

Financial Monitoring Unit (FMU) Government of Pakistan



QUARTERLY REPORT Analysis Division

JAN-MAR 2021

1st Quarter Report

Contents

I. Executive Summary	3
II. Month wise STRs Received (Jan-Mar 2021).....	4
III. STRs Received - Sector Wise.....	5
IV. Sector wise details of STR reporting during 1st Quarter of 2021.....	6
V. Top Ten STR Reporting Districts (Jan-Mar 2021)	7
VI. Disclosures sent to LEAs.....	8
VII. Financial Intelligences Disseminated to LEAs (Predicate Offence Wise).....	9
VIII. Month wise CTRs Received	10
IX. Strategic Analysis on Foreign Remittances-Risk of Money Laundering and Terrorism Financing	11
X. Strategic Analysis on Money laundering Risks associated with Prize Bonds.....	13
XI. Strategic Analysis on Comingling of Funds through Cash Intensive Business – Petroleum Business..	14
XII. Capacity Building and other Initiatives for Reporting Entities.....	15
XIII. Capacity Building and other Initiatives for Law Enforcement Agencies.....	16

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EXECUTIVE SUMMARY

STRs

8,149 STRs have been received by FMU during the first quarter (Jan-Mar) of the year 2021.

OFFENCES

Top 3 Offences during the first quarter of the year 2021, in terms of number of disseminated Financial Intelligences, are Tax Crimes (FIs disseminated=85), Hawala/Hundi (FIs disseminated=55) and TFUNSCR-1373 (STRs disseminated=51) respectively.

MAJOR SECTORS

Major reporting Sectors include Banks and Exchange Companies.

CTRS

680,060 CTRs have been received during the second quarter (Jan-Mar) of the year 2021.

REPORTING DISTRICTS

Top three STR reporting districts (during the first quarter of 2021) are Karachi, Lahore and Islamabad with 1777, 1024 and 588 STRs reported respectively.

STRATEGIC ANALYSIS

FMU disseminated three Strategic Analysis in the quarter:

1. Foreign Remittances-Risk of Money Laundering and Terrorism Financing
2. Comingling of funds through cash intensive business - Petroleum Sector
3. Money Laundering Risks associated with Prize Bonds





STRs GROWTH COMPARISON

- Increase by 26% in comparison to 1st quarter of 2020.



CTRs Growth COMPARISON

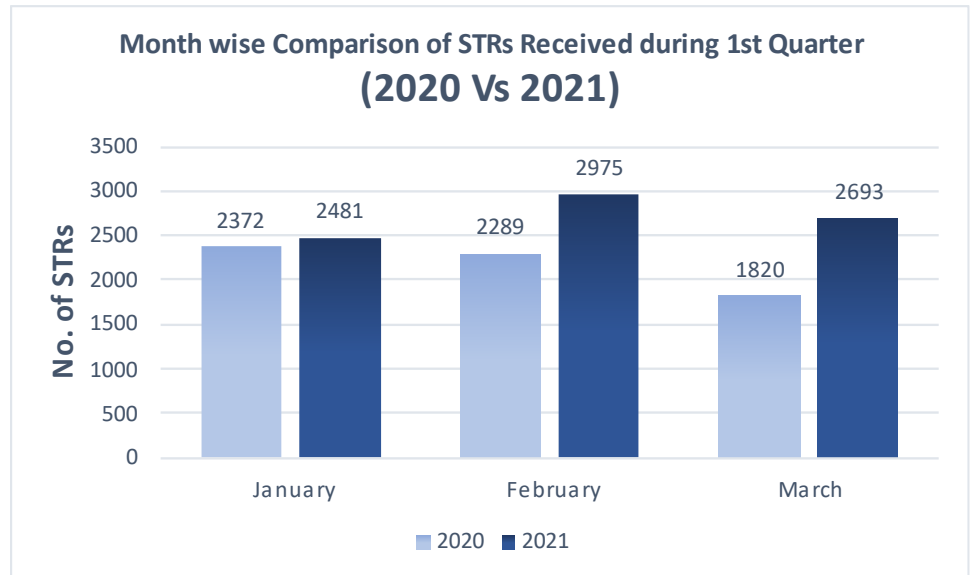
- Increase by 68% in comparison to 1st quarter of 2020.



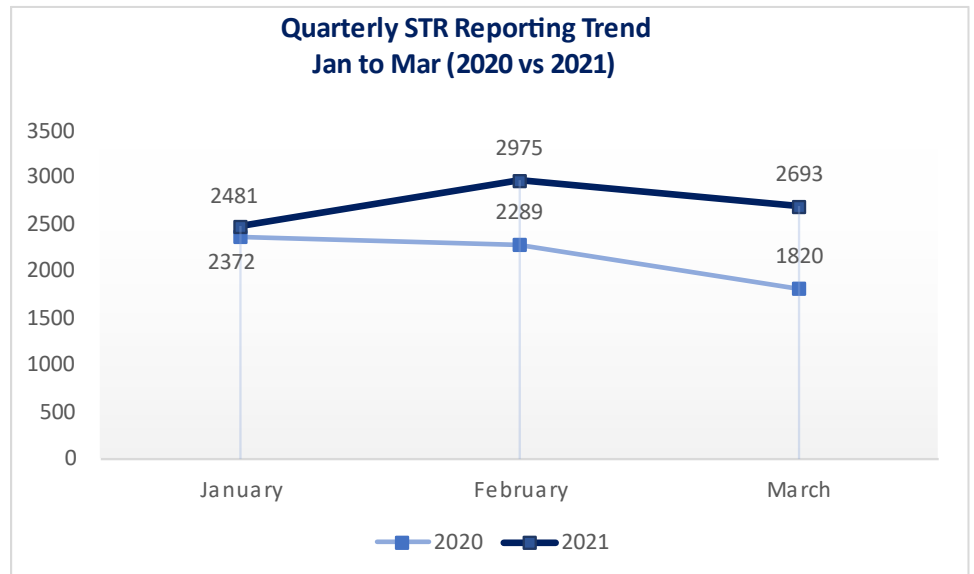
STRATEGIC ANALYSIS

- On Foreign Remittances- Risk of Money Laundering and Terrorism Financing
- On Comingling of funds through cash intensive business _ Petroleum Sector
- Misuse Of Prize Bonds in Pakistan

MONTH WISE STRs RECEIVED (JAN-MAR 2021)



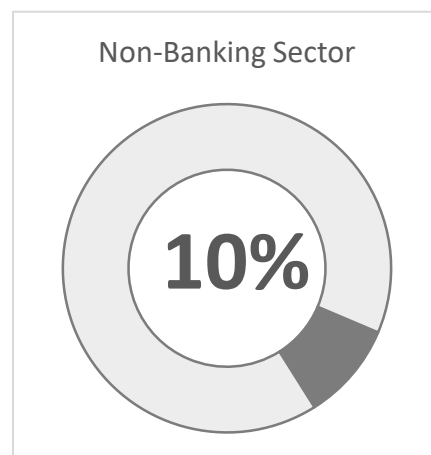
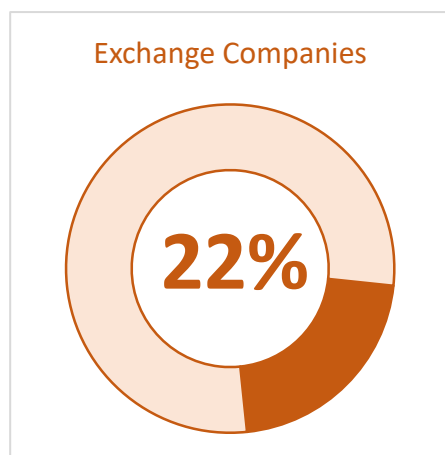
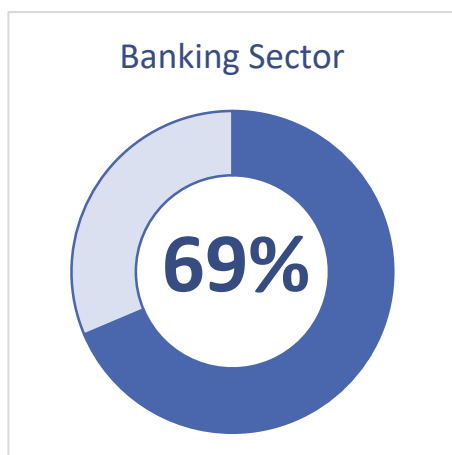
TREND



STRs RECEIVED -SECTOR WISE

(JAN-MAR 2021)

	Jan	Feb	Mar	Total
Banking Sector	1820	2196	1577	5593
Exchange Companies	517	633	618	1768
Non-Banking Sector	144	146	498	788

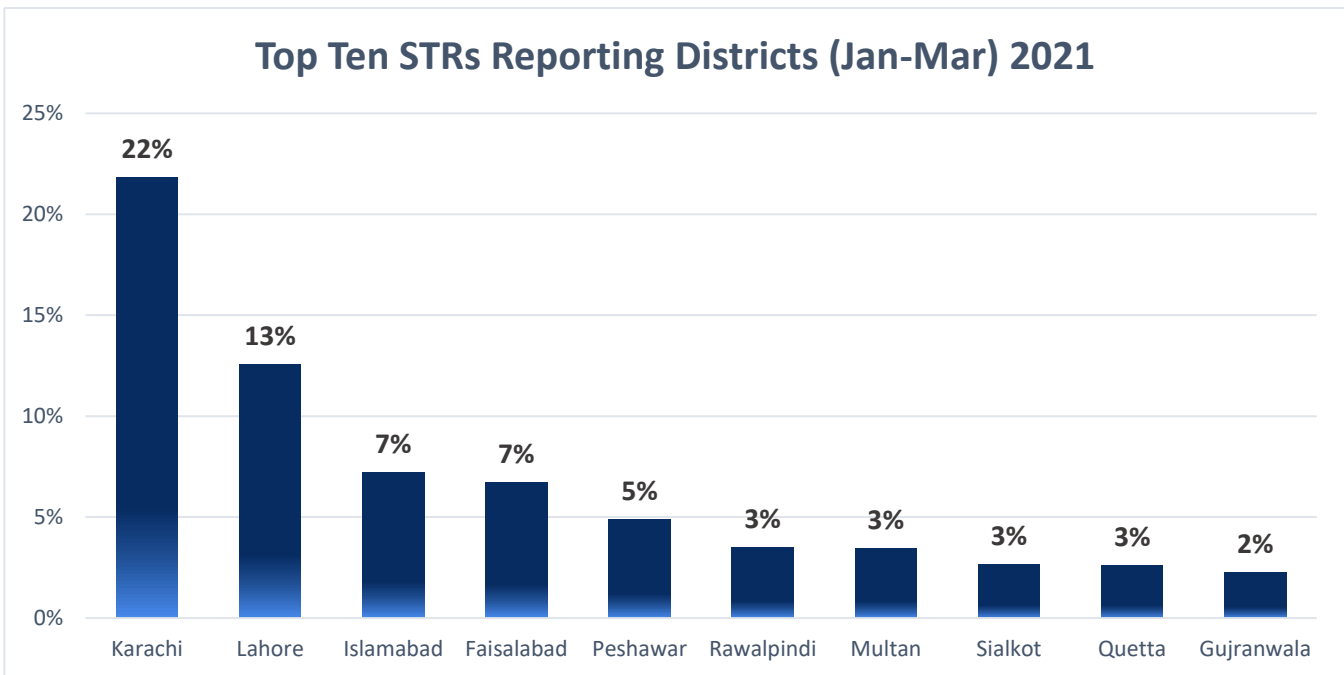


SECTOR WISE DETAILS OF STR REPORTING DURING 1ST QUARTER OF 2021

Sr. No.	Reporting of STRs (Institutions Wise)	Jan	Feb	Mar	Total
1	Banking Sector	1820	2196	1577	5593
1	Private Commercial Banks	1021	1329	1035	
2	Islamic Banks	138	122	129	
3	Foreign Banks	1	1	1	
4	Specialized Banks	5	6	20	
5	Public Commercial Banks	102	139	85	
6	Micro Finance Banks	553	599	307	
2	Exchange Companies (A) & (B)	517	633	618	1768
7	Exchange Companies (A)	474	586	562	
8	Exchange Companies (B)	43	47	56	
3	Non-Banking Sector / NBFIs	121	107	93	321
9	DFI	8	0	0	
10	Insurance	59	72	72	
11	Brokerage Firm	17	7	3	
12	Asset Management Company	15	6	9	
13	Leasing	1	0	0	
14	Micro Finance Institutions (MFIs)	21	22	9	
4	Supervisory Bodies (SBP, SECP, Directorate DNFBP)	0	0	8	8
15	SECP	0	0	2	
16	Directorate General of DNFBP, FBR (for reporting)	0	0	6	
5	SBP BSC, CDNS & PPO	23	38	397	458
17	SBP, Banking Services Corporation (SBP-BSC)	7	26	392	
18	Central Directorate of National Savings	15	9	0	
19	Pakistan Post	1	3	5	
6	Electronic Money Institution (EMI)	0	1	0	1
	Total	2481	2975	2693	8149

TOP TEN STR REPORTING DISTRICTS (JAN-MAR 2021)

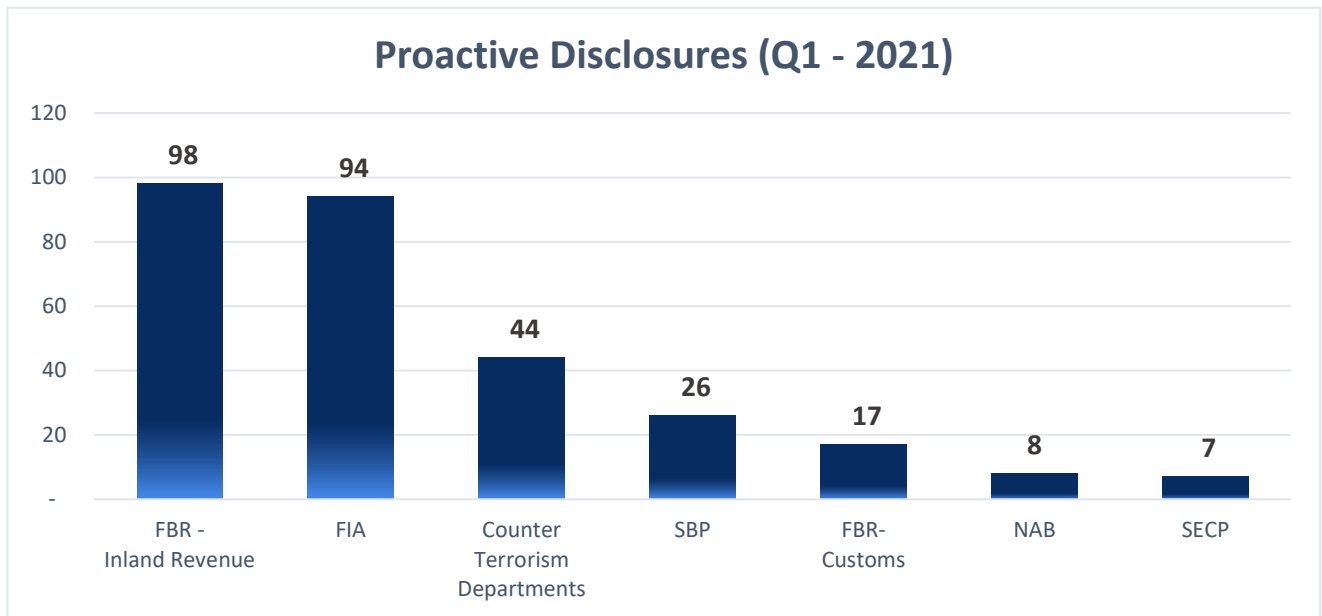
District	No. of STRs	% Of Total STRs
Karachi	1777	22%
Lahore	1024	13%
Islamabad	588	7%
Peshawar	547	7%
Rawalpindi	397	5%
Quetta	283	3%
Multan	281	3%
Faisalabad	216	3%
Sialkot	213	3%
Gujranwala	185	2%
Other Districts of Pakistan	2637	32%
Total STRs	8148	100%



DISCLOSURES SENT TO LEAs

(JAN-MAR 2021)

Total Disclosures	Proactive Disclosures (Financial Intelligence)	Reactive Disclosures
461	294	167



**FINANCIAL INTELLIGENCES DISSEMINATED TO LEAS
(PREDICATE OFFENCE WISE)
(JAN - MAR 2021)**

	Designated categories of offences as per FATF	Q1 Jan-Mar 21
1	TF (UNSCR-1267)	2
2	TF (UNSCR-1373)	51
3	TF (OFAC listed)	3
4	TF (others)	3
	TOTAL - Terrorism Financing	59

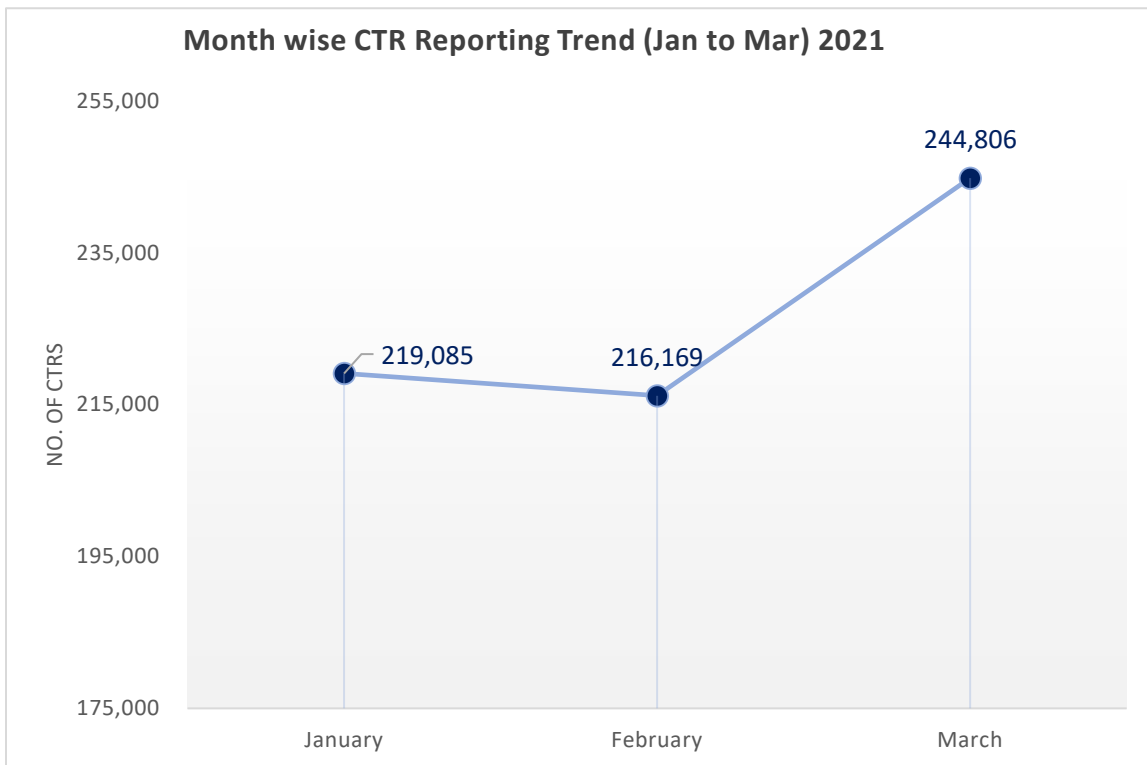
	Designated categories of offences as per FATF	Q1 Jan-Mar 21
1	Trafficking in human beings and migrant smuggling	3
2	Corruption and bribery/Unexplained Assets as per NAO/Cheating Public At large/ unjustified High Turnover	12
3	Fraud; / Ponzy	16
4	Smuggling / Offences under Customs Act	10
5	Currency Smuggling;	1
6	Insider trading and market manipulation.	1
7	Tax Evasion / Tax Crime	85
	TOTAL	128

	Designated categories of offences as per FATF	Q1 Jan-Mar 21
1	Regulatory Violation/ Regulatory Advice	8
2	Virtual Currency	1
3	Trade Based Money Laundering (TBML)	8
4	Hawala/Hundi	55
5	Illegal Trade in Financial Instruments /FCY	8
6	Ground Check	19
7	Cyber Crime	3
8	Misuse of Donations	2
	TOTAL	104

**Note: Several STRs may be aggregated to constitute one disclosure/ financial intelligence and may involve multiple dissemination.*

MONTH WISE CTRs RECEIVED (JAN-MAR 2021)

	Jan	Feb	Mar
Currency Transaction Reports (CTRs)	219,085	216,169	244,806





STRATEGIC ANALYSIS ON FOREIGN REMITTANCES - RISK OF MONEY LAUNDERING AND TERRORISM FINANCING

As per the findings of NRA (2019) of Pakistan, wire transfers are rated as inherently High-risk transactions in context of Pakistan due to cash-based economy resulting in cross border offenses like Illegal MVTs, Smugglings, Trafficking etc. Moreover, In order to complicate the money trail, the criminals usually tend to route their funds through various financial institutions to layer the transactions. In this process, cross-border transactions are made by them to hide the suspected funds which significantly pose terrorism financing risk.

FMU has conducted Strategic Analysis on cross border offenses in light of the findings of the NRA-2019, to analyze the flow of funds between Pakistan and rest of the world in shape of foreign remittances captured in STRs/CTRs (2019-2020) and inherent risks of money laundering and terrorism financing. The purpose of Financial Monitoring Unit's (FMU) strategic analysis is to identify trends and tendencies prevalent in the regime of AML/CFT of the country and to assist Law Enforcement Agencies (LEAs) and other stakeholders to proactively tackle menace of money laundering and terrorism financing. The analysis has been organized in two parts (Inward and Outward Remittances) covering below aspects.

1. To cover trend of inward/outward remittances in terms of frequency and volumes
2. Demography/ geographical location and profession of the individuals
3. Analysis of transactions with FATF Increased Monitored Jurisdictions, remittances from other countries etc.
4. Use of foreign remittances for virtual assets, tax evasion/capital flight, hawala/hundi, human traffickers, proscribed individuals, collection of donations through remittances for COVID-19 relief related activities, wire transfers and frauds, wire transfers for sexual abuses and other predicate offences.
5. Moreover, the analysis was also extended to analyze the trend of remittances in real estate and related businesses, remittances through Roshan Digital Account (RDA) and related products.

Recommendations for Reporting Entities

- Level of awareness on risks associated with wire transfers and transnational crimes needs to be enhanced at reporting side.
- Reporting entities should review their channel and product risks with emerging ML/TF risks with advancement of technologies.
- Each channel/product offering cross border payments should have an effective standalone KYC/ CDD mechanism through use of artificial intelligence.
- Awareness on ascertaining source, purpose, and relationships of parties in wire transfer transactions needs to be enhanced.
- Increased scrutiny of transactions involving cash and wire transfers is required at the level of reporting entities.
- Awareness on Jurisdictions and Sanctions Screening requirements needs to be enhanced.

- Awareness on diligence and importance of reporting to FMU on wire transfer transactions needs to be enhanced to minimize the information gap.
- Enhance KYC/CDD measures such as specifying transactions limits, introduction of face to face, physical verification procedures through overseas branches network or making arrangements with correspondent banks to perform such functions on behalf of the beneficiary bank.
- Setting up of a standalone unit in compliance departments for monitoring wire transfers relating to digital products and alternate channels.
- Aligning of TMS for monitoring and capturing of unusual, complex, structured wire transfer transactions involving elements of ML/TF and application of sanction screening requirements, enabling compliance for timely escalation of STRs to FMU.



STRATEGIC ANALYSIS ON MONEY LAUNDERING RISKS ASSOCIATED WITH PRIZE BONDS

FMU performed a Strategic Analysis on the Money laundering Risks associated with Prize Bonds. The prize bonds have an outstanding volume of approximately US\$7 billion, almost 20 percent of the currency in circulation. The Prize bonds are susceptible to Money Laundering of proceeds of crime generated through different predicate offences. In this regard, the Strategic Analysis was carried out based on analysis of 395 STRs submitted to FMU from the different reporting entities and from different areas of country during the period between Jan 01, 2019, and Jun 30, 2020.

Different trends and patterns have been identified in this analysis which cover the Region wise reporting, Reporting Entities wise analysis, month wise analysis, analysis based on occupation, etc. All the identified persons were also checked at FBR website for their tax status. Results of Active and Non-Active taxpayers have also been included in the analysis. The Strategic Analysis also highlighted the issues identified in KYC records of the reporting entities and recommendations have been provided to resolve these issues.

The Strategic Analysis also identified the vulnerabilities and recommendations were provided to the relevant authorities. The strategic analysis of reported STRs was also shared with the Law Enforcement Agencies (LEAs). For example, analysis of High-Risk individuals involved in tax evasion for FBR-IR, analysis on Individuals probably involved in illegal trade of Prize Bonds for Federal Investigation Agency (FIA) & State Bank of Pakistan (SBP) and analysis on individuals probably involved in corruption for National Accountability Bureau (NAB).

State Bank of Pakistan and the Law Enforcement Agencies have taken various measures to deter the risks associated with the Prize Bonds such as issuance of Registered Prize Bonds, taking action against illegal dealers in Prize Bonds, etc.



STRATEGIC ANALYSIS ON COMINGLING OF FUNDS THROUGH CASH INTENSIVE BUSINESS – PETROLEUM BUSINESS

A strategic analysis was conducted on Comingling of Funds through Cash Intensive Business – Petroleum Business. Cash facilitates the commission of crimes and the subsequent integration of the proceeds of illegal origin into the economic system. Cash forms an anonymous payment method, so it is difficult to trace as its use does not involve the automatic procurement of information relating to its origin and to the beneficiary of its exchange. Moreover, cash may be easily transported and is not usually associated only with a specific criminal activity or with a specific method of money laundering or terrorist financing.

The sectors and/or territories in which the use of cash is most common are exposed to a greater risk of money laundering or terrorist financing. Specifically, cash-intensive businesses are found in different sectors of the economy. These entities usually conduct business transactions which are mostly in the form of cash.

Some common examples of this type of cash intensive businesses include, among others, the following:

- Departmental Stores, Supermarkets, and other stores.
- Petrol Pumps / Fuel Stations.
- Restaurants, cafés, and other such businesses.
- Schools / Tuition Centers, etc.

This Strategic report primarily focuses on the Comingling of Funds through Cash Intensive Business of Petroleum Business and contains analysis based on the following aspects which have been derived through analysis of STRs:

- Geographic distribution of Petrol Pumps / Filling Stations
- Financial detail i.e., Bank Accounts, other financial products, and its analysis
- Major transactional analysis
- Risks and Vulnerabilities associated with Cash Intensive Business
- Recommendations for the different Stakeholders

The Strategic Analysis Report was shared with different Law Enforcement Agencies to further assess the Money Laundering Risks Associated with the Cash Intensive Businesses such as Petroleum Business.

CAPACITY BUILDING AND OTHER INITIATIVES FOR REPORTING ENTITIES

(JAN-MAR 2021)

During the first quarter of 2021, FMU has conducted several training sessions for the officials of banking and non-banking sectors to enhance their capacity development and utilization of financial intelligence more effectively. The details are provided below:

S. No.	Description	Participating Sectors	Date	City	Participants
1	Capacity Building Session for Private Sector AML/CFT Reporting	Accountants & Lawyers	6-Feb-21	Islamabad	68
2	Capacity Building Session for Private Sector AML/CFT Reporting	Real Estate & JPMS	6-Feb-21	Islamabad	67
3	Capacity Building Session for Private Sector AML/CFT Reporting	Insurance Companies	7-Feb-21	Islamabad	52
4	Capacity Building Session for Private Sector AML/CFT Reporting	Security Brokerage Firms	7-Feb-21	Islamabad	68
5	Capacity Building Session for Private Sector AML/CFT Reporting	Other SECP regulated Sector NBFCs	7-Feb-21	Islamabad	62
6	Capacity Building Session for Private Sector AML/CFT Reporting	Other SECP regulated Sector NBFCs	7-Feb-21	Islamabad	58
7	AML/CFT Compliance Forum for Exchange Companies (Karachi)	Exchange Companies A & B category	9-Feb-21	Karachi	40
8	AML/CFT Awareness Session for Senior Management of SBP BSC	SBP-BSC	9-Feb-21	Zoom	16
9	AML/CFT Awareness Session for Middle/Operational Management of SBP BSC	SBP-BSC	16-Feb-21	Zoom	30
10	AML/CFT Compliance Forum for Exchange Companies (Islamabad)	Exchange Companies A & B category	23-Feb-21	Islamabad	42



CAPACITY BUILDING AND OTHER INITIATIVES FOR LAW ENFORCEMENT AGENCIES

(JAN-MAR 2021)

FMU has taken multiple initiatives for arranging the capacity building programs for the LEAs and the FMU analysts. The focus of these sessions was to improve the understanding of the LEAs with regards to the utilization of financial intelligence. Further through these interactive sessions FMU also sought feedback and suggestions on the financial intelligence which enabled FMU to improve the quality of intelligence. The details are provided below:

S. No.	Description	Participating Sectors	Date	City	Participants
1	FMU & LEAs Interface	LEAs	17-Feb-21	Karachi	30
2	FMU & LEAs Interface	LEAs	02-Mar-21	Islamabad	30
3	Training and Awareness Session for CTD-Sindh	CTD-Sindh	12-Mar-21	Karachi	12

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