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# DYNAMICS OF MONEY LAUNDERING AND TERRORIST FINANCING: A CHALLENGE TO PAKISTAN

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## Abstract

This article throws light on organised crime which is chameleonic in nature and due to its dynamics; it represents and adjusts according to promulgated laws. This has prospered and overlapped with the criminal activities of organised criminal groups. In the same way, money laundering is a predicate offense and by default, it is linked to other organised crimes. The study discussed the impact of 9/11 which was a culmination of a lethal combination of money laundering and terrorist financing. This same nexus is currently being experienced by Pakistan. The study critically dissects the dissipation of organised criminal activities and money laundering in Pakistan along with transnational stakeholders' involvement with counter measures. Various methodologies adopted by criminal networks are reviewed in the article. Criminal networks exploit the pervasiveness of technological advancement more efficiently than the government. Government should recognize that sovereignty is daily compromised at the hands of stateless organised criminal networks. These are involved in the laundering of money, financing of terrorism and other linked organised crimes. The active presence of terrorist networks like Taherik-e.-Taliban, other non-state actors, porous borders with Afghanistan, and the cash-based and undocumented economy in the presence of corruption pose serious threats to the regime and require immediate counter measures. Moreover, all countries in the region require beefing up efforts against money laundering and terrorist financing at local, regional, and international levels. Pakistan has shown its international commitment to global stakeholders by adopting multi-prong strategies. But there is a long way to go in countering money laundering and terrorist financing. Counter-terrorist operations, namely 'Zarb-e-Azb' (means sharp and cutting strike) in North Waziristan along the Pakistan-Afghanistan border in 2014 & Radd-ul-Fasaad (means the elimination of strife) across the country in 2017 were carried out by Pakistan army as a part of state efforts to curb local and cross border terrorism.

**Keywords**: Money laundering, Organised crime, Terrorist financing

## Introduction

Organized crime is sometime transnational, sophisticated, complex and pervasive in nature. It is multifaceted. Due to these dynamics; perpetrators tuned their criminal activities by considering enforcement regime's counter measures. In this article,

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more emphasis is given on nexus of money laundering and terrorist financing, since money laundering itself is a predicate offence. Thus, it is directly linked with organised crime. When we study current scenario in Pakistan; we find existence of multi-faceted organised crime. The situation further aggravates when cross border stake holders firm their nexus in organised criminal activities. Since this South Asian region has been vulnerable to various cross border interference, swayed by superpowers during the cold war and post-cold war era as well. Taking an opportunity of fragile peace in the region, in particular to Afghanistan situation, non-state holders discreetly became contributing actors in organised criminal groups. Declared boundaries of the countries, in particular to Pakistan and Afghanistan; didn't offer any serious challenges to their cross border organised criminal activities. Thus, serious threats of smuggling and trafficking of narco-drugs, arms and ammunition found its transit passage through Pakistan to European, non-European markets. These existing organised criminal activities further proliferated when it found nexus with cross border terrorist activities. Certainly, there is no denial to the fact, fragile peace, dwindling democracy; weak functioning of state organs; poor government spending on human development; deteriorating economy; and nonexistence of pragmatic long-term policies have proved to be pushing factors in the region in general and Pakistan in particular.

After happening of 9/11; it compelled national, regional and international anti money laundering and terrorist financing regime to revisit their existing counter policies and measures. Nation states witnessed influence and inter-transnational nexus of criminal groups involved in money laundering and terrorist financing. Global regime required new governance structures for countering challenges globally. Due to compelling threat of money laundering, the international counter regime sought to assist and encourage efforts and take initiatives to enhance the role of countering money laundering and terrorist financing regime globally. This led to awareness efforts, revitalise investigation, enforcement, regulatory and criminal justice system which could enforce and implement the stringent promulgated laws passed by countries. Realising the gravity of nexus between money laundering and terrorist financing during 9/11; Financial Action Task Force (FATF), which is one of the counter regimes of money laundering, also clubbed its counter measures of money laundering with terrorist financing. This step was a serious effort by an international regime to keep abreast the world of new tactics used by the criminal groups and networks by changing their methods and trends according to emerging innovations and technologies. In the list of members, those countries were included, which were reluctant or not interested to implement FATF Recommendations in their respective countries. United Nations Office for Drug Control and Crime is also active for effective working on the global programme countering money-laundering activities. It involved cooperation and technical assistance to the international, regional institutions and organizations which were responsible in countering laundering of money and drug trafficking.

The strategy of Pakistan has a regional and international impact, since Pakistan is strategically located in the Asia region. That is why, the USA State Department stated in its report that Pakistan is strategically important for being priority region in counterfeiting financing of terrorism. Pakistan being signatory to international compliance regime; it also beefed up its efforts against laundering money and financing

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of terrorism regimes at the local, regional, and international level (INL, 2010). Root causes and existing weaknesses of non-effective anti-money laundering and terrorist financing measures by Pakistan regime are discussed and analysed in the article. The main objective is to critically dissect the dissipation of organised crime and money laundering in Pakistan along with transnational stake holders' involvement with counter measures. This existing threat is responsible for the state where sovereignty is everyday compromised at the hands of non-state actors. Counter measures are taken by Pakistan. But there are still internal challenges of combating a qualitative new phenomenon with obsolete tools, weak enforced laws, corrupt bureaucratic hierarchy and fragile strategies. Pakistan has showed its international commitment to the global stakeholders for adopting multi-prong strategies. But there is a long way to go in countering money laundering and terrorist financing. Counter terrorist operations, namely *'Zarb-e-Azb'* (means sharp and cutting strike) in North Waziristan along the Pakistan-Afghanistan border in 2014 & *Radd-ul-Fasaad* (means elimination of strife) across the country 2017 were carried out by Pakistan army as a part of serious efforts at state level to curb local and cross border terrorism. Realizing the gravity of money laundering crime in Pakistan, the researcher reviewed the existing features of organised crimes in Pakistan which depict their modus operandi. The fundamental changes have given the criminal organised networks a new intensity, since the last decade, which is likely to persist.

**Scope of Research**

Threat of terrorism is very much related to terrorist financing which finds its channels through money laundering. Pakistan, being victim to terrorism, has been countering these existing challenges of organized crimes through its counter regime measures. How so far these efforts have been effective and what further counter measures to be taken; these dynamics are examined and reviewed in this research work.

**Rationale of Research**

The study tries to review various dynamics of money laundering. By reviewing international literature and data on Pakistan, the researcher finds no specific money laundering activities are addressed based on criminological aspects. This may involve how the organised groups commit criminal activities of money laundering in Pakistan and involvement of transnational methodologies. Since it has porous borders with politically disturbed and terrorist-ridden Afghanistan; and provides ideal passage for trafficking narco-drugs to and from Iran and China in its North & West. After happening of 9/11, the number of terrorist activities has seriously increased. Thus, to carry out research work on the subject is need of hour in Pakistan.

**Research Questions**

Q1. What are elements of Organised Crime, in reference to money laundering and terrorist financing?

Q2. What are the challenges of money laundering and terrorist financing?

Q3. What are Pakistan's Counter Regime measures against money laundering and terrorist financing?

**Research Objective**

This study is mainly focused on money laundering and terrorist financing. It dissects various elements of organised crime, in reference to the focus of this study. Various impediments are discussed, to understand challenges being faced by the counter regime in Pakistan.

**Theoretical Framework**

The framework of this research study examines anti-money laundering regime's counter measures in the country particularly and globally in general. The contemporary socio-economic and psychological factors with cultural influence related to organised crime with reference to laundering of money are also reviewed. The study would lead the future research works to introduce new avenues in countering money laundering and terrorist financing.

**Significance of Research**

This research work is a deliberate approach to critically review and draw results from the collected literature and data of various theorists. Through various methods, unnecessary data is thrashed out from collected research works. The researcher believes that the selected research work has limited theories in social sciences and criminology. However, various dynamics of organised crime in reference to money laundering and terrorist financing is analyzed.

**Limitation of Research**

This selected research work has also inherited limitations due to its own dynamics in Pakistan. Absence of consolidated data on the system related to money laundering and financing of terrorism is another obstacle to analyze the data. The researcher finds very limited international data and literature available on Pakistan which is an impediment in a way to review the selected research topic. Despite the fact, organised criminal networks are mainly involved in criminal activities of laundering of money in Pakistan, as well as it forms transnational criminal activity. The researcher believes that the research work in hand would contribute alot in scratching the surface for future works in the subject of criminological aspects of laundering of money and financing of terrorism along with organised crimes in the country.

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## Literature Review

### Elements of Organised Crime Related to Money Laundering and Terrorist Financing

Article analyses various elements of organised crime and to know the outcome of their nexus in proliferating more organised crime in the society. But more emphasis is given on nexus of laundering money and financing of terrorism specific to Pakistan. Organised crime involves group organisation, and this group is controlled through hierarchical links or personal relatives. The design is to have ill-gotten earnings, controlling territories or capturing markets with the use of threats, suppression, corruption; laundering money earned through illicit proceeds and make it legal. Sometime, organised crime is transnational and crosses national borders for their activity and engages organised transnational criminal groups (Adamoli, 1998). When we discuss of organised crime; we cannot depart organised criminal group which plays a pivotal role in perpetrating any organised crime. The UN's Palermo Convention gave the concept of 'organised criminal group' in its definition. As pointed out above, it is hierarchical in nature and consists of three or more actors and operating over a period. It acts with intention of perpetrating serious crimes as listed in Palermo Convention and achieve financial or other material benefits (UNTOC, 2000).

According to UN Convention "organised criminal group consists of three or more individuals who exist for a certain period and acts with the aim to execute one or more serious crimes determined by this Convention, in order to obtain direct or indirect financial benefit or other kind of material benefit" (UNTOC, 2000). Gilmore also discusses organised criminal groups and to them- these vary in shape, size, specializations and skills. This extends from highly layered organizations to more fluid and dynamic mechanism (Gilmore, 2004).

On the other hand, Gottschalk reviewed the characteristics and elements of organised criminal groups which involve average size of criminal organizations. Half of its members were of same racial background, while the others were not from same ethnic linkages. To him, some criminal networks had political sway at local and regional level, and also some existence at the national level in the country of intervention (Gottschalk, 2009).

### Challenges of Money Laundering and Terrorist Financing

With the passage of time, the criminal enterprises have changed their fabric. Earlier these were monolithic and rigidly hierarchical in structures, which were helpful to law enforcement agencies to burst criminal organizations. Now this rigid structure has been replaced with flexible and decentralized trend, which is not also easy task for the law enforcement agencies to locate. The larger size structures are substituted with small organizations also and this provides them insulation from law enforcement agencies if any single organization group is located or traced by the agencies (Southerland and Potter, 1993); (Schelling, 1976).

This new fabric provides an opportunity to resurrect, re-associate and re-organise their criminal activities, if these were earlier disrupted due to some reasons. This has provided them an opportunity to adept according to the national, regional and global counter regime framework (Hage and Aiken, 1970).

It is observed that commission of offences by the organised criminal groups is interdependent. It involves chain of various types of crimes until the finality offence to be committed by these groups. Vertical interdependence among crimes rises till the final crime is perpetrated. However, more intermediate, or instrumental offences are committed by these groups to achieve their finality. This can be understood, in the case of fraud, corruption and money laundering crimes. These crimes functionally related to each other. One of them is the finality and other two are intermediate or instrumental towards the end. In the case of corruption, fraud and money laundering are the means to launder these proceeds and legitimacy. To criminalize the vertical interdependency among crimes; law enforcement should bring them into account collectively rather than tackling them in isolation (Savona, 1997).

These trends have revolutionized organised criminal groups. They are entrepreneurial and free from impediments like-legislation, borders, morality or technology. They are strategic, dominant, monopolist, profiteering and influential. They are adaptive and goal oriented which is profit-making. They are well calculated and anticipatory of law enforcement move. They are collaborative to each other for mutual benefit and swiftly disperse and reorganise themselves in other markets if disrupted. Organised crime is not separate from legitimate businesses but operates within it and based on maximize profits and minimize risks. Since this is strategic in its operations, it plans aggressive marketing and hires the expertise of professionalists and executors as a part of risk mitigation strategies.

Complex networks are involved in illegitimate transnational transactions for making it legitimate through laundering money as earned from proceeds of narcotic drugs, cybercrime, human trafficking and other organised crimes. Organised crime may seem to be far distant threat, since it is far from people's lives. But in real; its social, economic, moral and financial harms, are caused by illicit narcotic drugs, use of violence and intimidation, terrorist financing and money laundering. These have serious irreparable consequences on the whole society.

In the non-developed countries, various forms of institutional organised crime influence state and its people. Institutionalized organised crime involves corrupted politics steered by the transnational countries. This is also facilitated through the sophistication by perfidy and most clandestine interference at the transnational level. Interference may end in the coup détente and use of violence and force against innocent civilians and ushers a reign of terror against the humanity (Coleman, 2001), (Nikolovska and Sundać, 2001).

Institutionalized organised crime is not an open crime (Labović and Nikolovski, 2010). Organised criminal activities, sometime includes activities committed across borders and involves many other same activities. It is not possible globally to assess

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accurate scope of organised criminal activities due to the conceal nature. The list is broad, and it changes between regions and always continues to increase.

**Pakistan's Counter Regime Measures against Money Laundering and Terrorist Financing**

The researcher analysed various provisions of Anti Money Laundering Act 2010 and finds appended key impediments:

- Lack of understanding amongst investigating agencies of the scope and use of the money laundering offence.
- Lack of capacity to conduct financial investigation at an early stage of the investigative process.
- The agencies face extreme difficulty in proving before the court of law that the money is proceeds of predicate crime.

In peer review report by the Global Forum Transparency and Exchange of Information for Tax Purposes (OECD, 2022), it reviewed various aspects of Pakistan's counter regime's efforts under AML/CFT framework. It is observed that the counter regime framework relies on Anti-Money Laundering Act 2010 (the AMLA 2010) and various sector based regulations. During the earlier review, absence of supervisory bodies was realised in sector based designated non-financial businesses and professions (DNFBPs). Later, effective counter regime efforts were taken by the country in appointing sector based supervisory authorities in DNFBPs; in particular for accountants and lawyers. However, the modalities which are required under the Income Tax Ordinance to provide information on beneficial ownership to Federal Board of Revenue (FBR) are not yet operationalized. After various peer periodic reviews by FATF; Pakistan has taken drastic measures in counter regime framework. Already existing supervisory bodies State Bank of Pakistan (SBP) and Security Exchange Commission of Pakistan (SECP) are supported by other regulatory bodies like the FBR, the Institute of Chartered Accountants of Pakistan (ICAP), the Institute of Cost and Management Accountants of Pakistan (ICMAP), the Supervisory Board for National Savings Schemes and the Supervisory Board for Pakistan Post.

**Research Methodology**

There is no set systematic data and sharing of information at the central level in the country related to money laundering, terrorist financing and other related organised crimes. Financial institutions have limited scope of reporting suspicious transactions to Financial Monitoring Unit-FMU; which is only formal source of reporting suspicious activities. Since the financial institutions have restrictions to disclose the information other than legal obligations. Thus, it is very difficult to analyze complete methodologies involved in organised crimes in Pakistan from qualitative perspective. Such limitations have been major compelling factors which led the researcher to opt qualitative methods in the pioneered research work. Secondary information was collected under qualitative

methodology. Obtained information was collected, collated, analyzed and interpreted according to various forms of theories. Besides that, during the qualitative review, researcher's own experience and exposure contributes greatly in extracting quality information under various forms.

**Discussion**

Researcher tries to describe in brief a few of major following criminal activities, linked with organised crime I Pakistan, before proceeding to nexus of money laundering and terrorist financing:

Threat of corruption is getting serious where controls are non-existing or weak with less enforcement and implementation. There is close link between corruption and transnational organised crime. It is more often, successful transnational criminal activities depend on corruption (Velkova and Georgievski, 2004). The Palermo Convention demands states to criminalise corruption. UN resolution 55/61 emphasises other independent conventions for effective international legal instruments against corruption. Corruption was particularly described in tough terms by the Secretary-General in 2003 that corruption was an insidious plague which had a wide range of corrosive effects on societies. It undermined democracy and the rule of law, which led to violations of human rights, distortion markets, erosion the quality of life, and allowed organised crime, terrorism and other threats to human security to flourish (UNODC, 2003).

To sustain stability in long term, the most eminent scholars believe that corruption is one of the channels that contribute organised crime (World Bank, 2000); (Georgievski and Stanković, 2008). Corruption is considered to be an essential characteristic of institutional organised crime. To speak about the institutional organised crime, the abuse of the public authority is common practice. It involves successful operation of organised crime and it is inevitable component (Fijnaut and Paoli, 2004); (Labović, 2006). Abusing of legal institutional hierarchy and pretext of implementing a legitimate policy; are some of common traits in commission of corruption. This causes social, political and economic consequences; without using of violence and force (Albanese, 2010), (Zoutendijk, 2010), (Velkova, and Georgievski, 2004); (Van, 2004). Pakistan has general and special laws; later is particular for specific organised act; like, NAB Act (for anti-corruption) and other special laws. Punitive punishments are also already extended for individuals and groups involved in commission of corruption. Former Pakistan's Prime Minister Nawaz Sharif was found guilty of corruption and convicted of 10 years imprisonment (The Washington Post, 2018). Pakistan is the 140 least corrupt nation out of 180 countries, according to the 2021 Corruption Perceptions Index reported by Transparency International (CPI, 2021).

The Russian invasion of Afghanistan in 1979 confronted Pakistan with manifold problems, including introduction of arms smuggling, human trafficking, narco-drug/heroin cultures. These had engulfed the whole country and the nation as hostage to terrorism. Prior to invasion, arms and narco culture were unknown to this country and the nation. The continuous and uninterrupted influx and absence of data of afghan refugees facilitated drug barons and arms smugglers to export these menaces. This also involved

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Pakistani organised criminal groups to use Pakistan as a route for trafficking of narcotics from Afghanistan to global markets to meet their demand. Pakistan has 2,430km-long porous borders with politically disturbed and terrorist-ridden Afghanistan; and provides ideal passage for trafficking narco-drugs (UNODC, 2008).

One of the most preferable crimes by the organised criminal groups is illicit narco-business, since it attracts extremely profitable business to them. Palermo Convention has classified drug trafficking as one of the transnational organised criminal activities. However, the intensity and extent of elements involved in this organised crime could vary (UNODC, 2007). During 2007, Afghanistan is figured as the largest producer of the world‘s opium production, i.e. 92%. Bolivia, Colombia, and Peru dominated coca cultivation for shipment to the world. Developed countries particularly the US and Europe have major demand of drugs. The cross-border demand of narco-drugs gives rise to illicit drug trade as transnational organised crime. In this trade, the produced narco-drugs must reach at its destination where the demand is high, after trafficking through multiple countries, where its demand is very high with final products (INCB, 2008). These factors are more likely to involve individuals and groups in narco-drug smuggling and transportation when there is an opportunity of having porous borders with the country which is producing the highest quantity of opium in the world (UNODC, 2018). After 9/11, the number of terrorist activities has seriously increased with flourishing of terrorism in the country and the cross border. Involvement of drug money in these activities cannot be denied. In order to put rigorous restrains; Pakistan promulgated special law of Control of Narcotics Substance Act with special punishments was introduced against the perpetrators of narco-drug crime. This was an effort to create deterrence of punishment in the society for creating self-restraint.

Palermo Convention mentions trafficking of person implies onboarding, transfer, transportation, harbouring by means of threat, giving and receiving of payments (UNTOC, 2000). After alarming rise of narco trade; this crime has drawn a worldwide attention. Global terrorism has witnessed co-relationship of these transnational organised crimes; and has met condemnation. There is some difference between victims of human trafficking and smuggled migrants. Usually consent of migrants is involved; while in the former, there is absence of consent by the trafficked victims. Moreover, migrant smuggling is always transnational; and trafficking victims may be trafficked through their own country. The ongoing relationship between human traffickers and their victims is often based on abuse and exploitation with the motivation of profit making for the traffickers. This always results in the victimization of smuggled migrants. Human traffickers may opt same route of trafficking for their operations at transnational level. Thus, people from deprived socio-economic environment of subculture become more vulnerable to delinquency and deviance in this social and cultural set up. In sub-culture society, individuals face negative ethnicity, discrimination and morality issues and people from such societies engage in organised crime. Formation of mafias or cartels by them on the basis of racism, ethnic or with other common factors, are the outcome of ‘social disorganization’ for financial gains (UNODC, 2018).

According to UNODC report; men, women, and children are trafficked from Pakistan for the purpose of forced labour and sexual exploitation and using it for transit,

source and destination country. Forced labour trafficking is probably more widespread through Pakistan. Presence of organised international smuggling networks, entrenched poverty, Afghan refugees and porous borders contribute as favorable factors for human traffickers in Pakistan. Victims are trafficked mostly to the Middle East. Every year in Pakistan, thousands of Afghan and Pakistani migrants are also smuggled in or out for the sake of work (UNODC, 2018).

Baluchistan is one of the provinces of Pakistan, with its vast contiguous borders with Iran and Afghanistan, has hosted huge human smuggling and trafficking rackets since decades. This practice took on an organised form in the 1980s. The migrants are now largely Afghans and Pakistanis. The route from Quetta to Chaghi,via Naukundi is very notorious and preferable for the human traffickers and smugglers. According to local reports, the town of Naukundi has hardly 20,000 population and their source of livelihood is human trafficking. It is significant to note here, mineral-rich mountains lie adjacent to Naukundi and it is located in Chaghi which is the largest district of Pakistan. Gold and copper mines, namely Reko Diq and Saindak are situated in the same vicinity. There are no employment opportunities for the locals despite presence of the multi-million dollar proceeds. Thus, they are left with no option to involve in human smuggling and trafficking (Butt and Notezai, 2018). In absence of government amenities, development of isolated lower-class culture is natural. It lacks conventional social opportunities and racial/ethnic discrimination is common. Therefore, this sub-culture causes increase of deviant youth with justifications against the social norms. This also holds the symptoms of crime tendency, deviance and earning of money through illicit means. The situation is further aggravated when educated youth belonging to lower-class and passed through various deprivations to get an opportunity of white-collar job. Such circumstances mostly cause of nourishing culture of committing organised crime, like human trafficking and smuggling, money laundering, fraud and other unlawful organised activities.

According to one estimate, every year, between 30, 000 to 40,000, Pakistanis illegally attempt to opt route to Europe through Turkey, Russia, and the Middle Eastern countries from Balochistan and by air. Human smuggling does not involve the element of force, and it is always trans-national. An individual has consent with a smuggler to get facilitations for illegal entry into a foreign country. It is not always economic restrains that the dream chasers opt illegal passages to cross border European countries. There are many factors which contribute in increasing trend of migration from Pakistan. Financial restrains or religio-ethnic violence also cause of impetus for dream chasers to incur grave risks with the hope of finding greener pastures in foreign lands as perpetrated against the Shia-Hazaras community in Balochistan, which proved to be pushing factor to them. The current civil war in Syria also swayed both Shia and Sunni militants to opt migration from Pakistan. According to local reporters, when Bashar al-Assad started losing control in the civil war in 2013, Shia-Hazaras from Baluchistan were also smuggled into Iran to fight alongside the Syrian army. When Iran raised 15-ft high wall along its border with Afghanistan’s Nimruz province, Afghans also got smuggled out from Afghanistan via Baluchistan. New special acts of "The Prevention of Trafficking in Persons Act, 2018" and "The Prevention of Smuggling of Migrants Acts, 2018" are passed in Pakistan. These laws give guaranty to the victims of human trafficking and smuggled migrants. It

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empowers law enforcement agencies of Pakistan to effectively prosecute the organised criminal groups (UNODC, 2018).

The annual illegal arms trade is estimated around $US 1 billion. The increasing demand of arms and its supply at transnational level is posing a serious threat to curb national and international terrorism. UN declared a Protocol of arms trafficking. It encourages, assists and strengthens cooperation among the states. This would help to restrain, combat and eliminate the illicit production and transportation of firearms, its arms and ammunition. Organised crime is multifaceted. It involves traditional types of criminal organizations, transnational criminal networks with flexible structures and quick mobility, transformation. These may also be controlled from different locations as well. The illicit arms smuggling, and trafficking is intrinsically linked to these criminal organizations and networks. This is fundamentally considered to be useful in violent crimes, stirs armed conflicts, and cerates insecurity. Usually, various types of criminality are intertwined with trafficking of firearms, such as humans, drugs trafficking, and terrorism. No region in the world is exempted from the use of firearms and serious security challenges. To support states in establishing effective criminal justice system and countering challenges posed by organised criminal networks and organizations specifically related to trafficking in firearms and its parts; UNODC Global Firearms Programme was introduced (UNODC, 2018).

Pakistan is also facing this menace. Defense expert Brigadier (R) Mahmood Shah in his interview mentioned that neighbouring Afghanistan is the main supply passage of illegal weapons into Pakistan. Khyber Pakhtunkhwa (K-P) and Baluchistan have porous borders with Afghanistan. Anti-tank shells, grenades, anti-aircraft guns and Rockets are smuggled from across the border. These are mostly Russian-made and copies of which are also built in central Asian states. According to senior police officials, roughly 20 million illegal arms in Pakistan are estimated. These include prohibited firepower which is frequently used by criminals and terrorists during their nefarious designs (The Express Tribune, 2012).

According to one estimate, the generation old illicit arms trade boomed in the early 1980s in Pakistan. The warlords in Afghanistan particularly and adjacent Pakistan borders generally started buying illegal weapons during ongoing war against Soviet-union. Further, existing porous borders contributed a lot in proliferation of this organised crime. Darra Adamkhel, the town is not far from the Afghan border, was a hub of criminal activity for decades. This area comes under semi-autonomous tribal areas joining porous borders with Afghanistan where ethnic Pashtuns live. Later, the town came under the direct influence of the Pakistani Taliban. Now the town is cleaned after Pak army operation (Dawn, 2016).

Thus, to the researcher, in continuity to above discussed organise crimes in Pakistan; money laundering cannot be studied in isolation. Since it involves predicate offence and linkage of organised crimes with money laundering is natural. Particularly the terrible rise of terrorism in Pakistan and terrorist activities in the region in general, demands to review the collected information on these dynamics of organised crime which

is requirement of the time. Another critical aspect of these crimes cannot be ignored that these are transnational in nature.

Overlapping of criminal activities among the organised criminal groups has prospered. This change happened during post-cold war era, when earlier the terrorism was state sponsored. After cold war, those terrorist elements formed groups and found alternative sources through organised crimes. This culmination was witnessed after happening of 9/11, which was lethal combination of money laundering and terrorist financing. 9/11 terrorism drew special attention of the international regime. The General Assembly resolution 55/25 of 15 November 2000, that adopted the Palermo Convention, "...with deep concern" a growing nexus of transnational organised crime and terrorist groups (UNODC, 2000).

Like organised crime, terrorism has also been difficult to define in concrete terms which could be acceptable to all. When we concentrate elements of criminal organised group, we find that these are non-ideological. Criminal organizations find it feasible to jeopardize smooth functioning of the contemporary governments. This may lead them to support corruption, kidnapping or violence (Finckenauer and Albanese, 2005). This perpetration is witnessed amongst drug trafficking cartels where use of intimidation, force and extortion against prosecutors, judges, public representatives and law enforcement officials. The object of these actions has been to disrupt and divert attention of legitimate government from drug enforcement. These criminal activities, during the 1980s, led to emergence of the term narco-terrorism (Mylonakia, 2002).

Terrorism and organised crime are interrelated, and it is very difficult to distinguish both on their characteristics basis. Infact organised criminal networks prefer use of force to achieve their designs and also support other terrorist groups. This is the reason, why terrorist networks are always tended to work with organised criminal networks (Mylonakia, 2002). Despite this blur characteristics, and perhaps complementary activities; the motivating factor is the major comparative feature. For organised criminal groups, motivation emanates from profit, while terrorist groups get primary motivation from a particular so-called ideology or struggle. Due to fundamental difference in motivation, strategies to combat terrorism and transnational organised crime also vary substantially. For instance, a strategy to combat trafficking offences needs to consider those factors which give rise to demand for trafficking like drugs, arms and others. That is why, terrorism is not made part of definition of 'organised crime' during the Palermo Convention. Infact, there are many specific conventions and resolutions which directly and solely aim at terrorism.

Criminologists consider deprivation as a major cause of social movements and deviance, which in extreme situations ends in riots, terrorism, civil disobedience and crime. It can be cited here, various political or religious organizations in Pakistan which exploit such deprivations in the name of ethnicity or religious feelings that the contemporary feelings of deprivation are the outcome of injustice and exploitation. These cheeky slogan mongering provide them an opportunity to justify their civil disobedience, terrorist activities and other unlawful activities against the existing socio-poetical and economic system. These politico or ethno or religio-based parties found their place where

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the societies or communities are living, where social norms or values are in conflict with the norms or values of haves.

The study deduce that terrorism in Pakistan, when the researcher studies contemporary norms of Pakistani society, it is more prone to achieve 'goals' of accumulating wealth. Since there is more depression in the economy, more tendencies towards achieving it increases. Here the passage becomes narrower; when majority involves in achieving it; while resources are less. This leads to deviance behavior, particularly at the lower middle class. This rises to criminal behavior and traits of corruption, extortion and fraudulent means become daily norm. A novel anomic situation appears in Pakistan, where politicians, bureaucrats, and others from elite class of 'haves' become more active to achieve 'goals 'of accumulating wealth at the cost of deprived. This has resulted in expansion of increasing gap between haves and have-nots. Their means of tax evasion, laundering of money, corruption and frauds have become talk of the day in Pakistan. It also triggers a race of having more and more financial security to the illicit funds. An unannounced conflict of haves and have-nots exists. Thus, commission of organised crimes, like frauds, corruption, smuggling and other organised crimes find supportive environment. These favorable factors lead to laundering of funds and existing fragile enforcement region further provides opportunity to offenders to extract maximum from the system to meet their criminal designs.

Since money laundering is the predicate offence and it is naturally linked to other organised crimes. The latest scenario of the country depicts an increase in overlapping of organised criminal activities among the criminal groups. This also applies in organised narco-drug and terrorist networks in Pakistan, where narco-money crosses borders of Afghanistan and inside Pakistan for the import of terrorist activities in the country. These criminal activities are transnational in nature. In such scenario, the criminal cartels need to transfer illicit funds from one country to another by various means, whether it involves financial institutions through money laundering and informal channels of Hawala.

Raufer defines financing of terrorism in these words, "financing of terrorism can be divided into two general types: financing from above, in which large scale financial support is aggregated centrally by states, companies, charities or permissive financial institutions; and financing from below, in which terrorists fund raising is small-scale and dispersed, from example based on self-financing by the terrorists themselves using employment or welfare payments" (Raufer, 2006). To the researcher, this same combination of money laundering and terrorist financing is also currently experienced by Pakistan which is the foremost threat to the security now. Various terrorist groups are involved with direct and indirect support of cross border financial channels through money laundering in the country. Tahrik-e-Taliban Pakistan (TTP) is one of the examples. These two organised crimes are different in nature and involve different modus operandi when various techniques are analysed. Different measures and controls are set for countering against laundering money and financing terrorism, all businesses consider these two simultaneously for meeting their end. There are no set principles which could operationally distinguish these two. The basic difference between them is the origin of the funds.

Terrorist Financing does not always involve ill-gotten funds. These funds could be from legitimate sources but always will be used for illegal objects. But money laundering always involves illicit funds earned through criminal proceeds. These funds could be used for legal purposes, but its source of funds is illegal. Thus, its main object is to disguise its origin from the trail of record. So, in the case of financing of terrorism, it is very difficult to prove legal funds to be used or used for financing of terrorism. In this case, the predicate offence is necessary to prove initially before proving laundering of money. Thus, controls and measures against financing of terrorism would be possible when evidence of predicate offences is available and collected.

In the case of available legitimate funds for terrorist financing, there is no need to launder it. But problem arises to hide the purpose of legal funds involved for financing of terrorism and its linkage with terrorists. To disguise this linkage, the terrorists perform the same techniques like cash smuggling, involving of remittances, layering and integration of legitimate and illegitimate funds. The use of informal banking channels like Hawala or Hundi which have been favorite for the terrorists since it does not require identity and non-availability of trail record for the investigators. USA State Department stated in its report that after 9/11, the active presence of Al Qaida and other terrorist groups, cash-based economy and porous borders with Afghanistan encourages the use of informal financial networks, like Hawala (INL, 2010). To the researcher; in the presence of cash-based economy and informal banking channels like Hundi/Hawala in Pakistan; the serious vulnerability of money laundering and terrorist financing exists.

To make their networking more effective, some terrorist groups or organizations adopt complicit charities and entrepreneurs. These networks are so organized and form justifications to their terrorist activities. The terrorist groups also influence public opinion through mass media and propagandize their acts of violence based on some ideology which could sway masses. Kohlmann describes in his work, “Groups that use terrorism as a primary means to pursue their objectives can also utilise affiliated charities as a source of financing that may be diverted to fund terrorist attacks and terrorist recruitment by providing a veil of legitimacy over an organization based on terrorism” (Kohlmann, 2006).

In actual, collected charity funds may be susceptible to financing of terrorism. Mostly, these funds are collected in cash, which is also the highest risk factor. It is very difficult to find the trail record of originators of the cash deposits and their source of funds. The situation further aggravates when these organizations are globally based, and funds are deposited through different instruments in their accounts maintained in various jurisdictions. So, these pouring of funds may lead to placement and layering of transactions activities by these charity or non-profit organizations. Weak regulatory measures also create encouraging environment for these entities to meet their malafide objective of financing terrorism.

To have checks over charity or non-profit organizations; there is need of taking stringent regulatory measures related to the maintaining and operation of accounts. Organizations should maintain transparency in collection of funds and its usage. Internal and external independent audit should be conducted which would confirm the proper

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utilization of donations. Entities should be compelled to maintain their formal accounts and carry out transactions through these formal channels, so that their transaction activities could be brought in the ambit of regulatory measures.

During the past decade, the world at large has witnessed rising menace of laundering of money; forcing most governments to initiate a process of containing this commission and curbing financing of terrorism alongside. However, emerging poorly regulated markets remain vulnerable to money launderers. This is largely due to strict action being taken by developed countries to check this activity and forcing money launderers to switch their activities to emerging weak regulated markets. Money laundering is a threat to the world's major financial institutions and offshore financial centers. Every country is integrated into the international banks system and at risk since trading activities between nations, and the banking transactions relating to them, have integrated all financial networks. With the emergence of open market economies, money launderers find it an opportunity as a lucrative target.

Strategy of Pakistan has regional and international impact, since Pakistan is strategically located in the Asia region. That is why, the USA State Department stated in its report that Pakistan is strategically important for being priority region in counterfeiting terrorist financing. Since the active presence of Al Qaida and other terrorist groups, porous borders with Afghanistan, and economy is cash based which involves informal financial networks, like as Hawala. Thus, all countries in the region require beefing up efforts against laundering money and financing of terrorism at the local, regional and international level (INL, 2010).

Counter strategy in fighting against money laundering and terrorist financing in Pakistan relies on the measures of cooperation by the financial and non-financial institutions with enforcement and regulatory agencies and authorities. It demands curbing of actual and perceived threats of money laundering and terrorist financing. Pakistan has showed its international commitment to the global stakeholders for adopting best preventive measures against curbing money laundering and terrorist financing (Malik, 2003).

Once Ishrat Hussain, the then Governor State Bank of Pakistan in 2003 stated that keeping in view the contemporary systems and measures to curb laundering money and financing of terrorism; Pakistan needs to formulate multi prong strategy. This demands various strategies. Promulgation of laws, assignment of related tasks to different institutions, beef up regulatory and supervisory competence, enforcement network, training and expertise, compliance and implementation of international standards, technical support and abiding the UN resolutions (Ishrat, 2005).

Pakistan is an active and effective signatory of Asia pacific regional group of on anti-money laundering regime. Pakistan, as a part of its strategy, measures to curb and has adopted cooperative policy towards FATF objectives and adopted various legal and administrative deter money laundering. Laws & regulations are enforced by the government of Pakistan and involved other controlling authorities for getting maximum results. A number of strict counter measures form part of its strategy. Pakistan was

officially placed on a terrorism financing watchdog's 'grey list' by the Financial Action Task Force (FATF) in June 2018 after its plenary meeting (Iqbal, 2018). This is an international regime's effort to counter the country's financial support to militant groups (Khaleej Time, 2018).

In the country, coordination among the law enforcement agencies takes place, when the high-profile cases are involved. The provisions of mutual legal assistance are also included in AML ACT and CNSA; which involve:

a) exercising coercive measures to facilitate foreign investigations.

b) freezing and confiscating of assets in connection with foreign legal evidence.

Under S.26 of the AML ACT, Pakistan can provide assistance in investigation of laundering of money to foreign countries. This involves sharing of information, transferring of assets related to the offence committed. Under S.27, the requesting state makes request through the letter of request. This request is channeled through the Ministry of Foreign Affairs. Requests can be entertained so long as these are not in violation of security, sovereignty or national interests of the country. Under S.30 (2) of AML ACT, the Federal Government can forward the letter of request by the other state, asking for freezing and confiscation. This letter can be forwarded to NAB, FIA or ANF. It may include freezing or forfeituring of assets generated directly or otherwise from proceeds of committed crime (Gazette of Pakistan, 2010).

Pakistan in compliance to UN Resolutions has taken steps of freezing terrorist assets under UNSCR 1267 and 1373. Regulator can also send circulars to financial institutions holding the list of wanted persons and entities which are part of the UN 1267 Sanctions Committee's list.

Under the AML ACT, Pakistan can provide assistance in freezing or forfeiting of proceeds of money laundering transactions. But its scope is limited to this offence and cannot assist, if proceeds do not involve money laundering transactions. Section 26 of AML Act also authorizes the federal government to come into agreement with foreign government for assets sharing. It requires a letter of provision of information from court of law of a contracting State. Under the section 30 of AML ACT, request is received from contracting State for forfeiture of assets in Pakistan which is directly or otherwise derived by a person after commission of offence under AML Act. The federal government receives such request and may send the request "as it thinks fit" to "investigation agency" which could be FIA, ANF or NAB according to AML ACT. Under S.28 of AML ACT, FIA, ANF or NAB execute request which is not in violation of Law of Pakistan and prejudicial to the national interest, security and sovereignty of the country. These steps may involve intelligence, investigation of tracing assets, accounts in the banks and documents to testify. These broader powers are exercised by FIA and ANF (Gazette of Pakistan, 2010).

Under the NAO 1999, laundering of money is not an offence, unless it is sufficient suspicion that the act is committed for disguising proceeds earned through

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corrupt practices in violation of laws. The action is taken on the "Principle of Reciprocity" (Gazette of Pakistan, 2010).

Section 65 of the CNSA allows the federal government may enter into agreement for asset sharing with the foreign government. Under S. 56, Pakistan may approach to the other foreign state with request for assistance related to the narcotics offence. In the same way, Pakistan can also provide assistance to the requesting state. Since money laundering is criminalised under the S. 12 of CNSA; which requires mutual legal assistance-MLA related to laundering the proceeds of narcotics crime. So, the predicate offence should be there, and the offence is criminalised under the CNSA. Request of the foreign country could be declined if it is found against the security, sovereignty, or national interest of Pakistan. The authorities can freeze or forfeit assets of a person who has committed offence in Pakistan and holding such assets in foreign country. This rule is also applicable vice versa. By summing up; under the CNSA; Pakistan can carry out searches, provide records, transfer detained person, freeze or forfeit assets, even in the absence of relationships with the requesting state. But this is done under the requirement of double criminality (Gazette of Pakistan, 1997).

The country's regulatory bodies have authority of coordination and cooperation with other foreign supervisory or regulatory authorities. This may involve information sharing, as per legal requirements. International cooperation also involves regulator's active membership of various international organizations and also signs MoUs with other foreign countries. However, information is shared with international counter parts on an ongoing basis. The purpose of MoUs is to bring improvement for cooperation in supervisory functions, laundering money and financing terrorism measures and other related. Information is shared with counterparts under the obligation of signed Memorandum of Understanding (MoU) that released information will not be shared with third parties without concurrence of the requested authority. Confidentiality to the sharing of information must be maintained. But confidentiality should not prevent it from disclosing necessary information to the law enforcement agencies and other related authorities. It is also agreed that the information shared with other counterparts should be exclusively used for lawful supervisory purposes.

Pakistan could not extradite cases related to financing of terrorism offences before October 2008. In October 2008, the Offence of "financing for terrorism" was made part of the extraditable offence list as given in Schedule of the Extradition Act. The offences, which are part of the Schedule, will be considered related to aiding, abetting, counselling, procuring, attempting or conspiring. The second part considers dual criminality (Gazette of Pakistan, 1972). Laundering of money was also made part of the Schedule of the Extradition Act in March 2009. On the other hand, the S. 66 of CNSA considers offences which come under the Chapter II of CNSA 2007 are "extraditable offences". However, CNSA encompasses narcotics related offences and its laundering of proceeds under S. 12. Law enforcement authorities share information with other counterparts in the foreign countries according to their standard operating procedures. This is relies upon "Principle of Reciprocity" related to mutual legal assistance among them (Gazette of Pakistan, 1997).

Money Laundering (ML) and Terrorism Financing (TF) are criminalised by Pakistan. The law enforcement agencies find it difficult to collect evidence in ML for getting conviction in the predicate offence, which is prerequisite. However, the range of predicate offences in contemporary laws of Pakistan is limited.

There is no one formal platform, where various agencies meet together and chalk out strategy. However, interagency coordination (provincial police, FIA, IB, and ISI) is limited in scope by involving only combating terrorism issues in Pakistan. It does not involve financing of terrorism issues, FMU and other stakeholders. The term 'investigating agency' in AML Act is limited to NAB, ANF, and the FIA under S. 2 (k). Thus, the investigation of information received through financial institutions is very limited to only some federal enforcement agencies. It does not consider provincially controlled police department, customs or the tax authority.

Since NGOs have proved to be a serious channel of layering in laundering of money. There is need of coordination among Social Welfare Ministry and FMU for information sharing. SECP and FBR can play critical role in this regard. However, Ministry Social Welfare shares information on financing of terrorism issues with Ministry of Interior. Involvement of Police at the provincial level and multi federal agencies in curbing ML, CFT and predicate offences has resulted in fragmentation and complexity of work (UNODC, 2018).

Due to complexities of international financial system, criminal networks are taking full advantage of it. It is now mandatory part of investigation to trace overseas proceeds which involve multiple jurisdictions and bank accounts, if any investigation is initiated holding organised criminal activities. This is slow shift of law enforcement agencies from individual criminals to criminal networks related to financial gains. This involves enforcement operations with support of legislation providing forfeiture of proceeds from criminal activities. It is also combined with prosecutorial and other instruments in fight against organised transnational crime. These instruments should also be further improved with witness protection schemes, electronic monitoring, computerised information systems, funding for forensic expertise, international agreements, asset-management/asset-sharing mechanisms, and financial and business co-operation. The acceptability of many of these methods, such as electronic surveillance, should be bound by strict observance of legal requirements under the principles of criminal procedure.

## Conclusion

Pakistan has not been able to cope up with the global anti money laundering and terrorist financing regime's requirements. It requires reviewing of factors which compel Pakistan from following global requirements in letter and spirit. So that anti organised crime regime in Pakistan with particular reference to countering money laundering and terrorist financing could firm its footing against these serious rising challenges in the country. To the researcher, the tacit acceptance of corruption in the society is another rising organised criminal trend in the country, which needs more attention by the counter regime in Pakistan. Despite experiencing limitations, the researcher believes this work in

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hand would contribute a lot in scratching the surface of criminological aspects of laundering money and financing of terrorism along with organised crimes in the country. If timely action is not taken; it would facilitate money launderers and terrorist financers to be more organised at larger scale in the country. This would also distort social and moral values and pave the way for waning respect of rule of law as whole. Thus, Pakistan has also to cope up with the global anti-money laundering and terrorist financing regime's requirements.

**Recommendations**

During the qualitative study, weak anti-money laundering and terrorist financing regime's measures found. In psycho-social terms, human deviance in the form of rising corruption also contributes to deteriorating regime's performance in the country.

Money laundering and terrorist financing have serious socio-politico and economic consequences. Weak money laundering regime is the main cause of fragile financial system and reputational risk. This is not limited to country but has broader impacts on global economy. Strong anti-money laundering and terrorist financing regime is need of hour which is responsible for integral working of financial institutions with lower reputational risks.

It is found that offender is motivated by various gains after laundering illicit generated proceeds through various layering tactics of concealment. So that, it should look legal in the country and may contribute to financing terrorism through legal means with malafide designs. Another aggravating factor, which motivates criminals in commission of crime, is non-impressive enforcement or operations, lacunae in investigations, weak prosecution, and inherited mapping loopholes in the legal system for countering laundering money and financing of terrorism. Since in each country; the structures, techniques, methods and participants used in combating organised crime are in some cases radically different. The key element in regulating their interaction at the national and international level is co-operation among law enforcement agencies in investigating, apprehending, and prosecuting international criminals. It is important to establish lines of co-operation and communication and shared understanding of common goals throughout the world. Effective help in tracing organised criminal networks is provided by investigative co-operation between law enforcement agencies and special units because this permits exchange of information so essential to neutralize the activities and movements of criminal networks.

Pakistan still has to do more in meeting international standards of AML and CFT, especially synchronizing local laws and provisions with FATF Recommendations. This is expected in particular to FATAF's decision in June 2018 by placing Pakistan in 'grey list'. Now, there is compelling need to take stringent reforms through organised crime legislation in line with international measures. The country needs non-traditional anti-organised crime measures. This requires a community-based engagement in countering money laundering and terrorist financing. This involves creating awareness among youth against criminal commission by organised criminal networks in the society. Thus, through legal assurances, the private sector of the country should be engaged to

minimize opportunities for organised criminal groups to limit their available channels for laundering ill-gotten funds. The organised crimes, particularly money laundering and terrorist financing are penetrating in social fabrics and demanding legislative bodies to promulgate stricter legislative measures with stringent law enforcement. The Protection of Pakistan Bill 2014 adopted by the legislature of Pakistan was one of the precedents of making efforts to counter extra ordinary challenges in the extra ordinary terrorist activities in the country. The bill bestows more authority to enforcement agencies against the arrests, investigation and collection of evidence. The use of force against the crushing of terrorists' networks in border areas is also welcome action by Pakistan army. It declared formal operation namely 'Zarb-e-Azab' and "Radd-ul-Fasaad" against terrorists and their sanctuaries inside Pakistan and near border region. Such type of combat action is also recommended, when anti-money laundering steps are taken in the country on war footing.

Thus, under this research, there is need to assess the actual participation of organised crime groups in the criminal markets of Pakistan. It demands to analyze and throw more light on the modus operandi of organised criminal groups. This may specifically require multiple empirical methodologies. This would lead to know, how organised criminal groups launder their ill-gotten money and systematically infiltrate in available legitimate channels. Earlier this aspect was taken up by the various researchers from law enforcement point of view. An innovative approach is needed to specify that how criminal organizations infiltrate their illegal proceeds, and the drivers play critical role in the decision-making of criminal networks. In this respect, major attention is needed to develop a knowledge base. This would lead to case studies, formation of database of reported cases where the legitimate businesses and companies are infiltrated with illegal funds in Pakistan and related information would be added.

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