

Q. Discuss the laws and institutional arrangements for controlling money laundering.

1. Introduction

Money laundering is a serious offence which is punishable by the law in Pakistan. Money laundering refers to the process of concealing the original source of money by integrating it in legitimate financial system. As money laundering has detrimental effects on both political and bureaucratic systems, so its prevention is essential to eradicate this evil from the country. There are some institutional frameworks and laws to prevent money laundering discussed as under:

2. Law Related to money laundering

The offence of money laundering dealt under 'Anti-money laundering' Act 2010.

• Definition of money laundering under section 3 of the act

Money laundering — a person shall be guilty of money laundering if the person:

- a) acquires, possesses, converts, uses, or transfers the property, knowing or having the reason to believe that such property is the proceeds of crime.
- b) Conceals or disguise the true nature, origin, location, disposition, movement, or ownership of a property, knowing or having the reason to believe that such property is the proceeds of crime.
- c) holds or possesses the property on behalf of any other any property, knowing or having the reason to believe that such property is the proceeds of crime.
- d) participates in, associates, conspires to commit, attempts to commit, aids, facilitates, abets, or counsels the commission of the acts specified in clause (a), (b), and (c).

Punishment for money laundering U/s 4 of money laundering act:-

Whoever commits the offence of money laundering shall be punishable by rigorous imprisonment for a term shall not be less than a year but may extend to ten years.

and shall be liable to fine which may extend to one million and also shall be liable to forfeiture the property involved in money laundering or property of corresponding value.

The above law and its punishments are present in Pakistan to eradicate and prevent money laundering in Pakistan.

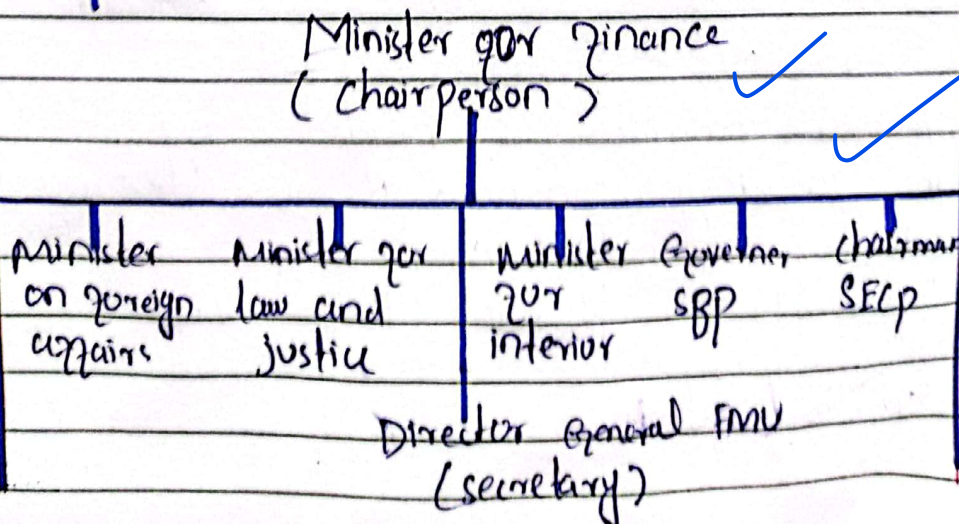
Institutional Framework for Money Laundering in Pakistan

The institutional framework of Money Laundering is regulated by Anti-money Laundering Act 2010.

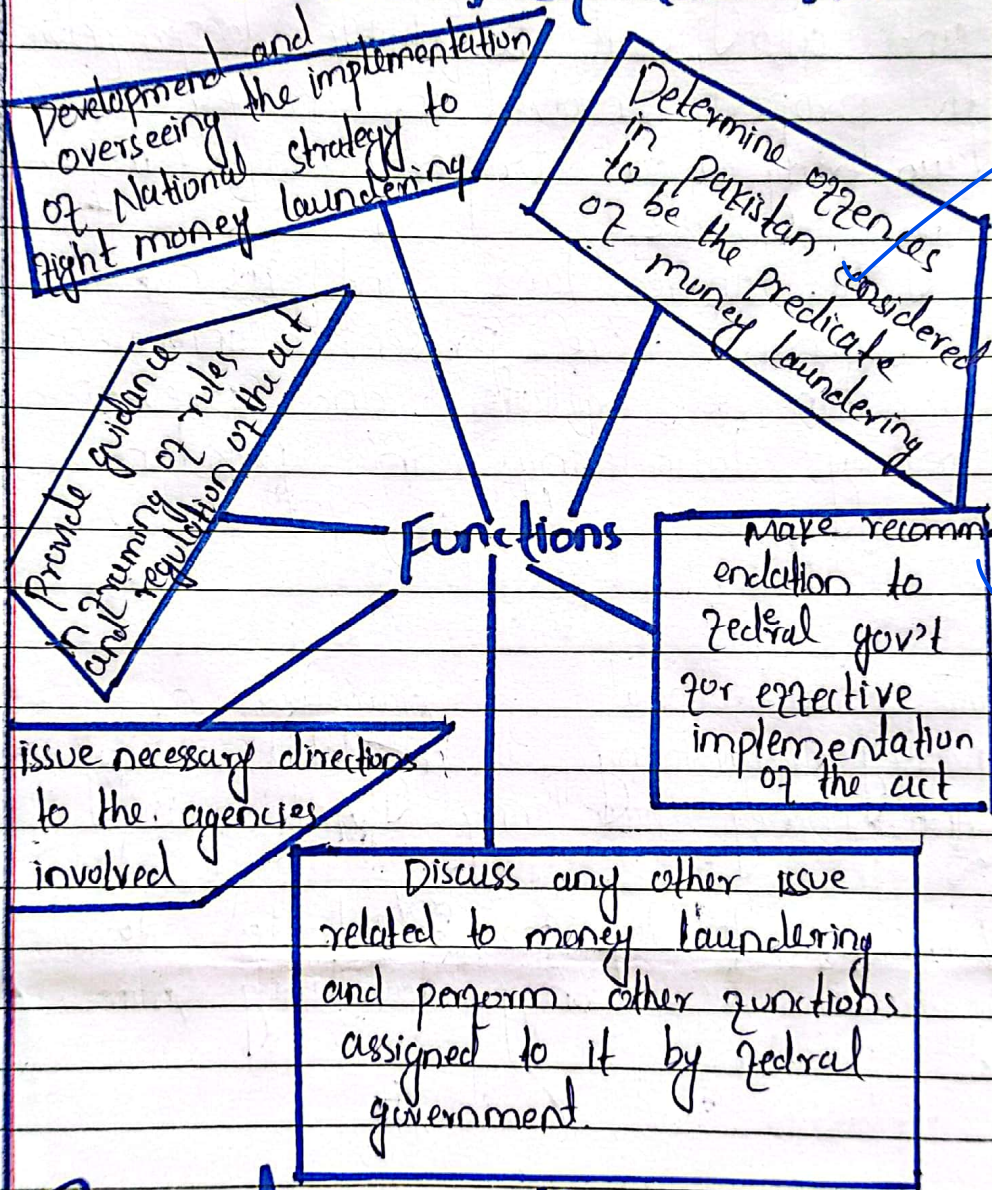
a) National Executive Committee (NEC)

NEC is the top most ^{body} entrusted to implement the money laundering framework in Pakistan.

Composition of (NEC)



• Role and functions of NEC under section 5 of the Act



b) General Committee.

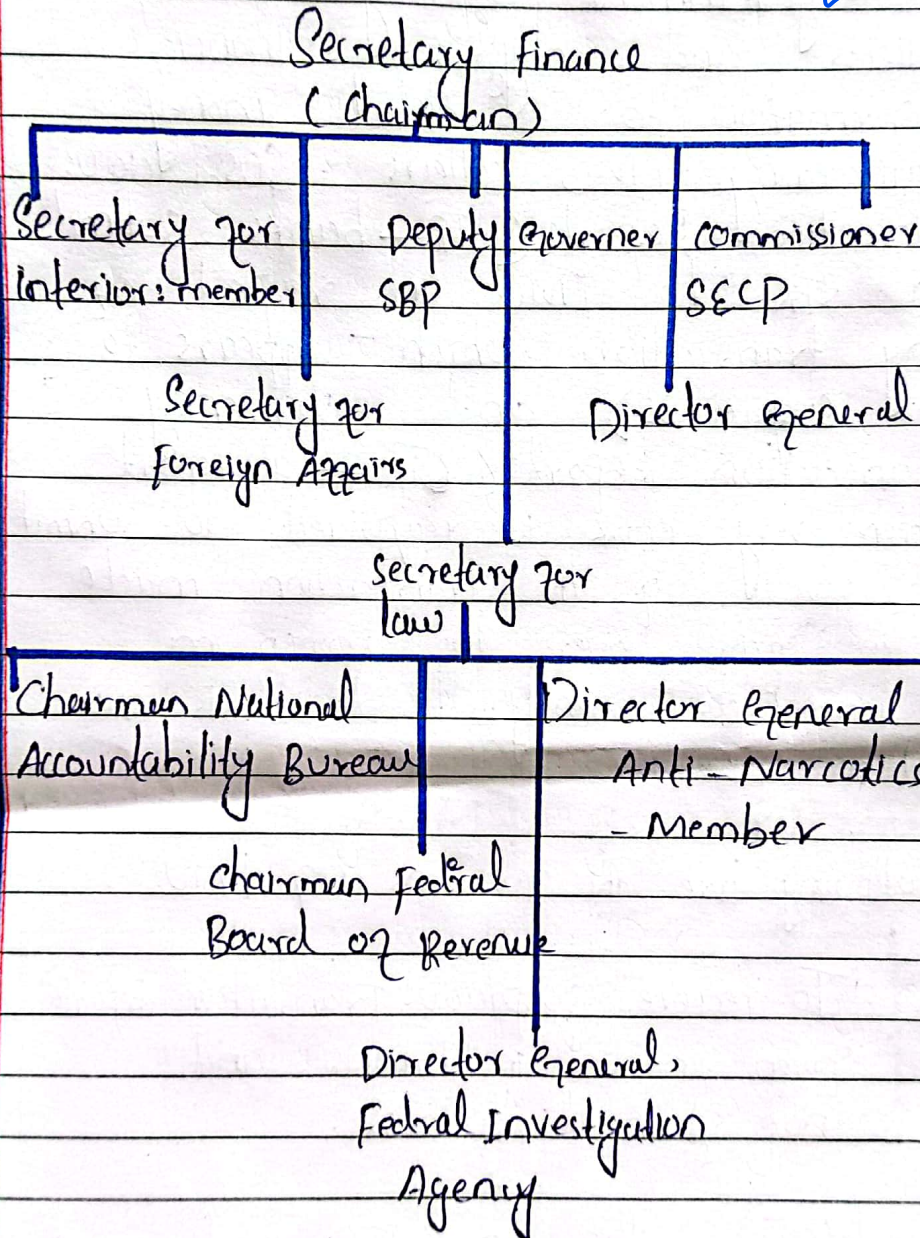
General committee is headed by the secretary finance, it serves as advisory body and plays a supportive role to NEC in assisting in discharge of statutory functions.

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• Composition of General Committee:-



c) Financial Monitoring Unit (FMU)

The Financial Action Task Force (FATF) recommendations requires all state to establish a 'Financial Intelligence Unit'. In Pakistan, Financial

Monitoring Unit is designated Financial Intelligence Unit. The FMU is a government agency that collects and analyzes financial information to detect money laundering. FMU collects Suspicious Transaction Reports (STR) — banks submit an STR to FMU in respect of any transaction which appears to be suspicious) and currency Transaction Reports (CTR) — a report which every bank is required to submit to FMU, if the transaction made by a client over the minimum threshold, currently the limit is 200 million ~~now~~.

Functions of FMU:-

Following are the functions of FMU:

To receive suspicious Transaction Reports from financial institutions and non financial businesses

After analysis of STR and CTR, FMU call for record and information from any agency or person in Pakistan, and they shall be required to provide the requested information

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To disseminate on a confidential basis, after analyzing STR and CIR, FIMU sends the record and information to investigating agencies

To create and maintain data base of all suspicious Transaction Report and CIR, the FIMU is authorized to establish analytic software to effectively search data base

To cooperate with financing units in other countries to request and receive information related to money laundering.

To represent Pakistan at all international and regional organizations of financial intelligence units which address the offence of money laundering.

To submit to NEC and General committee the reports including overall annual analysis, measures, and recommendation to combat money laundering.

To frame regulations with SBP and SECP for ensuring receipt of STR and CTR from financial institutions and non-financial businesses and professions with the approval of NEC

4. Conclusion

Money laundering is a booming phenomenon across the globe, more prominently in Pakistan. It successively disguises and integrates the ill-gotten money in ~~and~~ legitimate banking or another financial system. This is the main reason that it becomes difficult to identify various alarming problems like financing terrorism. In Pakistan, there are laws and institutional framework to prevent and eradicate money laundering. The National Executive Committee is the top most regulatory body, while General Committee is for assisting NEC in statutory functions. Additionally, STR and CTR withal FNU are playing crucial role in combating the offence of money laundering.