, supporters, sustainers, financial transactions particularly Anti Money Laundering (AML) and Counter Terrorist Financing (CFT)measures in countries caught in cross hair of global terrorism came under international microscopic scrutiny. Unfortunately, Pakistan was one of the countries where the militant organizations found fertile grounds due mainly to its support to the US-led Western world in the guerrilla war against the erstwhile Soviet Union in Afghanistan. Later, the US invasion of Afghanistan and Iraq pushed Pakistan deeper in this quagmire.

The Western world activated the 41-member Financial Action Task Force to control the financial flow to terrorist organizations. Pakistan, being in the cross hair of terrorism, was identified as one of the countries where strict anti-money laundering and counter terrorist financing measures were to be revamped based on the FATF recommendations of 2012. Therefore, in October 2018, the world financial watchdog put in place a formidable group of financial, legal and law enforcement experts from nine countries and IMF to evaluate Pakistan’s case. The document came to be known as the Mutual Evaluation Report (MER).

As put it by a columnist, ‘the Report was a gigantic graphic indictment of the failed Pakistan system, its broken laws, lack of commitment and coordination. It was largely divided into two parts – Terror Financing and Money Laundering. The MER is so detailed and goes into every small and miniscule aspect of money laundering, as if the experts had put Pakistan under a super powerful microscope and found each and every fault, crack, cleavage and hole in its legal, administrative, judicial, security and political infrastructure’. The Report actually was a charge sheet against the corrupt and selfish leaders, Law enforcement agencies (LEAs), State Bank and public and private sectors financial operators.

To comply with 21 recommendations within this short period from June 2018 to October 2020 was no mean achievement and the government can rightly claim plaudits for this stellar performance

There commendations of the FATF were lying unattended with the previous two democratic regimes since 2012. No anti money laundering or counter terrorist financing legislation was passed. The Hawala or Hundi system was going in full swing. The ill-gotten wealth, accumulated by corruption, drug trafficking, fraud, tax evasion, smuggling, human trafficking and organized crime, was laundered through extra banking channels and personal couriers (Ayan and Qatari letter-like) inflating bank accounts and financing purchase of properties abroad. The MER discloses that from 2013-2018, a total of 2,420 cases of money laundering were investigated by concerned agencies. Out of which 354 were prosecuted. Only one case, investigated and prosecuted by NAB, resulted in a conviction.

The MER, while making 40 recommendations, elaborately concluded whether Pakistan had complied, not complied, or partially complied with the recommendations. The verdict of the FATF experts was simply awful. The security forces had taken care of the terrorism and terror financing through two elaborate operations which came to be known as Zarb-e-Azab and Radd ul Fasad which went a long way to break the back of terrorism and destroyed its sleep cells in mega urban centers including Karachi. Unfortunately, this was not proportionately supported by foolproof measures by the civilian rulers.

Thus, the PTI regime inherited a formidable challenge from its predecessors. The Damocles sword of FATF was hanging over the head of the country which had every possibility of being placed on the black list. The PTI regime had to comply with over 27 recommendations within a short span of time as the deadlines for compliance in all respects had already expired. It took the matter seriously. However, it needed cooperation of the opposition in the Parliament particularly in the Senate to pass legislation to comply with the recommendations of the FATF. The opposition was not cooperating with the regime – allegedly seeking some reprieve in the money laundering cases notwithstanding the crucial meeting of the FATF from 21-24 October in Paris.

The global financial watchdog after its three day huddle in Paris came out with its verdict on Pakistan which was both disappointing and gratifying at the same time. Though the country has been retained on the Grey List, Pakistan was found to have complied with 21 recommendations of FATF. Dr. Marcus Pleyer, President of the Financial Watchdog, while praising the country for progress, categorically declared it safe giving us time up to 21 February 2021 to comply with the remaining recommendations which most significantly relate to Anti Money Laundering and Counter Terror Financing and the improvement of its strategic plans for the implementations of there gimes on these counts.

To comply with 21 recommendations within this short period from June 2018 to October 2020 was no mean achievement and the government can rightly claim plaudits for this stellar performance. However, with this comes the most difficult part of the FATF recommendations. The regime has to show an equally high level of commitment – going to be judged by the concerted measures it takes to implement the four crucial and strategic tasks specified by the FATF. These tasks relate to revamping of LEAs for identifying, investigating and successfully prosecuting terror financing activities targeting persons and entities designated by the UNSC, addressing strategic deficiencies and ensuring that prosecution of TF including Non Profit Organizations and NGOs result in effective, proportionate and dissuasive sanctions.

The main hurdle in implementing the above strategic tasks as I can foresee would be the infamous lethargy, inertia and endemic corruption of our Law enforcement agencies and the traditional laxity of our administrative and financial institutions at the federal and provincial levels and the concomitant halfhearted attempts at implementation of Antimoney laundering laws. We should also revamp our strategic policy on the persons and entities operating from – or remaining inactive in – our land who/which have been already on the proscribed list of the United Nations Security Council. The Hawala/Hundi system is operating clandestinely in some areas of our mega cities with the connivance of the LEAs. This is dangerous and would not remain hidden from the super microscopic scrutiny of the FATF experts. The Government should also revamp the powers of the National Accountability to implement anti money laundering laws.

*The author was a member of the Foreign Service of Pakistan and he has authored two books*