

# Financial Monitoring Unit (FMU) Government of Pakistan



## QUARTERLY REPORT Analysis Division

APR-JUN 2021

2nd Quarter Report

# Contents

|       |                                                                                                                             |    |
|-------|-----------------------------------------------------------------------------------------------------------------------------|----|
| i.    | Executive summary .....                                                                                                     | 3  |
| ii.   | Month wise STRs Received (APR-JUN2021) .....                                                                                | 4  |
| iii.  | STRs Received -Sector Wise .....                                                                                            | 5  |
| iv.   | Sector wise details of STR reporting during 2 <sup>nd</sup> Quarter of 2021.....                                            | 6  |
| v.    | Top Ten STR Reporting Districts (APR-JUN2021).....                                                                          | 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 Money Laundering and terrorist financing risks associated with refugees/ migrants in<br>Pakistan..... | 11 |
| x.    | Strategic Analysis on Comingling of Funds through Cash Intensive Businesses – Real Estate .....                             | 12 |
| xi.   | Analysis of Attempted / Rejected transactions / activities.....                                                             | 12 |
| xii.  | Other initiatives for reporting entities .....                                                                              | 13 |

## THE TEAM

**Ms. Sumera Baloch**  
Additional Director

(92-21) 99095005  
[sumera.baloch@fmu.gov.pk](mailto:sumera.baloch@fmu.gov.pk)

**Mr. Shahzad Hussain**  
Deputy Director

(92-21) 99095032  
[Shahzad.hussain@fmu.gov.pk](mailto:Shahzad.hussain@fmu.gov.pk)

**Mr. Sajjad Ahmed**  
Shaikh

Assistant Director  
(92-21) 99095060  
[Sajjad.ahmed@fmu.gov.pk](mailto:Sajjad.ahmed@fmu.gov.pk)

# EXECUTIVE SUMMARY

## STRs

8,801 STRs have been received by FMU during the second quarter (Apr-Jun) of the year 2021.

## MAJOR SECTORS

Major reporting Sectors include Banks and Exchange Companies.

## CTRS

694,636 CTRs have been received during the second quarter (Apr-Jun) of the year 2021.

## REPORTING DISTRICTS

Top three STR reporting districts (during the second quarter of 2021) are Karachi, Lahore and Islamabad with 1,879, 1,404 and 552 reported STRs respectively.

## OFFENCES

Top 3 Offences during the second quarter of the year 2021, in terms of number of disseminated Financial Intelligences, are Tax Crimes (FIs disseminated=79), Hawala/Hundi (FIs disseminated=51) and TF(UNSCR-1373) (STRs disseminated=23) respectively.

## STRATEGIC ANALYSIS

FMU disseminated Strategic Analysis on Money Laundering and Terrorist Financing risks associated with Afghan refugees/ migrants in Pakistan and another Strategic Analysis on Comingling of funds through cash intensive businesses – Real Estate.





# MONTH WISE STRs RECEIVED (APR-JUN 2021)

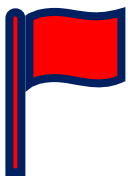
## STRs REPORTING COMPARISON

- In Q2 2021 STRs increased by 15% in comparison to 2<sup>nd</sup> quarter of 2020, whereas CTRs decreased by -7% in comparison to 2<sup>nd</sup> quarter of 2020.



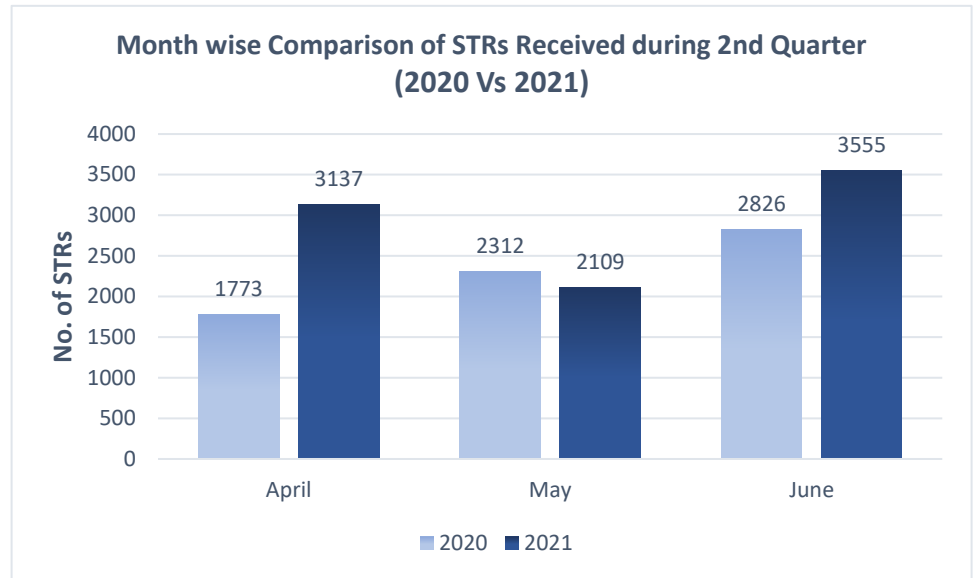
## STRATEGIC ANALYSIS

- On Money Laundering and Terrorist Financing risks associated with Afghan refugees/ migrants in Pakistan
- Comingling of funds through cash intensive businesses – Real Estate

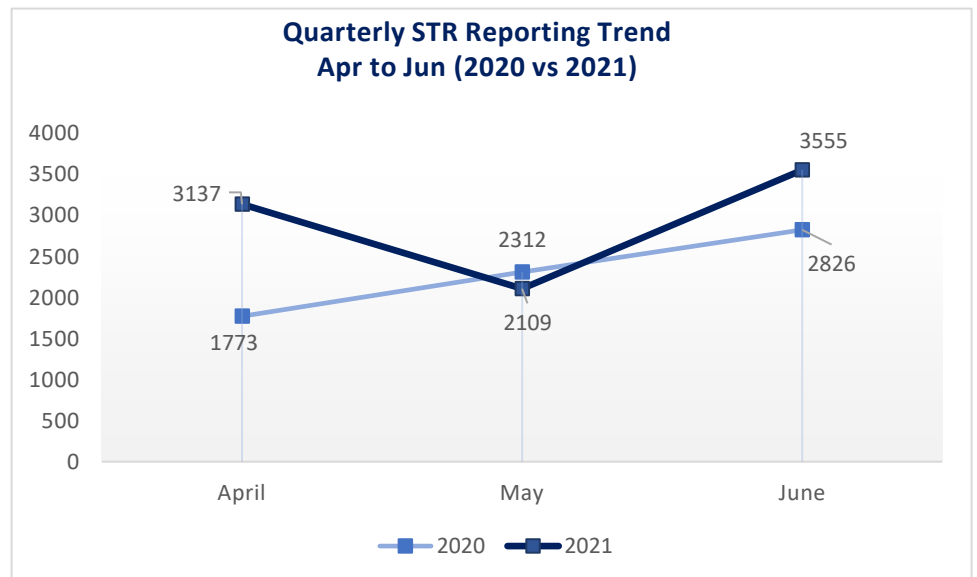


## RED FLAG INDICATORS

- Red Flags Indicators issued to identify Financial Activities related to Drug Trafficking.
- Red Flags Indicators issued for DNFBPs Sectors on Targeted Financial Sanctions (TFs) Related to Terrorist Financing (TF) And Proliferation Financing (PF)



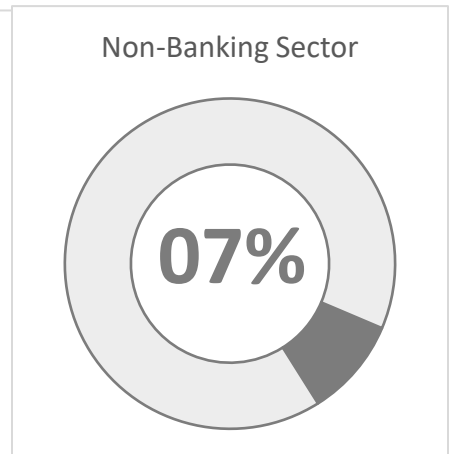
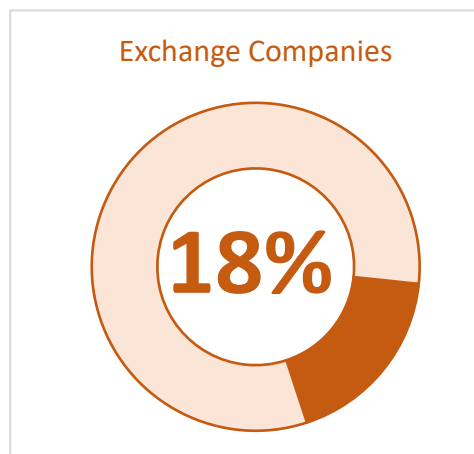
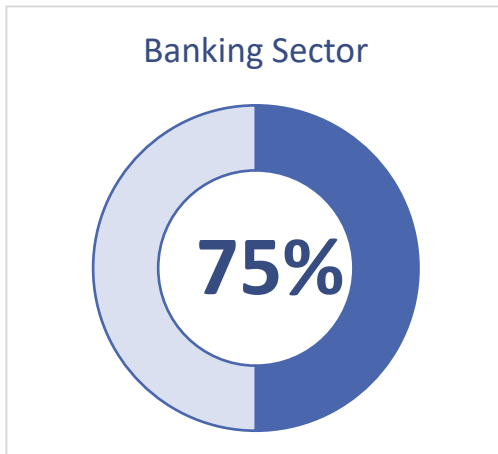
## TREND



# STRs RECEIVED - SECTOR WISE

## (APR-JUN 2021)

|                    | Apr   | May   | Jun   | Total |
|--------------------|-------|-------|-------|-------|
| Banking Sector     | 2,517 | 1,485 | 2,555 | 6,557 |
| Exchange Companies | 454   | 534   | 620   | 1,608 |
| Non-Banking Sector | 166   | 90    | 380   | 636   |



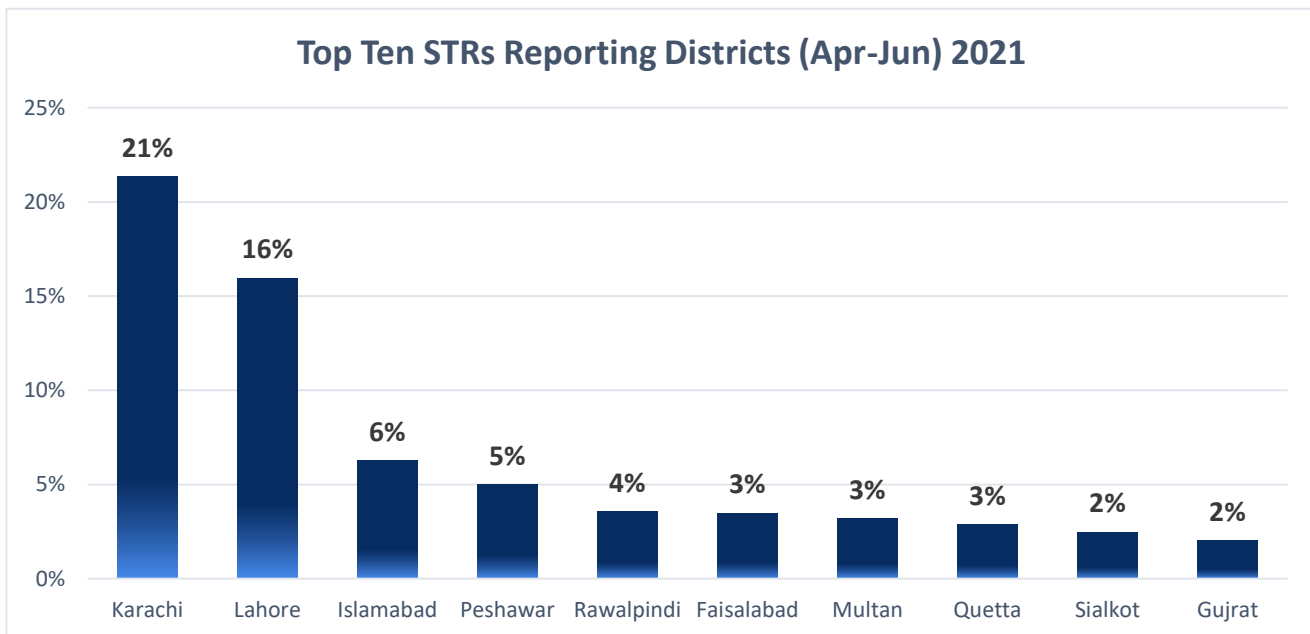
## SECTOR WISE DETAILS OF STR REPORTING DURING 2<sup>N<sup>D</sup></sup> QUARTER OF 2021

| Sr. No.  | Reporting of STRs (Institutions Wise)                    | Apr         | May         | Jun         | Total       |
|----------|----------------------------------------------------------|-------------|-------------|-------------|-------------|
| <b>1</b> | <b>Banking Sector</b>                                    | <b>2517</b> | <b>1485</b> | <b>2555</b> | <b>6557</b> |
| 1        | Private Commercial Banks                                 | 1600        | 872         | 1524        |             |
| 2        | Islamic Banks                                            | 184         | 107         | 178         |             |
| 3        | Foreign Banks                                            | 0           | 1           | 1           |             |
| 4        | Specialized Banks                                        | 15          | 1           | 9           |             |
| 5        | Public Commercial Banks                                  | 153         | 139         | 236         |             |
| 6        | Micro Finance Banks                                      | 565         | 365         | 607         |             |
| <b>2</b> | <b>Exchange Companies (A) &amp; (B)</b>                  | <b>454</b>  | <b>534</b>  | <b>620</b>  | <b>1608</b> |
| 7        | Exchange Companies (A)                                   | 410         | 503         | 569         |             |
| 8        | Exchange Companies (B)                                   | 44          | 31          | 51          |             |
| <b>3</b> | <b>Non-Banking Sector / NBFIs</b>                        | <b>134</b>  | <b>67</b>   | <b>135</b>  | <b>336</b>  |
| 10       | Insurance                                                | 89          | 52          | 89          |             |
| 11       | Brokerage Firm                                           | 8           | 5           | 28          |             |
| 12       | Asset Management Company                                 | 12          | 8           | 9           |             |
| 13       | Micro Finance Institutions (MFIs)                        | 25          | 2           | 9           |             |
| <b>4</b> | <b>Supervisory Bodies (SBP, SECP, Directorate DNFBP)</b> | <b>3</b>    | <b>0</b>    | <b>17</b>   | <b>20</b>   |
| 14       | SECP                                                     | 0           | 0           | 17          |             |
| 15       | Directorate General of DNFBP                             | 3           | 0           | 0           |             |
| <b>5</b> | <b>SBP BSC, CDNS &amp; PPO</b>                           | <b>26</b>   | <b>9</b>    | <b>0</b>    | <b>262</b>  |
| 16       | SBP, Banking Services Corporation (SBP-BSC)              | 19          | 0           | 220         |             |
| 17       | Central Directorate of National Savings                  | 6           | 6           | 7           |             |
| 18       | Pakistan Post                                            | 1           | 3           | 0           |             |
| <b>6</b> | <b>DNFBPs</b>                                            | <b>0</b>    | <b>12</b>   | <b>0</b>    | <b>12</b>   |
| 19       | Real Estate                                              |             | 12          | 0           |             |
| <b>7</b> | <b>Electronic Money Institution (EMI)</b>                | <b>3</b>    | <b>2</b>    | <b>1</b>    | <b>6</b>    |
|          | <b>Total</b>                                             | <b>3137</b> | <b>2109</b> | <b>3555</b> | <b>8801</b> |



# TOP TEN STR REPORTING DISTRICTS (APR-JUN 2021)

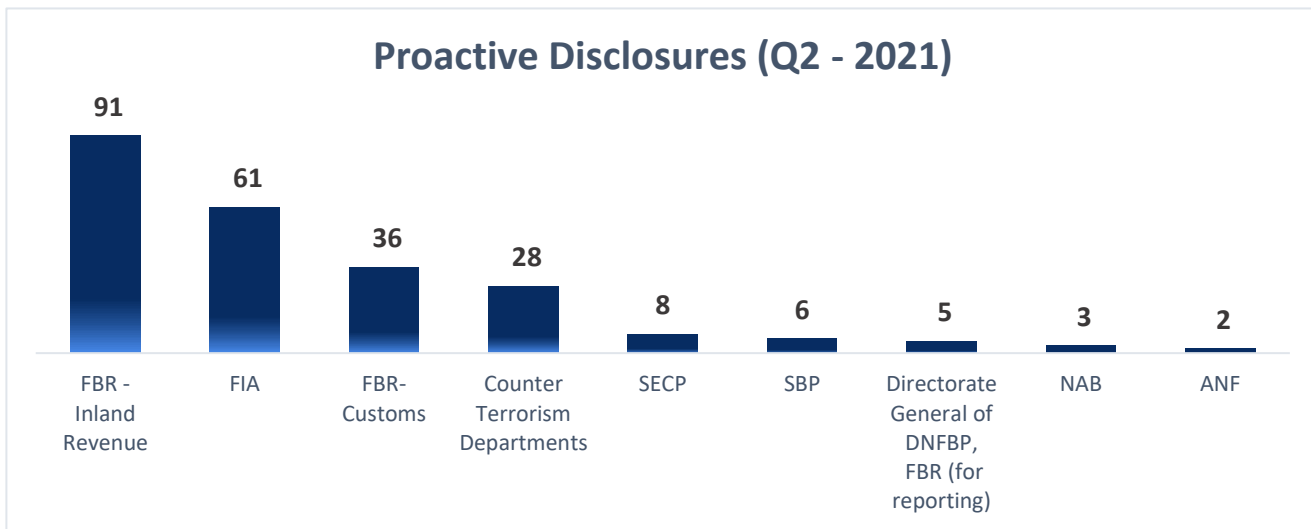
| District                    | No. of STRs  | % Of Total STRs |
|-----------------------------|--------------|-----------------|
| Karachi                     | 1,879        | 21%             |
| Lahore                      | 1,404        | 16%             |
| Islamabad                   | 552          | 6%              |
| Peshawar                    | 440          | 5%              |
| Rawalpindi                  | 313          | 4%              |
| Faisalabad                  | 306          | 3%              |
| Multan                      | 281          | 3%              |
| Quetta                      | 252          | 3%              |
| Sialkot                     | 217          | 2%              |
| Gujrat                      | 179          | 2%              |
| Other Districts of Pakistan | 2,978        | 34%             |
| <b>Total STRs</b>           | <b>8,801</b> | <b>100%</b>     |



# DISCLOSURES SENT TO LEAs

## (APR-JUN2021)

| Total Disclosures | Proactive Disclosures | Reactive Disclosures |
|-------------------|-----------------------|----------------------|
| <b>378</b>        | <b>240</b>            | <b>138</b>           |





## FINANCIAL INTELLIGENCES DISSEMINATED TO LEAS (PREDICATE OFFENCE WISE)

(APR-JUN 2021)

|   | Designated categories of offences as per FATF | Q2 Apr-Jun 21 |
|---|-----------------------------------------------|---------------|
| 1 | TF (UNSCR-1267)                               | 1             |
| 2 | TF (UNSCR-1373)                               | 23            |
| 4 | TF (others)                                   | 12            |
|   | <b>TOTAL - Terrorism Financing</b>            | <b>36</b>     |

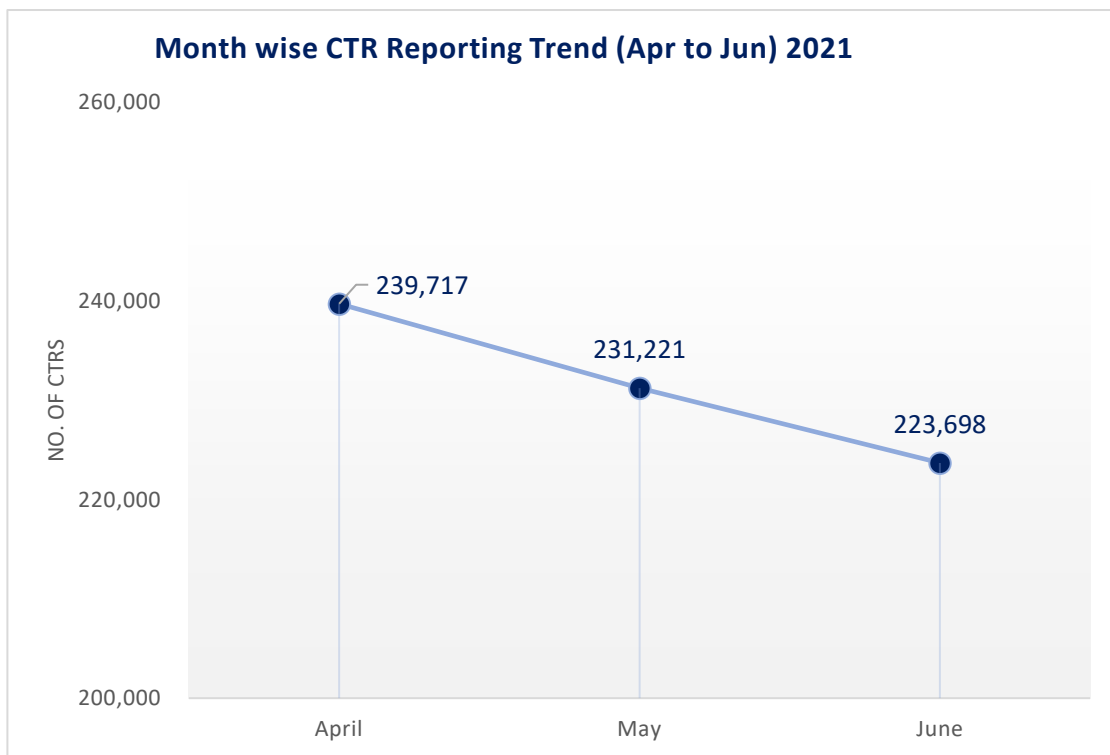
|    | Designated categories of offences as per FATF                                                               | Q2 Apr-Jun 21 |
|----|-------------------------------------------------------------------------------------------------------------|---------------|
| 1  | Trafficking in human beings and migrant smuggling                                                           | 2             |
| 2  | Illicit trafficking in narcotic drugs and psychotropic substances;                                          | 3             |
| 3  | Corruption and bribery/Unexplained Assets as per NAO/Cheating Public<br>At large/ unjustified High Turnover | 9             |
| 4  | Fraud; / Ponzy                                                                                              | 4             |
| 5  | Murder, grievous bodily injury                                                                              | 2             |
| 6  | Smuggling / Offences under Customs Act                                                                      | 4             |
| 7  | Currency Smuggling;                                                                                         | 2             |
| 8  | Extortion                                                                                                   | 1             |
| 9  | Insider trading and market manipulation.                                                                    | 1             |
| 10 | Tax Evasion / Tax Crime                                                                                     | 79            |
|    | <b>TOTAL</b>                                                                                                | <b>107</b>    |

|   | Designated categories of offences as per FATF | Q2 Apr-Jun 21 |
|---|-----------------------------------------------|---------------|
| 1 | Regulatory Violation/ Regulatory Advice       | 1             |
| 2 | Trade Based Money Laundering (TBML)           | 6             |
| 3 | Hawala/Hundi                                  | 51            |
| 4 | Illegal Trade in Financial Instruments /FCY   | 7             |
| 5 | Ground Check                                  | 32            |
|   | <b>TOTAL</b>                                  | <b>97</b>     |

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

# MONTH WISE CTRS RECEIVED (APR-JUN 2021)

|                                     | Apr     | May     | Jun     |
|-------------------------------------|---------|---------|---------|
| Currency Transaction Reports (CTRs) | 239,717 | 231,221 | 223,698 |



## STRATEGIC ANALYSIS ON MONEY LAUNDERING AND TERRORIST FINANCING RISKS ASSOCIATED WITH REFUGEES/ MIGRANTS IN PAKISTAN

The Strategic Analysis assesses and evaluates the money laundering and terrorism financing risks associated with Refugees in Pakistan. The analysis is based on domestic and international reports on Afghan Refugees and STRs reported to FMU during the period of January 2019 to March 2021 from different financial sectors. The report covers the analysis of financial services/products availed or attempted by the registered Afghan refugees in Pakistan and tends to identify possible ML/TF risks associated with Afghan refugees/Migrants with help of case studies. Following are the Key findings of the analysis:

- The individuals (Afghan refugees) utilized different financial products and channels such as Bank accounts, foreign remittances using Western Union/ Money gram, Currency Exchange, Insurance policies, Branchless Banking Accounts and Saving Certificates, which were purportedly found suspicious in terms of money laundering and terrorism financing.

- Mostly of the account holders were sole proprietors (80%) with diversified nature of businesses, including high risk professions i.e., tyres and electronics traders, scrap dealers, dry fruits dealers, jewelers, mobile shops owners, brokers, and distributors, clearing forwarding agent etc.

- Mostly the accounts were reported on the suspicion of transactions with unrelated counterparties, Hawala/Hundi, terrorist financing, smuggling of goods and counterfeited identities.

- Some of the Afghan nationals were also involved in high value cash transactions, reported to FMU as CTRs.

- FMU received 286 suspicious foreign remittances sent to Afghan refugees in Pakistan, with total volume of PKR 26.8 million, and most of these remittances (90%) were received as family support/living expenses to self-employed persons, housewives and students.

- The remittances were sent through Western Union/Money Gram from various countries such as USA, Australia, Kuwait, Canada, Afghanistan, France etc. and received in cash by the Afghan refugees in Pakistan.

- The high-risk factors in foreign remittances were remittances from Afghanistan (high risk), remittances to different Afghan refugees from same sender, multiple and frequent remittances from different senders to a refugee, remittances to expired visa and PoR/ACC holders in Pakistan.

- Similarly, Afghan refugees had also conducted currency exchange transactions and availed insurances policies and saving certificates from different financial institutions in Pakistan.

The purpose of the strategic analysis is to assist the financial sector, regulators, law enforcement agencies and other stakeholders to develop policies and regulations for Afghan refugees in Pakistan and mitigate ML/TF risks associated with them, while ensuring their financial inclusion.

**The matter of refugees in Pakistan is complex and protracted. Many Afghan migrants are unregistered and unable to use formal financial sectors, while registered Afghan refugees are allowed to maintain accounts and avail other financial services in Pakistan using Proof of Residence (PoR) and Afghan Citizenship Cards.**



## **BRIEF SUMMARY OF STRATEGIC ANALYSIS ON COMINGLING OF FUNDS THROUGH CASH INTENSIVE BUSINESSES – REAL ESTATE**

In recent times, the trend has been shifted towards digital payment methods and alternate delivery channels (ADCs), however, the cash is still most widely used as a payment method and also used in most of the criminal activities posing significant risks of money laundering and terrorist financing. Pakistan is mostly a cash-based economy, and in most of the transactions, cash has been used as payment method. Real estate sector is also among one of cash-intensive businesses in Pakistan.

DNFBPs are now under the AML/CFT regime of Pakistan, and in recent years, there is significant increase in reporting of STRs/CTRs on real estate sector. The purpose of this Strategic Analysis is to assist the stakeholders on trends & patterns of transactions, being adopted by the individuals directly or indirectly involved in real estate sector.

The strategic analysis covers the ML and TF risks and the vulnerabilities associated with the sector. It also encompasses the initiatives and measures taken by the Government of Pakistan to promote the real estate sector which includes the initiative of RERA, establishment of Directorate General of DNFBPs, automation of property records, innovative and products, low-cost housing scheme (Naya Pakistan Housing Program-NPHP), tax amnesty scheme for construction sector and allocation of funds/budget.

**The Strategic analysis include study of 581 STRs reported during the year 2020 which involved the amount of PKR 7,432 million, out of which 175 STRs were reported from Karachi City.**

The Strategic Analysis include study of 581 STRs reported during the year 2020 which involved the amount of PKR 7,432 million, out of which 175 STRs were reported from Karachi City. Further, the highest number of STRs reported on real estate sector was in July 2020 i.e., 64 whereas least reported in May 2020 i.e., 30 STRs. Similarly, most of the STRs were reported from private commercial banks. The STRs reported majorly on individuals/ entities who were engaged in the businesses of construction and related businesses. The analysis also includes the 129,726 CTRs reported during the year 2020 which involved the amount of PKR 557,488 million. The red flag indicators include transactional activity mismatched with the stated profile or structuring of transactions, biometric verification issues and/or benami transactions, STRs reported on LEA's inquiries, high value cash transactions and on frequent sale/purchase of foreign currencies. Furthermore, it also suggests some suggestions/ recommendations to the relevant stakeholders.

## **ANALYSIS OF ATTEMPTED / REJECTED TRANSACTIONS / ACTIVITIES**

FMU also conducted tactical analysis of STRs reported from July 01, 2020, till April 20, 2021, where financial services were declined to proscribed individuals and others. In aggregate, 3,143 attempted / rejected / declined transactions were reported to FMU through 2,955 STRs by 31 different reporting entities during the period under analysis.

Review of the reported STRs revealed, that the transactions amounting to Rs. 163.984 million were attempted wherein financial services were declined by the reporting entities. Out of total, 1085 transactions were attempted through branchless banking mode. On the other side, a large number of remittances were declined by the reporting entities upon initial screening wherein funds equal to Rs. 73.6 million were involved. Further, total 1,710 bank accounts of counterparties were identified in which the transactions were attempted. The analysis was further disseminated to CTDS and NACTA.



# OTHER INITIATIVES FOR REPORTING ENTITIES

(APR-JUN 2021)

During the second quarter of 2021 FMU issued following Red Flags Indicators for reporting entities for identification of Suspicious transactions or Activities:

## **RED FLAGS INDICATORS FOR FINANCIAL ACTIVITIES RELATED TO DRUG TRAFFICKING**

In order to identify a suspicion that could be indicative of Money Laundering (ML) or Terrorism Financing (TF) activity through drug trafficking proceeds, FMU has prepared the red flags indicators that are intended as an aid for the reporting entities, which are available at "[Red Flags Indicators for Financial Activities related to Drug Trafficking](https://www.fmu.gov.pk/docs/2021/Circular-No-1-2021.pdf)" (<https://www.fmu.gov.pk/docs/2021/Circular-No-1-2021.pdf>)

## **RED FLAGS INDICATORS FOR DNFbps SECTORS ON TARGETED FINANCIAL SANCTIONS (TFS) RELATED TO TERRORIST FINANCING (TF) AND PROLIFERATION FINANCING (PF)**

In order to identify a suspicion that could be indicative of potential activity in breach of TFS obligations regarding Terrorist Financing (TF) / Proliferation Financing (PF) related activities, FMU prepared the red flags indicators that are specially intended as an aid for the DNFbps sectors reporting entities. These red flags are available at "[Red Flags Indicators for DNFbps Sectors on Targeted Financial Sanctions \(TFS\) related to Terrorism Financing \(TF\) And Proliferation Financing \(PF\)](https://www.fmu.gov.pk/docs/2021/CIRCULAR-02-2021.pdf)" (<https://www.fmu.gov.pk/docs/2021/CIRCULAR-02-2021.pdf>).