**Money laundering and jurisprudence**

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February 06, 2021

Money laundering promotes corporate and individual tax evasion. It worsens economic inequality globally, particularly in the developing world, and helps to fund organised criminal activity. Moreover, it aggravates socio-economic disparities. Many amendments need to occur from an enforcement and compliance point-of-view to prevent this activity from spreading its roots and corrupting the global financial order.

According to various studies, there is an implicit nexus between the transfer of ill-gotten wealth and terrorism for almost five decades. At a recently held international webinar on anti-money laundering by the Centre for Aerospace and Security Studies (CASS), experts from Pakistan and the United Kingdom also alluded that terrorism in its present form, is heavily financed through money-laundering by transferring ill-gotten wealth around the globe through informal channels.

Through shadowy monetary frameworks, the movement of illegal funds enables transgressors to proceed with the unlawful movement of wealth while simultaneously tainting markets with perceived integrity in the system. According to an Islamabad Policy Research Institute analysis, around $1.1 trillion of illicit capital outflow occurred from developing countries to tax havens. This is ten times the size of foreign aid to developing countries combined. The recent revelations of different money launderers and their wealth sources by global whistleblowers—such as Panama Papers and FinCEN (identifying one significant city—London as a major source of money-laundering) files—shows the extent of the world’s tax avoidance issue. They have brought to light how a large number of shell organisations, owned by other shell companies, are making credits to each other and working with global banks-such as Deutsche and HSBC—to convert ill-gotten assets into real capital hidden in off-shore accounts. The Deutsche bank was specifically involved in a Russian scam. Around $20 billion was being moved from one side to another through this bank illegally.

[House impeachment managers say Trump 'inciter in chief'](https://nation.com.pk/11-Feb-2021/house-impeachment-managers-say-trump-inciter-in-chief)

Tax avoidance and money-laundering are no longer a widespread criminal activity. They have become an industry that promotes a cyclical reaction where more and more people seek to avoid the tax net through illicit means. Thereby institutions with supposed clean hands have also implicitly become involved in it.

Ironically, rather than states, it is financial investigative journalists worldwide who have taken the lead in uncovering the magnitude of this criminal activity.

Be that as it may, novel advancements in Artificial Intelligence (AI) present unlimited and novel prospects to plug loopholes of the global financial system. It can also be useful in detecting irregularities from big data generated in any money-laundering investigation. Moreover, it saves many manhours and expedites the process of tracking and uncovering white-collar criminals.

Banks have flagged many dubious exchanges, giving controllers and examiners a pile of data to figure out the genuine instances of tax evasion and sifting them from bogus deceptions. New reporting requirements for banks, extended powers of law enforcement organisations, and harsher punishments for guilty parties underpin a growing acknowledgment that money laundering is increasingly becoming a fundamentally global issue. According to Robert J. DeNault, last month the US Congress passed another law requiring the revelation of valuable proprietors of mysterious shell organisations with an end goal to improve identification of tax evasion. This legislation is a solid step towards financial accountability.

[Biden forms China task force to meet growing challenges](https://nation.com.pk/11-Feb-2021/biden-forms-china-task-force-to-meet-growing-challenges)

Nonetheless, policing money laundering is difficult. At the risk of oversimplifying, the US money laundering detection and prevention system is primarily split between the banks and the government. Compliance officers inside banks act like tipsters, flagging transactions and bad actors for regulators. They send their “tips” to treasury regulators in the form of Suspicious Activity Reports (SARs). According to Syeda Mehar Zehra, head of compliance at one of Pakistan’s largest banks: Habib Bank Limited (HBL), a similar process has started to evolve in Pakistan as well. Whenever banks identify a suspicious transaction, the Financial Monitoring Unit (FMU) investigates, analyses, and sends a report of the suspicious activity to intelligence agencies such as the Federal Investigation Agency (FIA), which takes up the case and starts to work on it. However, in Pakistan, people are still not aware of why they must send documents to financial institutions, and why it is essential to give the right information to financial and non-financial institutions. Moreover, due to a lack of awareness and financial accountability mechanisms, there have been instances where large sums of ill-gotten wealth have been transferred from Pakistan to form off-shore companies that have thereafter been used to buy properties in some of the most expensive real estate around the world.

[KP Govt innovates tool to strengthen ADP planning process](https://nation.com.pk/11-Feb-2021/kp-govt-innovates-tool-to-strengthen-adp-planning-process)

From the legal angle, it is imperative that modern-day nation-states tackle money laundering, terrorism financing, and other types of financial crimes through a robust and comprehensive legal framework. The international law legislation enacted to curb money-laundering is the International Convention for the Suppression of Terrorism Financing, 1999, which came into force in 2002. This resolution was passed under Chapter number 7 of the United Nations charter. However, its implementation at the grassroots level remains weak at best, particularly in Pakistan.

Nevertheless, Pakistan has enacted some meaningful legislation in the present governments’ tenure to deal with money laundering. The proverbial ‘Sword of Damocles’ of the Financial Action Task Force (FATF) black-listing hanging on the country’s regulatory bodies has forced it to reform its domestic laws—even though, in the public’s perception, the FATF-related legislation is seen as an undue foreign influence on Pakistan’s legal and public policy frameworks. Globally, through the United Nations’ Security Council (UNSC) resolution 1617 of 2005, the FATF recommendations were applied to UN’s counter-terrorism efforts. The counter-terrorism laws were also amended domestically in Pakistan to bring them in line with this framework. Here, the primary legislation to deal with counter-terrorism financing is the ‘Anti-Money Laundering Act, 2010.’ This formative legislation addresses administrative, regulatory, penal, procedural, and other aspects of international cooperation. However, it was amended in 2020, and a summary of the essential changes that have been made to it are as follows.

[Hajj 2021 might be affected due to coronavirus: Noor-ul-Haq Qadri](https://nation.com.pk/11-Feb-2021/hajj-2021-might-be-affected-due-to-coronavirus-noor-ul-haq-qadri)

Anti-Terrorism (Amendment) Act, 2020: A new offense was added to the Act as section 11-000. This new section criminalises the violation of orders passed by the Federal Government to comply with the UNSC resolutions. The offense has been criminalised for both natural and legal (corporate) persons with varying degrees of punishment.

Anti-Terrorism (Second Amendment) Act, 2020: This amendment adds to section 11-EE (2) of the act. It also expanded the definition of offenses related to arranging funds for terrorists (11-J) and enhanced the punishments of counter-terrorism related crimes under section 11-N of the act to make them dissuasive and deterring.

Anti-Terrorism (Third Amendment) Act, 2020: The amendment has been introduced to make admissible four new investigation techniques with the permission of the court. This legislation is aimed at increasing the evidentiary value of new techniques. These four new techniques are (i) undercover operations, (ii) intercepting communications, (iii) accessing computer systems, and (iv) controlled delivery (i.e., entrapment). The use of these four techniques will arm the authorities with the powers to effectively gather financial intelligence in the context of international cooperation and exchange information about terrorism and terrorism financing offenses.

[ECP proposes March 2, 3 and 4 as possible dates for Senate elections](https://nation.com.pk/11-Feb-2021/ecp-proposes-march-2-3-and-4-as-possible-dates-for-senate-elections)

Moreover, to enhance adherence to the UNSC resolutions, the United Nations Security Council Act, 1948 was amended by Pakistani authorities and incorporated in domestic legislation to give legal powers to authorities for compliance, thereby curbing terrorism financing and money laundering. Nonetheless, there are still several inconsistencies in the practice and implementation of laws dealing with money-laundering on the domestic front.

In modern times, the banking sector itself is quite equipped technically to educate its clients and uncover acts of money-laundering. According to Shakeel Ramay, a political economist “an unjust system cannot sustain for long,” and it will crumble on its own inherent contradictions sooner than later. In this regard, he gives Switzerland’s example, which he said used to be a Laundromat heaven. However, soon the launderers became unaware of the whereabouts of their own ill-gotten funds, which had been siphoned somewhere else. Thus, indicating the inbuilt inconsistencies of money-laundering and the opaqueness of certain banking systems and channels of the West.

[Rangers, FC personnel will be deployed outside polling stations: ECP](https://nation.com.pk/11-Feb-2021/rangers-fc-personnel-will-be-deployed-outside-polling-stations-ecp)

It can be concluded from these developments that the world has moved from the simple detection and flagging of white-collar crimes to policing them and in this regard, efforts have been undertaken to make the anti-money laundering framework more robust. The policing of white-collar wrongdoing and monetary practices require an increased level of ability and skill, which should be diligently handled by public functionaries in tandem with financial institutions. Domestically, Pakistan has enacted some meaningful legislation as cited in this article; however, this legislation’s implementation is still tenuous. There is a need to comply with international regulations and apply best practices locally (such as using Artificial Intelligence to detect financial irregularities and enact comprehensive financial crime laws) to uncover financial exigencies of the past and deter white-collar criminals from exploiting loopholes in the system in the future. Modern-day requirements and the speed with which transfer of massive amounts of wealth aka ‘hot money’ takes place demands that these measures should be impactful, innovative, and ingenious.