

PAKISTAN IN THE FATF GREY-LIST: CHALLENGES, REMEDIES AND INTERNATIONAL RESPONSE

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Abstract

The Financial Action Task Force (FATF) grey-listed Pakistan due to the latter's non-compliance to the United Nations Security Council Resolution (UNSCR)-1267. The FATF also demands Pakistan to put strict controls on money laundering and financial lifelines of terrorist organizations in Pakistan. The plan of action was reached between Pakistan and FATF to ensure sufficient action to enforce anti-money laundering policies and freeze assets of designated terrorist groups in Pakistan under UNSCR-1267 and UNSCR-1373. The NACTA in collaboration with FBR, State Bank of Pakistan, FIA, and the Securities and Exchange Commission of Pakistan has mounted operations against illegal movement of money within Pakistan. It also has choked financial lifelines of terrorist organizations and curbed Hawala/ Hundi methods of laundering money. Pakistan is struggling to stick to the 26-point action plan to address the necessary concerns of FATF. This paper put forth the ramifications for being blacklisted by FATF and also highlights the Trump administration's tough stance towards Pakistan. This paper also offers concrete recommendations to exclude Pakistan's name from the FATF grey-list.

Keywords: FATF, Grey-list, Money laundering, NACTA, Pakistan.

Introduction

The Financial Action Task Force (FATF) is an intergovernmental organization which was primarily established (1989) to counter money laundering by G7 countries. Its objective is to implement legal and operational measures for combating money laundering and choking terrorist financial lifelines. The FATF also reviews the threat to the integrity of the international financial system. It is a policymaking body that works to bring about national legislative reforms in these areas. It also identifies vulnerabilities at the national level with the primary objective of protecting the financial system from being misused by money launderers and terrorist financiers.

According to a report by the Belgian Financial Intelligence Processing Unit, FATF shifted its scope from the drug-money laundering and added proceedings towards consequential offenses as the rising global economy and international trade had triggered more predicated offenses globally. From September 2001 onwards, terrorism financing was another source of financial crime added to the mandate of FATF,

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terrorism was a major challenge which was surging because of the financial lifelines. The G-7 states rendered it necessary for the task force to work out on policy implementations of countering terrorist finances.

With the surge in counterterrorism operations globally members of FATF have increased exponentially. A total of 37-member states are a part of FATF up to date along with eight associate members including Asia/Pacific Group on Money Laundering (APG), Caribbean Financial Action Task Force (CFATF), Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)¹, The Eurasian Group (EAG), (MONEYVAL) selected by the Council of Europe to analyze the money laundering, The FATF of Latin America (GAFILAT), The inter-governmental group against money laundering of West Africa (GIABA) and the Middle East and North Africa Financial Action Task Force (MENAFATF), all these bodies also come under the jurisdiction of the FATF. Moreover, as of 2015, it also entertains observer member states, organizations, institutions in order to engage them in the functioning of the body e.g. U.N, IMF, Saudi Arabia, and World Bank.²

Efforts have been put in place by the task force to introduce a standardized scale to be used as a reference for future analysis of the states' international and regional organizations part of the international finance system. In 1990, the FATF developed a series of forty recommendations on anti-money laundering measures and also put forth concrete recommendations on choking terrorist financing. Those recommendations set the principles for the states to take effective action against such crimes and also legislate to implement those legally binding measures in their respective countries. Although the member states are a part of the task force and fall under the jurisdiction of it, the FATF also has the mandate to review even non-member states of the task force.

Pakistan and the FATF “Grey List”

A review committee of the task force publishes a blacklist since 2000, which lists non-complying countries to the practices of FATF³. Those non-complying states are either unable to formulate effective policies, their implementation or fail to comply with FATF rules. Another category of the countries that is trying to curb terrorist financing but the measures taken are insufficient and with strategic deficiencies. That list is known as the “Grey List”. As Pakistan has been waging a fierce battle against transnational terrorist groups, therefore, FATF encouraged greater compliance with provided recommendations.⁴ Pakistan's Prime Minister Imran Khan has long been a critique of other political parties (Pakistan Peoples Party (PPP) and Pakistan Muslim League (PML) Nawaz and held them responsible for money laundering. PM Imran Khan stated that “the money laundered from the poor countries to the rich countries must be treated like terror financing as it killed more people than latter”.⁵ PM Imran Khan took stern action against corrupt politicians and National Accountability Bureau (NAB) assumed a proactive role during his government. PM Imran Khan's efforts including tax reforms, data collection on financial information, strict monitoring of financial

transaction will help alleviating money laundering but is likely to take time to uproot such practices be empowering institutions.

United Nations Security Council Resolution (1267)

United Nations Security Council Resolution (UNSCR) 1267, passed unanimously in October, 1999 by recalling previously passed resolutions like UNSCR-1189(1998), UNSCR-1193(1998) and UNSCR-1214(1998) to designate Osama Bin Laden and his associates as terrorist. These resolutions rebuked the Taliban regime in Afghanistan and asked states for compliance to these resolutions by shutting down terrorist sanctuaries and training camps on their soil. It was also the responsibility of the states to ensure that their territory was not misused for terrorist training camps and installations. The UNSCR-1267 also demanded all member states to freeze assets and financial resources associated with the Taliban. It also urged all the member states to cooperate for effective measures against Osama Bin Laden and his associates. Though Pakistan launched multiple military operations in FATA and considerably destroyed terrorist infrastructure but the United States continued to exert more pressure and demanded to “Do More” because the Bush and Obama’s administration was not satisfied with policy measures.

Pakistan was re-named in the FATF grey-list of 2012, due to its non-compliance with the U.N Security Council Resolution 1267, which calls Pakistan for imposing a travel ban, asset freeze, and arms embargo on the militant groups affiliated with Al-Qaeda. Among those groups some are like Tehreek-i-Taliban Pakistan (TTP), Lashkar-e-Tyba and its charity front named as Falah-e-Insaniat Foundation (FIF), Lashkar-e-Jhangvi (LeJ), Al Rashid Trust and Harkat ul Jihad Islami (HUJI) are included in the list as well, some specific individuals as well like TTP’s Mullah Fazlullah, Hafiz Saeed, leaders from Haqqani network and Malik Ishaq from LeJ⁶. It had been kept in the grey list from 2012-2015, the reason for including Pakistan in the grey list was provided by the task force itself in its public statements explaining the jurisdiction done by FATF on the strategic Anti-money Laundering and Counter Financing Terrorism strategies and actions have not done sufficiently in countering the deficiencies found in the deterrence or no action plan has been committed yet throughout 2012-2015. However, amendments were in order when in 2013, the government of PPP, amended the “ATA Act” in order to enable the Anti-terrorism Act to confiscate the properties of the affiliated groups, as well as act against the financers of the terrorist activities within the state. Pakistan was excluded from the grey list in 2015, on providing the details of the significant development in the improvement of Anti-Money laundering and Countering Finance Terrorism plan and developing a sound legal framework for not only jurisdiction but its regulation in committing towards action plan for deterrence against the highlighted deficiencies by FATF as well⁷.

Pakistan was put into the grey list of the FATF in 2018 again, based on the lack of “Strategic Deficiencies” in curbing of corruption, tax evasion and terrorism finance, as per the declared causes by FATF⁸. One of the reasons to include is the building pressure by the U.S. onto Pakistan to take action against the U.S. declared groups whereas

Pakistan is working with its own strategy to avoid collateral damage.⁹ The U.S. is not only the largest financier of the FATF, but the president of the task force is also the treasury of the U.S department who also heads the office of Terrorist Financing and Financial Crimes as well. With a strong influence in the task force, it is a well-suited mandate for the U.S to remind Pakistan about their “Do More” policy with voting in favor of placing Pakistan in the list. Such decisions stand more political because of the U.S. interests.

Furthermore, according to a report by *Dawn News*, another reason for the inclusion in FATF Grey-list is the presence of Jamaat-ud-Dawa and Falah-e-Insaniyat Foundation, headed by Hafiz Saeed, as these were designated as terrorist organization by the United Nations, but are allowed to work freely in the country and collect funds for their functioning and development¹⁰. Pakistan’s courts after listening to cases against these organizations freed them. Therefore any action dictated by the U.N or the United States may lead to the clash of institutions in Pakistan.¹¹

In most cases in order to review the performance by the state under observation, it is difficult to analyze the crimes directly, as the guilty don’t report their crime themselves, therefore, the FATF measures the vulnerability of these crimes by the law implementation and the regulation. According to the *Basel Money Laundering Index*, associated with the Basel University¹², that analyzes the risk from money laundering and terror financing declared Pakistan at 46th position out of 146 states. The index scores the states aggregating the scores from indicators i.e. regulations, corruption, rule of law, political disclosure and financial status of the state. The Global Terrorism Index in 2017 done by the Institute of Peace and Economics ranks Pakistan on 5th position from the most affected from terrorism after states like Afghanistan, Iraq, Syria and Nigeria etc,¹³ such indicators influence the decision making of the task force as well, with the inclusion in the grey list the position of the state becomes worse and thus affects its development and international partnerships promoting financial and economical development as well. In the case of Pakistan, these rankings affected Pakistan’s stature internationally. There is politically corrupted money laundering in Pakistan that politicians committed but the terrorist groups were not much involved in money laundering to finance their activities within and outside the country. Therefore the strict conditions of FATF do not imply in letter and spirit on Pakistan.

The international objections regarding money laundering and terrorism financing against Pakistan also arose with respect to the rising money laundering and financing terrorism. In the year 2017, a party functioning under Hafiz Saeed known as the “Lashkar-e-Taiba”, had even managed to raise funds however, despite its property being seized by the government officials¹⁴, this incident paved way for other terrorist and extremist groups to activate and function with Pakistan with their illicit activities. There were expressed more objections by the U.S against Anti Money Laundering (AML) and Anti-Terrorism Financing (ATF) in Pakistan. According to the report published by the U.S State Department in June 2018, several objections were raised in the uneven implementation of the Anti-Terrorism Act.¹⁵ The report further objected on how the affiliated groups and parties of Hafiz Saeed were not prohibited from raising

funds and was not denied the financial services they had been acquiring. The report also pointed towards the 2017 decision announced by the Lahore High Court on not extending the detention of Hafiz Saeed on judging the evidence being insufficient provided by the government.¹⁶ Charity in Pakistan is now more strictly monitored by the government agencies towards such organizations to ensure that the money is not being used for financing extremist or terrorist activities. This action directs towards the objection of FATF on uneven strategic implementation of regimes. Moreover, on January 20, 2018, the U.S along with Britain submitted a letter to the task force nominating Pakistan for the grey- list. The other states were France and Germany to cast vote in favour of the U.S. Keeping into account all these facts, the inclusion of Pakistan in the grey list was a foreseen event.

The international objection against AML and ATF in Pakistan was also published in the report by the U.S State Department in June 2018, where objections were raised in the uneven implementation of the Anti-Terrorism Act which was adopted in 2010 and was revised with the updated recommendations by the FATF and the UNSC resolutions (1267, 1189, 1193 & 1214) as well. The number of court cases which have been lingered on further add blames the Law Enforcement Agencies of the state¹⁷. Courts in any country demand witnesses and evidence in such cases to punish terrorists and their aides. But in Pakistan witnesses feared to appear before the court and that is how terrorists were released on the grounds of lacking evidence and witnesses. That is why military courts were established in Pakistan to punish hardcore terrorists.

The other states shortlisted in the grey list are Ethiopia, Iraq, Yemen, Serbia, Syria, Sri Lanka, Trinidad and Tobago, Tunisia, and Vanuatu. The causes for their addition in the grey list by FATF includes their non-compliance with the anti-money laundering and countering terrorism financing regimes, their insufficient progress towards the deterrence from the cause and their non-committance towards an action plan against the rising issues within their designated state, tax evasion, corruption invading the financial sector of the state thus affecting the state and its partners in the global market etc.

Plan of Action reached with the FATF

The FATF stressed upon Pakistan for implementing an action plan which includes the following objectives:

- Pakistan has to identify and asses terrorist financing risks and a supervision to counter them.¹⁸
- Remedial measures on money laundering cases in the light of guidelines laid down by financial institutions.
- It is to ensure whether authorities are taking sufficient action to enforce anti-money laundering policies and also cooperating.
- It is to verify that authorities are identifying cash couriers and imposing strict controls on the illicit movement of capital which might be used for financing terrorism.¹⁹

- To improve the level of coordination between provincial and federal agencies.
- It is to demonstrate that law enforcers were curbing terror financing activities of the designated terrorist entities and persons.
- It is to demonstrate that the prosecution leads to an effective and dissuasive sanctions and also capacity-building of persecutors and the judiciary is done.
- Freezing the assets of designated terrorist groups under UNSCR-1267 and UNSCR-1373.²⁰
- It is to ensure that federal and provincial authorities were cooperating to enforce penalties of such groups and individuals.
- Finally it is to demonstrate that designated groups, individuals and the identities are deprived of their facilities, resources and services. In this paper even measures taken by the Pakistani government are beyond this action plan but Pakistan's name is due to be out of grey-list.

Pakistan's Progress to Curb Financial Crimes

After Pakistan got grey listed in FATF in between 2012-2015, National Counterterrorism Authority (NACTA) took the lead in regulating the movement of money within and across different land routes in collaboration with the financial institutions of Pakistan that includes Federal Board of Revenue (FBR), State Bank of Pakistan (SBP), Federal Investigation Agency (FIA), The Securities and Exchange Commission of Pakistan SECP, NACTA and other intelligence agencies to imply control on the money laundering and terrorism financing within the country. To keep a limit to the amount of money inbound and outbound from Pakistan, the SBP and FBR initiated the Money Declaration Forms for international bound passengers, requiring the passengers to declare their amount of money brought in or out from the state²¹, thus applying a threshold to the amount not more than U.S \$ 10,000 per visit out of the state. There is a heavy turnover in the branchless banking now a day, where stringent control has been clamped by the SBP for the effective protection of transactions country wide. Another source of money laundering discovered by the law enforcement was the funds collected by the NGO's and NPO's is another resource to launder money and that is why government forcibly shut down some NGOs in Pakistan.²² Not only their legitimate registration, regulation audit and abidance by the penal provisions will be kept in check but their regulation of donation collection will also be observed, but special conditions are also laid down by NACTA for donation collection as well²³. The fundraising events are also kept under observation by the regional inspectors and officers to ensure legitimacy of the organization, fund collection and their implementation on the deserving party as well.

In 2018, a more stringent approach has been adopted by the financial institutions of Pakistan in collaboration with NACTA. According to a review report of *International Corporate Review Group* (ICRG)²⁴, Pakistan has reported that no financial service of any sort has been allowed to the designated groups or individuals within the jurisdiction of Pakistan. Moreover, there is a continuous monitoring being conducted

for ongoing transactions to prevent chances of money laundering for terrorism financing. In the year 2017, in a bold measure Pakistan has frozen 117 bank accounts withholding a total of Rs. 48.2 million²⁵, as these transactions were indirectly linked with the associated customers who were enlisted by United Nations Security Council as terrorist financiers. Furthermore, there is a considerable improvement in the Law Enforcement Agencies (LEA) in ensuring Law and Order in the state, whereas prior to 2017, more than 150 cases of money laundering and terrorism financing have been registered by the state.²⁶ The Pakistan financial authorities have also started a thematic review of the stock market brokers as well, after some cases of non-compliance were registered. Money/Value transfer services (MVTs) were another major resource for money laundering and terrorism financing therefore, based on intelligence information the high-risk areas with these MVTs are under strict monitoring.

The Security and Exchange Commission of Pakistan (SECP) is intensifying efforts to counter money laundering as well as terrorism financing. Where one of its efforts includes the Memorandum of Understanding (MoU) with NACTA to enhance coordination level to take initiatives for combating but also creating awareness amongst the general public and the financial institutions about the latest Anti Money Laundering laws and Countering Terrorism Financing framework adopted by states as per the recommendations and concerns of FATF.²⁷ Moreover, in order to ensure that the criminals involved do not get away from rule of law, by claiming to be the owner of any company, NGO and the financial institutions are instructed to identify these owners and maintain a customer or an individual portfolio of the people withholding an account or any association with any financial authority. Further work done by the state authorities includes the introduction of the “know your customer” regulation by SECP on banks²⁸, stock exchange, security broker, dealers, trusts and other non-banking institutions to avoid any kind of misuse of funds by any party or individual. The SECP has also introduced an Anti-Money Laundering Unit and an Anti-Money Laundering Consultative Group in the self-regulatory bodies like the industrial development groups and stock exchange to further ensure security within these institutions.

Sources of Terrorism Finances and Money Laundering Channels Used for Money Laundering

Most of the non- state actors, are responsible for the significant rise in money laundering and financing terrorism. These parties include terrorist organizations, independent individuals and other extremist and terrorist affiliated groups. People associated with such activities follow composition and well-informed nature of the law and order situation of the concentrated area for the activity. Hawala/Hundi system, kidnapping, theft, robberies, funding via fraud NGO's, illegitimate business and other petty crimes are the major sources for these crimes. A major link between all these activities is the terrorist inculcation involved in running these activities. Terrorists move capital to other countries through money laundering to finance terrorism.

The act of terrorism itself is a costly action, in order to materialize any terrorist plan takes a lot of money to carry it out. Terrorism costs money²⁹, the budget allocation

for the operations of Al-Qaeda is \$300 million itself giving \$30-40 million per year³⁰, along with its heavy recruitments, hints at the extensive money laundering and other illegitimate finance resources availed by the organization to operate. In the report of FATF, named *Guidance for Financial Institutions in Detecting Terrorist Financing*, it claims that Al-Qaeda of gaining finance either through states, or through several illegitimate revenue generating operations including running several illegitimate businesses, fraud, extortion, kidnappings, hawala usage and human trafficking as well³¹, it has its hands in all sorts of pies, with access to every kind of market and businesses in several states as well. In Pakistan, post 2012, re inclusion of Pakistan in the grey list, with the rise of terrorist activities, Money Laundering and Terrorism Financing sources rose to high level thus promoting the covert operation of law enforcers within state.

The concept of money laundering and terrorism financing are somewhat contemporary, however, the major source for regulation of this systems is century old method known as Hawala/Hundi or Chiti Banking, or also known as Poey Kunan (Flying Money) in Thailand. It is mainly in application by the criminals due to the method itself being risk free and saving the money from being detected and reported. It, being an alternative remittal system or informal banking system was used for making payments since long. In this phenomenon, the money is not transported physically, rather it is delivered by trustful *Hawaladar* who makes the payment to other party on his own after being informed about the party by his network source. In some cases, large payments are also done in the form of valuable items, e.g. gold, gemstones, valuable watches or antiques. These hawaladars, may be some shopkeepers, business associates or other individuals who already contain necessary capital for further payments. This method enables the concerned parties, not to leave any trace in banks, or any other financial system. What makes such source more reliable and attractive is the lack of supervision. This method of money laundering has been used to move money across borders to fund terrorist groups/organization and their activities.

Within Pakistan the system of Hawala comes the second most reliable source for crimes. The State Bank of Pakistan has reported as Hawala being the dominant source for not only money laundering but the financing of terrorism as well. According to the 2002 U.S Treasury Department study on Hawala as the alternative remittal system and its role in money laundering, it explains Pakistan having the Hawala system for drug trafficking, money laundering and other crimes as well. Moreover, it also referred Pakistan, India and Dubai in the Persian Gulf as the “Hawala Triangle” and is known to move about \$500 billion through this process, also the Pakistani’s involved in this system are estimated to get back \$7 billion each year³². The highest rate of the Hawala system is used near the vicinity of the Pak-Afghan border where the terrorist moved the money in and out from the country more than a decade ago. The SBP initiated introducing national money changers³³ in order to eradicate illegitimate money-changer and exploit this Hawala/ Alternative Remittance System (ARS). Moreover, the required companies that need to transit or move money within the state or internationally are all required to register and get a license from the Securities and Exchange Commission of Pakistan. Another measure that NACTA took in 2015 was to shut down a number of religious organizations and madrassas on the suspicion of

Hawala system. It was discovered that out of the banned organizations, 72 of them were involved in the Hawala system³⁴, after taking such concrete measures of Anti-Money laundering laws on choking terrorism financing. The FATF removed Pakistan from the grey list acknowledging its initiation of legal framework of AML regimes.

Options at Hand for Excluding Pakistan from the “Grey List”

Pakistan's reentry into FATF is because of the U.S. tough stance towards Pakistan. The necessary options at hand for taking Pakistan out of the grey list are limited. The 26-point action plan to address the necessary concerns of the task force towards Pakistan and its financial system includes the control illicit movement of money within state and across borders by freezing of assets both movable and immovable to prevent the transactional capacity of the terrorist groups.

National law enforcement agencies enforcing quick arrests and detention to the groups involved in laundering money within the state can encourage the human growth index and other crimes emanating from the terrorism finance and money laundering techniques, this would further encourage a positive outlook in the review by the task force on the case of Pakistan. Moreover, the UNSC resolution regarding the speedy investigations of money laundering and terrorism financing should directly be implemented as per the UNSC resolutions 1267 and 1373 respectively. Strict check and control on the supervision on the stock market activities and banks is also another important point for consideration, which will assist in the recognition of the vital improvements done by the state within the given time for making amendments.

Under the anti-money laundering and terrorism financing regimes, inculcate a system where the banks run the list of their clients with the affiliated list by U.N under resolution 1267, the major flaw in the system is the submission of the names by the ministry of interior to FIA or Financial Monitoring Unit (FMU) in a hard copy, which leaves heaps of chances for faults and flaws. This system of record needs to be changed and switch to a digital platform to ease the record keeping and easy to track for fault. It also is rapid and precise to match record of offender with clients if any.

More international collaboration between Pakistan and other states for the purpose of Anti-Money Laundering and Anti-Terrorism Financing regimes, provide a strong assurance to the other state party the serious commitments on the FATF concerns, which will help Pakistan in gaining more international support and assistance. In the FATF review done in September 2018, an agreement has been reached between U.K and Pakistan on Anti-Money Laundering laws and a bilateral agreement is also under process for the exercise of extradition by Pakistan in U.K. That bilateral agreement will enable Pakistan to bring the culprits back into the state who were responsible for laundering money and stashing assets in U.K with black money. The rising concerns of the Task Force which were mentioned in the review of Pakistan after being listed need to be taken care of as soon as possible. These concerns mainly include the noncompliance of the state authorities implying sanctions against parties violating the AML or CFT policies, curbing the cross border illegal currencies through Hundi

which has been discovered to be an important source for money laundering and financing terrorism within the state. Through so called charity organization an efficient system for the supervisory mechanism on the banks, stock market and the companies. That will help curbing such practices and will provide a positive outlook of the law enforcement agencies of Pakistan. Another measure for exclusion from the grey list is the necessary transparency of justice in political system to promote democratic values within the government.

Ramifications on the State in Case of being blacklisted

There is another threat to the state of Pakistan, after the re-inclusion in the grey list that accounts for the inclusion of Pakistan in the black list of Financial Action Task Force. Which declares the blacklisted states as the Non-Cooperative Countries or the Terrorists. Which are the declared states known for not cooperating and implementing the laws necessary to meet the international standards of peace and security. The possibilities for Pakistan being blacklisted does not exist yet, however, if Pakistan does include in the blacklist, there are strong implications and ramifications for the state. Being a struggling state itself, further implications for the state includes direct sanctions on the international transactions, foreign loans and import and export of the state. Moreover, there could be major demise in the international standing/ranking of the state, the foreign banks and companies will pull out from the state and a massive fall in the flow of the foreign currency as well. The large Pakistan current account deficit could increase, and the stock market could fall with a very low dip in the shares as well. All these ramifications are sufficient to draw the state towards destruction.

More ramifications following would be the reason for the destruction in the internal situation of Pakistan. Where there being no jobs for masses in Pakistan, an increase on the debts of individuals, increase in the taxation and inflation. With the rise of all these security compromise, chaos at the national level would be the next big development post Pakistan being listed in the black list. Another implication post black list would be the continuous surveillance on every big transaction the state makes. Pakistan would have to combat with even less and limited resources than ever before. The diplomatic, economic, political, social, cultural etc., every kind of association with regional and international actors would be compromised, ultimately cutting off all types of association of Pakistan from the international community. The implications alone would be compatible enough to devalue the state of Pakistan from a developing to the least developed state.

Trump's Policy towards Pakistan and its Stature

With Donald Trump's rise to the presidency, the anti-Pakistan rhetoric got a fillip in the U.S. The grey list re-inclusion started with the weakened Pak-U.S ties, where U.S after inaugurating its new administration had adopted a tough stance towards Pakistan, declaring Pakistan of sponsoring terrorism and not doing sufficient for countering terrorism. Pakistan has been waging war against terrorism even in those

times when Taliban had not threatened Pakistan neither Al-Qaeda posed any serious threat to Pakistan and its people. Pakistan's sacrifices and losses in war against terrorism are immense. What makes the United States unhappy is the fighting war as directed or desired by the U.S whereas no sovereign nation in the world can allow such unjust pressure as the U.S is exerting on Pakistan.

Pakistan's comprehensive counterterrorism policy National Action Plan has achieved greater success in destroying terrorists' infrastructure and choked their financial lifelines. Another major blow to Pakistan's trust was placing Pakistan's name in 2018 on special watch-list in violation of International religious Act-1998. Pakistan needed funds to continue war but the United States withheld \$900 million Coalition Support Fund for the fiscal year 2017. Despite such challenges from the United States, Pakistan continued its war against transnational terrorist groups and their local partners in Pakistan. Pakistan's name in grey-list of FATF has stigmatized Pakistan internationally especially for donor countries and potential investors who were eying to invest in Pakistan. Even the China and Saudi Arabia changed their earlier stance and remained silent amid voting whereas Turkey opposed Pakistan's inclusion into FATF grey-list.³⁵ Given Pakistan's contribution in war against terrorism and then its name among other grey-listed nations like Yemen, Ethiopia, Iraq, Syria, Sri Lanka, Serbia, Trinidad and Tabago is not logical. Therefore, it reflects that Pakistan's name is only because of the political reasons. The accusation against Pakistan was that it was unable to take effective measures against individual terrorist entities like Jamat ud dawa and Jaish-e-Muhammad. Another major factor that pushed Pakistan into grey-list was compliance to the UNSCR-1267. The major demand of the FATF was to impose financial sanctions on designated terrorist groups. Pakistan government had already built an action plan to plug strategic deficiencies as identified by the watchdog. Failure to reach an action plan with FATF could possibly black-list Pakistan like Iran and North Korea. However, there are hard core struggling examples where Pakistan has been seen coping with the best of its ability with the choking of terrorism finance, terrorism itself, money laundering and other related crimes emanating from these. Pakistan stepped up its efforts in war against terrorism especially after the implementation of National Action Plan. Pakistan worked relentlessly to destroy safe havens of terrorists and also mounted operations against terrorist groups KP, FATA, and Balochistan. The formulation of anti-terrorism Acts (1995 and 2010), enhancing the role of FIA in countering terrorism and managing operations, introduction of NAP, the operationalization of NACTA had been better measures. In the more recent years of 2017-2018, Pakistan complied to action plan of FATF by implementing its policies in financial institutions (banks, stock market) and law enforcement agencies to adopt a strict approach towards such challenges.

Conclusion

Pakistan needs to address the internal security situation as there is always a spillover effect from money laundering and terrorism in small areas. A closer analysis would further help in ensuring cities free of such criminal activities. Despite plenty of job opportunities in Pakistan, people still opt for the fastest route to earning. They engage in money laundering, hawala and hundi that is used a channel of moving money

by terrorist groups. The state Bank of Pakistan with the help of nationwide banks is alert to any suspected transaction even more than fifty thousand transactions will be asked to counter Hawal/Hundi practices. To curb these practices government has widened tax net and introduced tax reforms so that people may register as taxpayers. There were several NGOs and NPOs found involved in such activities and Pakistan banned their operation. Now NGOs have to provide proof of funding and its allocation on declared projects. Concerning Hawala/Hundi in Pakistan, it is widely practiced which should be countered by reducing tax on proper transactions. According to a report by *the Pakistan Institute of Development Economics*, there have been recognized certain loopholes in the Section 111 of the Income Tax Ordinance of 2001, which is still in use along with the Economic Protection Freedom Act of 1992, there are loopholes within these policies that facilitate the operation of the system of Hawala/Hundi which sums up to make about 36% of the transactions made in Pakistan.³⁶ The Asian Pacific Group (APG) whose delegation visited Pakistan during August (13-18), 2018 mentioned that there was absence of coordination and between the inter-ministerial departments and the center and the provinces which cause dawdling on the implementation of FATF action plan. It should be the primary focus of the state authorities to ensure effective management and compliance by the higher officials to work for getting Pakistan out of the FATF grey-list as soon as possible. Such measures will contribute towards the reduction in terrorism and ML/TF activities.

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