

# **ROLE OF FINANCIAL ACTION TASK FORCE IN COMBATING TERROR FINANCING: A CASE STUDY OF PAKISTAN**

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## **Abstract**

Terrorism financing is at the center of thriving terrorism; evidently without funding and financing, it will be practically impossible for terrorist organizations to remain operational and continue their plans. It is important to target finance mechanism of terrorists and terror organizations for decisive eradication of terrorism. This study focuses on the impact of Financial Action Task Force (FATF) on Pakistan's counter terror financing policies. In June 2018, FATF sited Pakistan on the "grey list" by underlining strategic deficiencies in the area of Terror Financing TF. This research highlights the main sources/channels of terror financing utilized by individuals and entities to fund the terrorist groups causing violence and supporting extremist ideologies. The research also highlights appropriate and relevant efforts that are made by Pakistan's institutions to address the complex issue of terror financing under the recommendations by Financial Action Task Force (FATF). This research is qualitative in nature and adheres to the case study design for gathering exclusive insight into Pakistan's position and efforts in line with FATF requirements. Dependency theory has been applied as a theoretical framework to highlight Pakistan's dependency, political and economic in specific as a developing country on developed countries as part of international groups and organizations like FATF. Results of the study revealed that Pakistan has progressed and has done a commendable work while complying with the FATF action plan, and out of 27 actionable items, Pakistan has completed 21 and complied, whereas the rest of 6 items are partially complied. Despite this accomplishment, Pakistan was retained on FATF "grey list". Lastly, this research has recommended that institutional system exists in Pakistan however; there is a need to increase the TF investigation, prosecution and conviction rates.

**Keywords:** Terrorism financing, FATF, grey list, Pakistan.

## **Introduction**

Immediately after the September 11<sup>th</sup>, 2001 attacks, the American administration in very strong words asked the countries to support the US led operation against terrorists operating in

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different territories. Pakistan due to its geo strategic location received a list of US requests such as to provide territorial access, air bases for over flight and landing rights etc. Consequently, President Musharraf joined hands with the Bush administration and assisted them in their efforts to clamp down against terrorist networks. Musharraf took several instant steps against the militant groups. He banned the offices of the militant organizations and ordered to freeze their assets. Inter-Services Intelligence ISI shared valuable information with the American intelligence agency CIA for carrying out necessary operations against terrorist groups<sup>1</sup>.

Efforts to curtail terrorism from its origin were initiated with many goals and programs, one of the top goals was to attack terrorists' financial means. American president George Bush took an inevitable initiative by issuing an executive order to track the funding of terrorist organizations and their US-centered assets. Thus, it was a notable strike against the financial networks of terrorist groups. International community fully recognized the fact that terrorists need funding for carrying out their dreadful activities resultantly, it was fully comprehended that the war on terror should be fought not only by relying on kinetic operations but also be battled in the field of financial institutions<sup>2</sup>.

Terrorism assumed a new shape in the wake of 9/11 incident; thereby, creating new sort of challenges for the world order and prospective world peace. To eradicate terrorism from its roots it became essential to update the methodology of war while fighting against the terrorists. New methods were utilized by the relevant authorities to perturb the financial mechanisms of international terrorist clusters. This means devastation of financial means of individuals and

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<sup>1</sup> Abdul Sattar, *Pakistan's Foreign Policy, 1947-2016: A Concise History* (New York: Oxford University Press, USA, 2017).

<sup>2</sup> *The War On Terrorism-The First 100 Days*, (Islamabad, Pakistan: The Coalition Information Centers, 2001), <https://www.cbsnews.com/htdocs/pdf/100dayreport.pdf>.

groups jumbled in terrorism became a top strategy while fighting against terrorism. Financial Action Task Force FATF was founded in the early 1990's to control money laundering but due to the occurrence of the event 9/11 its authority was increased beyond money laundering and was expanded in the sphere of confronting terrorism financing. In 2001, FATF's original 40 recommendations were increased by 9 other recommendations which entirely focused on the controlling mechanism of international terrorism financing networks. Almost 37 member states and 6 Style Regional Bodies of FATF are supposed to guarantee the appropriate implementation of the set standards to exterminate terrorism from its roots. After every five years, FATF published its mutual evaluation report based on the performance of its member states. However, the FATF's delegation visited its different member states from time to time to evaluate that to what extent they have implemented the FATF's usual standards to curtail the funding of terrorist organizations. If the visited delegations envisage that country's legal or operational measures are not in compliance with the FATF's recommendations than they pointed out certain areas with the deficiencies and loopholes and in the worst scenario country is placed on the FATF's grey or black list depending upon the medium or high-level risk for terrorists financing. FATF laid out certain recommendations in order to reduce the risk emanating from the terrorists' groups to the domestic and international financial institutions. FATF's recommendations that have been very productive for squashing terrorism financing related threats embraces 1) the right execution of the United Nations Security Council Resolutions UNSCRs 1267 and 1373 in relation to the suppression of financing of terrorists and their organizations; 2) grabbing and freezing of individuals and groups assets sponsoring terrorism; 3) proscribing the deeds and funding of terrorists organizations; 4) to scrutinize and report all transactions associated with terrorism; 5) to assist the law enforcement agencies and the monitoring authorities of the States to track and

report suspicious transactions which poured in and out of the country; 6) to develop an effective mechanism for alternative remittance system and to make sure that individuals or an entity involved in the informal transfer of money must acquire license or get themselves registered; 7) Domestic and international financial institutions should properly identify the customer involved in fund transfer and to make sure that the customer information must be kept intact throughout the payment chain; 8) Countries must ensure that non-profit organizations cannot sponsor terrorism; 9) development of a strong apparatus for detecting the physical transfer of money<sup>3</sup>.

Terrorism financing has been considered as one of the most critical threats for the states. It is an accepted fact that the terrorists require funds for channeling violent activities; therefore, cash is the major problem that supports the terrorists' cause. Cash is equivalent to the extremist ideology, like extremist ideas and ideology help individual in converting into a terrorist likewise, money helps terrorists in creating means required for conducting attacks. Money benefits terrorists in acquiring weapons, building a strong camps and infrastructure and recruiting further individuals into the terrorist organizations thereby, expand their networks. This derives that terrorists access to the money is the most important cause of terrorism<sup>4</sup>.

As per International conventions of United Nations on terrorism financing and the Recommendation II issued by the Financial Action Task Force (FATF), "Terrorist financing is the act of providing financial support to the terrorists or terrorist organizations to enable them to carry out terrorists' acts"<sup>5</sup>.

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<sup>3</sup> Ekrem E. Emeksiz, "International Terrorism Financing," *SSRN Electronic Journal*, 2013.

<sup>4</sup> Arabinda Acharya, *Targeting Terrorist Financing: International Cooperation and New Regimes* (London: Routledge, 2009).

<sup>5</sup> *Combating Money Laundering and the Financing of Terrorism : A Comprehensive Training Guide*, (Washington: World Bank Publications, 2009), <http://hdl.handle.net/10986/2666>.

Terrorism can only be put to an end by depriving terrorists from the sources through which they get financial benefits because money in the hands of terrorists is as dangerous as the extremist ideology contributes towards the bloodbath of people. The concept of ‘new terrorism’ has been in limelight and is often associated with the complex financing means of terrorists. Terrorists employed new practices and tactics for the transfer of assets across globe. Without money terrorism cannot endure for a longer period of time therefore, terrorists derive assets from both legal as well as illegal resources. Legitimate sources take into account charity from individuals, funds acquire through non-governmental organizations NGOs, or a particular person with sufficient capital can sponsor terrorist activity. Terrorists also draw cash from unlawful means such as kidnapping and extortion for ransom. Furthermore, terrorists may engage in fraudulent activities for ransom or in certain cases smuggling of money and drug trading is carried out by terrorists for raising funds. Thus, the issue of both the legitimate and illegitimate means of terrorists financing must be addressed to get rid from the dangers of terrorism<sup>6</sup>.

### **Rationale of the study**

Pakistan is perhaps only one country with the example of its long-term and unavoidable fight against terrorism, and to a larger extent a successful one. However, the fight against terrorism is far from over as endorsed by the country’s own defense institutions, keeping in view that terrorism emanates from an idea and for as long as the idea prevails the act of terrorism is likely to survive. The terrorism and the terrorist organizations can be barred from acting upon their violent plans by clamping down on their logistical support system. Financial aid or financial

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<sup>6</sup> FATF, "Guidance for financial institutions in detecting terrorist financing," Documents - Financial Action Task Force (FATF), accessed February 8, 2022, <https://www.fatf-gafi.org/publications/fatfrecommendations/documents/guidanceforfinancialinstitutionsindetectingterroristfinancing.html>.

mechanism which is the most important breathing tool for the terrorist organizations must be targeted. Pakistan and its institutions realize that clamping down on terrorism is not a service to any foreign organization but to their own prospective future and thus have taken measure to address the issue. This research highlights the efforts made by Pakistan's institutions to address the complex issue of terror financing under the recommendations by Financial Action Task Force (FATF).

### **Theoretical Framework**

The dependency theory is suited to discuss the matter of Financial Action Task Force FATF as it rightfully depicts the problem of dependency vis-à-vis a developing country on other countries, most specifically the western and more developed countries. A more significant aspect of dependency could be noticed with reference to economic and political life. Dependency can be defined as “an explanation of the economic development of a state in terms of the external influences--political, economic, and cultural--on national development policies”<sup>7</sup>. It is fair to say that the Third World began, with the Dependency Theory, to contribute to development theory and to have its voice heard internationally, rather than to continue to depend on received paradigms that was supposed to give the right answers. The Dependency Theory contradicted the claim of universality for the development theory, and presented new ways of explaining the reasons of, as well as suggesting new strategies for underdevelopment problem in the Third World<sup>8</sup>.

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<sup>7</sup> Vincent Ferraro, "Dependency Theory: An Introduction Background," Academia.edu - Share Research, last modified July 1996, [https://www.academia.edu/9004340/Dependency\\_Theory\\_An\\_Introduction\\_Background](https://www.academia.edu/9004340/Dependency_Theory_An_Introduction_Background).

<sup>8</sup> Osvaldo Sunkel, "National development policy and external dependence in Latin America," *Journal of Development Studies* 6, no. 1 (1969): xx, doi:10.1080/00220386908421311.

## **Literature Review**

According to Aliu, Bektashi, and Sahiti (2017) drive against the financing of terrorism is mainly a move to cut down terrorists' access to multiple economic resources. By thwarting terrorists' ability to produce money and discomforting their comprehensive use of worldwide financial institutions, their activities can be dismantled to a colossal extent. Transfer of funds through cross- borders, or by means of accurate banking channels, serves as an imperative tool for nurturing terrorist organizations. This underlined an important fact that by obstructing all sort of channels whether institutional or physical, terrorists will be left with no other alternatives to raise resources required for their network existence and dreadful operations.

Mukhtar (2018) elucidates that the monetary resources laid the foundation of terrorist organizations. The presence of ample wealth in the hands of terrorists is prerequisite for violent operations. Fiscal resources aid terrorists in the realization of their goals. Terrorist organizations are largely founded with core objective of acquiring large sum of money for the proper working of organization and for the enlargement of the networks by engaging greater number of individuals in the organization. Thus, shattering the cash resources of terrorists is central for the purpose of limiting terrorism, and to fail terrorists in their mission of violence against individuals. Civil-military strife in the mid 1970's and political instability in the later decades triggered an enormous loss to the prestige, peace and security of Pakistan. In 1980's numerous militant organizations dotted the Pakistani landscape with sectarian agendas. The dawn of 21<sup>st</sup> century saw the emergence of anti-state militant organizations in Pakistan. These militant outfits directed their fire power towards masses and defied the writ of the government by building sanctuaries on the territory of Pakistan. Pakistani authorities decided to respond in a decisive manner by banning all these outfits in the days ahead. Thus in 2002, government of Pakistan

gave a befitting response and banned number of militant and terrorists' outfits. During the 'war on terror', almost 1400 bank accounts of these militant groups were frozen which resultantly, produced 140 million cash. Subsequently, in the succeeding years, National Counter Terrorism Authority (NACTA) under the notification dispensed by Ministry of interior continued to post up to date list of banned organizations and individuals suspected to be involved in terrorism or terror financing related activities.

Azam and Javaid (2017) projected diverse bases of terrorism financing in Pakistan. Predominantly in Muslim world, donations gathered by different non-profit organizations (NPOs) has been considered as the foremost channel for backing militant activities. Pakistan is among such countries where charity chiefly breed militant groups. Various NGOs supported the economic facets of terror groups which remains the utmost cause of terrorism. Funds are assembled by numerous non-governmental organizations (NGOs) for evil agendas. They indulged themselves in the welfare activities for the purpose of building trust among masses and to demonstrate that they purely work for common masses and have no hidden agendas or connections with terrorist groups. For instance, Jamaat –ud- Dawa (JuD) and its associated faction Falah e Insaniyat foundation (FIF) worked during the period of natural catastrophes in Pakistan. These militant groups rendered services in different capacities as for example, they provided foodstuff and ambulance amenities to the deprived populaces during 2005 and 2015 earthquake.

Zafar (2018) analyzed that fundraiser under the umbrella of legitimate NGOs encourage terrorists in their criminal exertions to acquire money through hidden means. Masses are heedless about different routes employed by fundraisers to veil terrorist outfits. Donors are unconscious about the exploitation of Charity zone for nefarious designs by the terrorist groups

and are uninformed about the possible risks of terrorism financing allied with sham charities. Thus, people fortuitously donate large sum of money to bogus charitable organizations.

United State department of Treasury and State (2011) identified that Charity related organizations customarily deals in money therefore, it is quite easy for them to provide extensive legal cover to suspicious monetary transactions across globe. Charitable organizations use their name, code and status to divert fund from one account to another in support of terrorist's wicked plans. This means that instead of reaching the beneficiary, substantial amounts are stimulated to the terrorist organizations. Moreover, charity assets can be used for illegal purposes as for instance, to facilitate transfer of armed materials, money and recruits across regions. There have been several cases across the world where charities offered widespread funds or logistics related support to terrorist outfits. During recent years, number of US centered Donations were maltreated by terrorist organizations and posed important terror-financing related threats.

### **Research Objectives**

1. To determine the impact of Financial Action Task Force (FATF) on Pakistan's counter terrorism financing measures.
2. To evaluate specific areas where FATF urged Pakistan to further work and guarantee the proper execution of its action plan in order to overcome terrorism funding and related strategic insufficiencies.
3. To understand the financing mechanisms/sources exploited by the terrorists' outfits for their terrorist activities and sustenance in Pakistan.
4. To identify whether the lack of information among the general masses paved the way for terrorists financing through charities in Pakistan.

**Research Questions**

1. What is the impact of FATF on Pakistan's counter terrorism financing measures?
2. What are specific areas where FATF urged Pakistan to further work and guarantee the proper execution of its action plan in order to overcome terrorism funding and related strategic insufficiencies?
3. What are the major financing channels exploited by the terrorist outfits for their terrorist activities and sustenance in Pakistan?
4. To what extent the lack of information among the individuals paved the way for terrorists financing through charities in Pakistan?

**Research Methodology**

This research is qualitative and descriptive in nature. The researcher has applied qualitative research methods like case study method and qualitative content analysis. The qualitative research design is used by applying case study of Pakistan in specific and content analysis of various online available reports and studies utilized for gathering exclusive insight into the influence of Financial Action Task Force (FATF) in thwarting terrorism financing in Pakistan. The dependency theory has been applied in this research in order to gauge the political and economic dynamics that play around the FATF's decisions.

**Research Design**

The information utilized within this research design was devised from a case study essentially concentrated upon Pakistan's position and efforts in line with FATF's recommendations envisioned at curbing terrorism financing.

### **Sampling Type**

For data collection purposive sampling style was used to take an expert view point regarding the impact of FATF on Pakistan’s counter terrorism financing policies and to understand the extent of state-level efforts against terrorism, especially in terms of curbing the funding channels exploited by terrorist networks for their terrorist activities and sustenance in Pakistan.

### **Data Collection Tools**

The data of this research was collected through primary sources using in-depth and semi-structured interviews from the NACTA’s officials, economists and academic experts on Counter-terrorism and extremism. Total number of 3 respondents took part in the research via email-interviews and WhatsApp voice notes, which were later transcribed. The first interview was conducted from Zahid Ullah Khan, deputy director Counter Financing Terrorism (CFT) wing at NACTA, Islamabad. The second respondent, serving under NACTA wanted his identity to be kept anonymous. The third interview was taken from Dr. Khurram Iqbal, assistant professor at National Defence University, Islamabad with specialization in counter-terrorism and extremism.

### **Findings**

This chapter is based on findings and will draw upon the main themes derived from the findings during the interview process.

<b>SR #</b>	<b>Themes</b>	<b>Sub themes</b>
1.	Impact of FATF on Pakistan’s CFT policies and strategy.	a) FATF/APG concerns for Pakistan’s lack of action towards the CFT issues.

		b) Differences between FATF and Pakistan over the strategy to deal with threats emanating from terrorist groups of various categories.
2.	Principal sources/channels of terror finance available in Pakistan.	a) ‘Strategic deficiencies’ of Pakistan pointed out by FATF in its action plan.
3.	Pakistan’s position and CFT efforts/response to prevent and suppress the economic resources of individuals and entities under the FATF recommendation.	a) Execution of action plan to plug ‘strategic deficiencies’ b) Accomplishment of action plan items by Pakistan. c) What more needs to be completed in view of satiating FATF demands?

**Discussion**

**Impact of FATF on Pakistan’s CFT policies and strategy:**

FATF have attempted to focus on specific issues of terrorism financing and requires the member governments to combat the terror financing under FATF usual standards on countering the financing of terrorism (CFT). In June, 2018 FATF sited Pakistan on the ‘grey list’ by underlining ‘strategic deficiencies’ in the area of curbing terrorism financing. APG, FATF’s style regional body remained engaged with Pakistan to assess their compliance with FATF standards and approach towards AML/CFT system. Pakistan continues to work to strengthen the

mechanism to prevent and suppress the resources of financing terrorism and terrorist acts of individuals and entities.

### **FATF Concerns:**

FATF concern is related to the Pakistan's inadequate identification, understanding and supervision of terror financing related threats impersonated by multiple groups. Its concern is on the main front of understanding the risks emanating from Da'esh, al-Qaeda, Haqqani network, Lashkar-e-Taiba, Jaish-e-Muhammad, JuD and its linked wing FIF. It expresses that Pakistan need fundamental improvement in its strategy to deal with terror financing violations by applying appropriate sanctions. Law enforcement authorities should detect the cases of TF violations and prosecute designated person and entities properly. Further, it stated that Pakistan should understand the risk being attached with cash couriers and should have in place the measures to stop the illegitimate transfer of money through borders by terrorist clusters. Federal and provincial authorities/agencies of Pakistan should enhance coordination.

### **Difference over the priorities to deal with threats**

Difference over the priorities led to the difference among FATF and Pakistan in the strategy to deal with risks stemming from terrorist groups of varying ideologies and goals. In order to exemplify the difference over strategy one must know the various categories of terrorist networks which once functioned in the land of Pakistan. Da'esh and TTP termed as neo-jihadist are largely responsible for terrorist assaults in Pakistan. "Neojihadism" categorizes groups under the new form of political organization with an approach to political violence. These groups espouse and enact varies completely from fascism, totalitarianism, cults, jihad and even jihadism. Neo-jihadist is accounted for more than 70% of attacks as compared to the sectarian terrorist organizations, ethno nationalist groups and religious nationalist groups. Thus, government of

Pakistan has always acknowledged the gravity of threat in totality and has always adopted effective strategy against TTP and its allies. In contrast, FATF has always voiced heightened concerns over the Pakistan inaction and lack of interest in mitigating risks from religious nationalist groups such as Lashkar-e- Taiba, Jaish-e- Muhammad, JuD, Haqqani network whose strikes are often Indian oriented. However, Pakistan's recent actions against JuD has broken the international narrative which is based on false lines and says Pakistan has always distinguishes between good jihadist and bad jihadist. Pakistan has always preferred the process of de-radicalization thus, it de-radicalize the individuals linked with JuD by engaging them to be a part of political mainstream. Apart from de-radicalization, no of initiatives were undertaken by the government of Pakistan to disrupt working of JuD and its linked charities. Their assets were seized, and they were stopped from collecting hides which was the main channel of acquiring funds. Now, on the issue of Afghan Taliban world has come to appreciate the Pakistan deterrence-based perspective. Guided by this perspective we witnessed how US engaged Afghan Taliban into negotiations which resulted in Doha agreement of February 2020. US has come to recognize the usefulness of deterrence-based counter terrorist strategies i.e., they cannot defeat them through force instead they should engage them through talks to deal with the issue of insurgency and terrorism in Afghanistan. Keeping in view the current development, where US is delisting the leaders of Afghan Taliban from the watch list and most importantly, when Afghan Taliban are going to be a part of political mainstream it is quite unreasonable to pressurize Pakistan to take actions against them.

## **Major Financing mechanisms/sources exploited by the terrorist outfits for their activities and sustenance in Pakistan**

There are some major channels of terror financing available in Pakistan. FATF has also pointed out certain ‘strategic deficiencies’ where it expects Pakistan to take actions in order to stop the funding mechanisms utilized by individuals and entities. The principal channels of terror funding are as follow:

1. Criminal activities (personal funds, corporate funds, kidnapping for ransom, drug trafficking etc.)
2. Cash couriers (cross-border transfer of funds like money smuggling)
3. Illegal Hundi/hawala
4. Abuse of NPOs

Terrorists raised money for their violence activities through diverse legal and illegal methods. Personal and corporate funds are the principal medium of terror financing. Personal funds of their wealthy, middle class and poor, all being account for finance to violence acts of lone wolves and independent cadres. Terrorists also employ legal medium to generate funds by running businesses. New ways, chiefly that of terrorism and terrorism funding, involves petty criminal activities because of the changing trends towards the small-scale terror incidents requiring fewer amounts to conduct dreadful operations. The cost of terrorist operations is quite low as compared to their huge impacts therefore; terrorists often resort to criminal activities such as kidnaping, bank robbery, donations, extortions, currency smuggling, drugs and narcotics trafficking. Hundi and Hawala is among the informal source employed by terrorists. Channels of financing also vary from one terrorist organization to another organization. Currently, as for instance, Tehreek-e- Taliban Pakistan TTP has no indigenus financial sources but acquire

money through external sources particularly, from the external agencies NDS and RAW to conduct terror strikes inside Pakistan. Here again the problem lies between FATF and Pakistan that FATF only ask Pakistan to lash out against JuD but what about anti-Pakistan groups like TTP and Baloch ethno-nationalist groups whose sources of finance are external. Should Pakistan, therefore, question the FATF and its associates' subsidiaries are doing in this regard to combat terrorist groups without any distinction?

### **Pakistan's combating the Financing of Terrorism (CFT) efforts/measures under the FATF's terrorist financing recommendations**

Pakistani institutions have made antiterrorist financing efforts under FATF's regulations to prevent and suppress the economic resources utilized by individuals and terrorist organizations.

### **Actions against Hundi/Hawala**

Pakistani authorities such as the Federal investigation agency (FIA) and State Bank of Pakistan (SBP) have been very active to plug the deficiency of hundi/hawala marked by FATF in its action plan. FIA and SBP have signed MoU to cooperate and share intelligence with regard to the issue of illegal money changers, Suspicious Transactions Reports (STRs). SBP share information with FIA on financial crimes and illegal Money or Value Transfer Services (MVTs). 2005 onwards, FIA under the relevant laws conduct no of raids/inquiries and embark on prosecuting the TF matters relating to illegal foreign exchange operator in the court. But FATF in June 2018, expressed its dissatisfaction over the Pakistan's lack of action in the area of controlling illegal MVTs. FATF believes Pakistani institutions do not exhibit the appropriate understanding of the TF risks attached with Hundi/Hawala. Thus, to meet the FATF requirements and to reflect the update understanding of TF risks, exclusive training for the

capacity building of the LEAs have been conducted with international partners. Likewise, risk-based approach has been embraced by the provincial Counter Terrorism Departments (CTDs). Especially, after July 2018 numerous complaints have been launched by SBP with FIA. Additionally, there is enhanced cooperation between the two authorities in conducting surveys of illegal MVTs and tacking necessary actions under the law against the individuals and groups involved in illegal money exchanges.

### **Actions against Currency Smuggling**

To disrupt the cross-border smuggling of cash, Pakistan has taken concrete measures both in the legal and administrative sphere. Link has been developed between the Currency Declaration System (CDS) of Federal Board of Revenue (FBR) with Integrated Border Management System (IBMS) of FIA for an effective targeting and seizures of money trafficking. Pakistan customs on the regular basis is sharing the statistics on currency seizures with Finance Monitoring Unit (FMU) to facilitate it in coordinating with other LEAs to further investigate, examine and probe the terror financing cases. National Targeting Centre has been constituted to act as an integrated database for customs and LEAs with the purpose of sharing the intelligence and information to detect/ confiscate and for further development of policies and strategies to counter TF risks. Among all, the Ministry of Interior took a remarkable initiative by notifying the Border Task Forces (BTF) in Dec 2018. These BTFs are headed by relevant collectors of customs. LEAs including the agents of FIA, Anti-Narcotics Force (ANF), rangers and provincial home department working in specific area of operation are the members of BTF. BTF has shown an outstanding performance by mentioning risk areas in the province of Baluchistan and KPK resultantly; good quantity of cash has been seizure. Pakistani authority namely, the FBR- custom has attempted to ensure the better detection and targeting of currency smuggling by initiating

Advanced Passenger Information System (APIS). This attempt will facilitate the FBR-custom to obtain the information of the passenger ahead of time like person travel record, originating station/transiting point and final destination.

**Measures against sham charities**

FATF has always raised concerns on the subject of the abuse of NPOs and charities in Pakistan. In Pakistan, there exists some cases where militant create bogus charities or participate in deceitful fundraising to support terrorists' activity. For instance, Jaish-e-Mohammad (JeM) and its linked trusts raised their finances from social charitable organization and public donations. Similarly, there was a time when JuD and its frontal associated trusts were quite active in Lahore. But all these frontal organizations and affiliated wings are proscribed by Pakistan under the ATA, 1997. Pakistan seized JuD/FIF including its Madaris, schools and ambulances. Besides, to comply with FATF demands Pakistan has taken vibrant policies to stimulate the obligation and uprightness in the administration and supervision of NGOs. Under the ambit of legal measures, new Charity Laws are formed in all four provinces along with the creation of Charity commissions to regulate and oversee the working of NPOs sector. Under the administrative measures, Pakistan has taken into account a comprehensive range of actions in diverse directions to diminish TF risks attached with NPOs. Pakistan has adopted risk-based approach with regard to misuse of NPOs for TF. Specialized National Working Group and Provincial Working Group are formed with the main function to collect and collate the data of NPOs. They identify and inspect/mapped NPOs on a provided check-list of risk parameters to gauge their susceptibility with regard to TF. This initiative has also helped in deregistering a greater number of non-working NGOs so that, authorities can wholly concentrate on the NPOs which are actually operating. Pakistan is clear in its stance that it will not allow any UN listed

proscribed organization or charitable trust associated with these organizations to operate in its territory. Pakistan has authorized its authorities to ensure the effective scrutiny of registered and functional charities so that they cannot function outside the domain of laws on NPOs. NPOs involved in any susceptible action are referred to the concerned provincial Counter Terrorism Department (CTDs) for investigations. CTDs in all provinces have formed Countering Financing of Terrorism (CFT) Units to assist and comfort in financial facets of terrorism related inquiries. CTDs has registered TF cases. Pakistan has also successfully completed the special TF audit of vulnerable NPOs in first phase.

Pakistan has embarked upon public awareness campaign in order to block the funding of illegal NGOs raised through public donations. Pakistan has made consistent efforts in collaboration with Pakistan Peace Collective (PPC) to create public awareness on safer charity practices. “Haq Haqdaar Tak” was effectively launched through the medium of television, radio, mobile messages and social media. The campaign also informed the common people to examine in advance the legitimacy of charitable organizations and their activities before giving donations.

### **Execution of the Action plan items to address the “strategic deficiencies” in area of TF**

Since June 2018, proportionate actions were engaged by Pakistan to mitigate terror financing activities and to demonstrate its effective compliance with FATF action plan. As of February 2020, Pakistan addressed only 14 action items out of 27. But since then, Pakistan has improved both its legal and administrative framework which has been appreciated in the FATF plenary meeting held on October 2020. Pakistan has done a commendable work while comply the FATF action plan out of 27 actionable items in 21 it has completely complied and the rest of 6 items Pakistan has partially complied. Pakistan has shown a notable performance in completing

21 action items which includes the efforts to combat the illegal use of Hundi/Hawala, and to disrupt the currency smuggling. Pakistan complies with recommendation 6 of FATF which is about targeted financial sanctions. Pakistani authorities disadvantaged designated individuals or groups from amenities, services and usage of resources. Amendments to the Anti-Terrorism Act (ATA) and passage of laws have added to the Pakistan's progress on the Action Plan items. With regard to the remaining six items Pakistan is further expected to demonstrate its effectiveness by February 2021. Pakistan needs to demonstrate that risks identified by LEAs must targets and prosecutes designated individuals and groups or even against those who are backing them financially. To exhibit dissuasive sanctions in TF cases and to regulate enforcement against targeted financial sanctions (TFS) abuses coupled with NPOs.

## **Conclusion**

The findings of this study are that FATF has played an important role in curbing the terror financing. It has a great impact over the Pakistan's counter terrorism financing strategy/policies. On June 2018, Pakistan found itself on the "grey list" due to the counter-terrorist financial related "strategic deficiencies". Pakistani institutions realize that clamping down on terrorism is significant for their own prospective future. Thus, Pakistan has taken into account several measures to disrupt the financial resources of terrorists like illegal activities, currency smuggling, illegal MVTs such as Hundi/hawala, abuse of NPOs. Pakistan remained committed to its international organization and have taken necessary legal, regulatory and institutional measures to fulfil the obligation of UNSCRs and FATF recommendations on CFT. Pakistan completed its National TF Risk Assessment in 2018. Risk-based measures were adopted by LEAs. JITs have been constituted throughout the country to conduct financial investigations. National and Border Task Forces on Hawala/Hundi and Cash Smuggling established to curb the

crimes and any impact of TF. FATF in recent plenary meeting held on October 2020 admitted the Pakistan efforts in these areas. Pakistan remarkably completed its 21 action items out of 25. However, despite showing it's fully complied on 21 action items FATF has not removed Pakistan out of the "grey list". Hence, it is essential to manage the politics of FATF as much as it is important to manage the technical side of FATF. On the political side it is pertinent to mention that the regulations or instructions of FATF are exclusively focused on so called Islamist terrorist groups or to the religious nationalist group such as JuD, JeM and Haqqani network etc. However, Pakistan by striking against JuD and its linked trusts has broken the international false claims that it differentiates between good Jihadist and bad Jihadist. On the other hand, if we examine the number of risks originating from different groups than Islamist so called terrorists are less involved in terrorist activities. In fact, today world has major threats from the far-right nationalist or Hindutva linked terrorism. International bodies are quite hesitant to take actions beyond Islamist terrorists' groups. FATF has never raised concern on foreign agencies like NDS and RAW which are the main sources of finance for TTP to conduct violence inside Pakistan which clearly reflects the relevance of dependence theory as theoretical framework for this research. International counter terrorism bodies should take comprehensive way terrorism instead of just looking at the groups using Islam as an instrument of violence.

## **Recommendations**

- Pakistan should focus upon the prosecution aspects of banned individuals and entities involved in TF cases. This would be a major bench mark against the fulfilment of FATF recommendations and for delisting of Pakistan from the "grey list".
- Pakistan should enhance the conviction rates as they are quite low and are not consistent with risks attached to terror financing.

- Pakistan should build an asset recovery office to follow proceed of crimes and cope up with the detained or confiscated assets.
- Pakistan should ensure the effective implementation of recently amended ATA 2020 to avoid itself being blacklisted.
- To plug the deficiency marked by FATF regarding the Pakistan ineffective implementation of UNSC resolutions, Pakistani authorities should follow the MOFA and NACTA guidelines on UNSCRS's 1267 and 1373 to confirm its obedience to UNSC rules in Pakistan.
- On the political side, Pakistan should use backdoor diplomacy as a tool to minimize the pressure of FATF hanging over the heads of Pakistani authorities.
- Pakistan should establish an effective oversight to counter the source of terror financing raised through criminal activities. Greater institutional capacity and coordination among security agencies such as CTDs, ANF, FC frontier corps, FIA, FMU, Rangers are vital to tackle the petty criminal activities.