

**QUESTION:** Write a critical note on the effectiveness of anti-money laundering laws in Pakistan. Discuss areas that need improvement.

**ANSWER:**

**(1) What is Money Laundering:**

Money laundering is an illicit practice related to transfer of black money. It refers to concealing the source of money to prevent taxes or inquiry.

"The practice of concealment of large amounts of money by investing in black markets."

The investment of laundered money is done in Ponzi schemes, Gambling, real-estate, Crypto etc.

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## (2) Stages of Money Laundering:

'Money Laundering' takes place in the following three stages:

### 1. Investment:

Transfer of money.

### 2. Layering:

Adding up the amount.

### 3. Reintegration:

Inculcating it to a foreign economic system.

## (3) Common Methods of Money Laundering:

Money laundering involves certain tactics. Some of them are explained below:

### (1) SMURFING:

The breakdown of larger amounts of money or chunks into smaller quantities.

**ii) SMUGGLING:**

Transfer of cash earned through illegal means by deceiving airport authorities.

**iii) INVOICE FRAUD:**

Over-billing or under pricing / invoicing to show altered record of payments for business or cash transactions.

**iv) NGO'S:**

The objective of money laundering is to evade taxes. By investing black money in NGO'S or non-profit organisations, one can conceal source of income.

**v) Arms Trade:**

Illegal transfer of weapons, trade and sale & purchase.

## (4) Money-Laundering Laws in Pakistan:

Pakistan has been in hot waters for money-laundering. Laws exist and so do Law Enforcement Agencies (LEAs) but effectiveness remains vague.

### (1) Benami Transaction Act 2017:

The state, taking into account large sums of money transfers to "Benam" Accounts created this law.

Unfortunately, due to failure of financial system, lack of effective institutions and excessive political interference, this law could not serve well.

There are multiple cases where political elite

fails to explain the recipient of huge amounts transferred by them. Otherwise, non-registered companies are declared recipient.

## ii) Anti-Money Laundering Act 2010:

This legislation also primarily remains a mouth piece for political figures.

There have been high-profile cases of money-laundering after this law was created.

These include:

- 1- Model Girl Ayaan Ali & money laundering case
- 2- KASB Bank Case
- 3- Panama Scandal
- 4- Off-shore companies case
- 5- JSBank Case etc.

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## (5) Effectiveness of Laws:

The effectiveness of all such laws remain very low. Till date, huge amount of illegal transfers, real-estate and elite nexus, money crime mafias etc all exist.

## (6) Areas Requiring Improvement:

Certain areas can be worked upon in order to ensure money-laundering and other related crimes to eradicate from Pakistan:

### 1- Non-Politicization of Institutions.

The end of affluent hold on courts, NAB, FIA and other LEAs can prove highly effective to end money-laundering.

## 2- Checks and Balance by Banking Sector:

The ensurance of corruption-free banking practices is the key to control money-laundering. ~~Checks~~ Banks must check for source and authenticity of larger sums of money.

## 3- Media: a tool for Change

Certain improvements in the Media can prove extremely beneficial in countering Money Laundering. Political or Business

elite fear image strain more than anything. If journalists do not indulge in corrupt practices like "yellow journalism", the evil can be halted.

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#### iv) Social Awareness:

It is of immense significance to aware and educate the masses about the harms of money-laundering to national image and overall status of Pakistan.

#### CONCLUSION:

Pakistan's economy is overly operating on shadow economic practices. It is important to take action for effective law enforcement and penalisation, as an effort to curb the evil of money-laundering from the financial system.