

Financial Monitoring Unit (FMU) Government of Pakistan



QUARTERLY REPORT Analysis Division

QUARTER 4, 2021

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EXECUTIVE SUMMARY

STRs

FMU received 33,743 STRs during the year 2021, out of which 7,721 STRs were received during the fourth quarter (Oct-Dec) of the year 2021.

MAJOR SECTORS

Major reporting Sectors include Banks and Exchange Companies.

CTRs

949,807 CTRs were received during the fourth quarter (Oct-Dec) of the year 2021.

REPORTING DISTRICTS

Top three STR reporting districts (during the fourth quarter of 2021) were Karachi, Lahore and Islamabad.

OFFENCES

Top 3 Offences during fourth quarter (Oct-Dec) of the year 2021, in terms of number of disseminated Financial Intelligences are Tax Evasion, Hawala/ Hundi and Terrorism Financing.

STRATEGIC ANALYSIS

During the fourth quarter of 2021, FMU also conducted and disseminated strategic analysis on Currency Transaction Reports, Report on Frequent US Dollars Transactions by Individuals and Strategic Analysis Report on ML/TF Risks Associated to Jewelers and Gemstone Dealers in Pakistan to relevant Law Enforcement Agencies and supervisors.





Financial Monitoring Unit known as FMU, is the financial intelligence unit of Pakistan. Its core functions are to receive STRs and CTRs, their analysis and dissemination.

The STRs and CTRs are filed by financial institutions and designated non-financial businesses and professions.

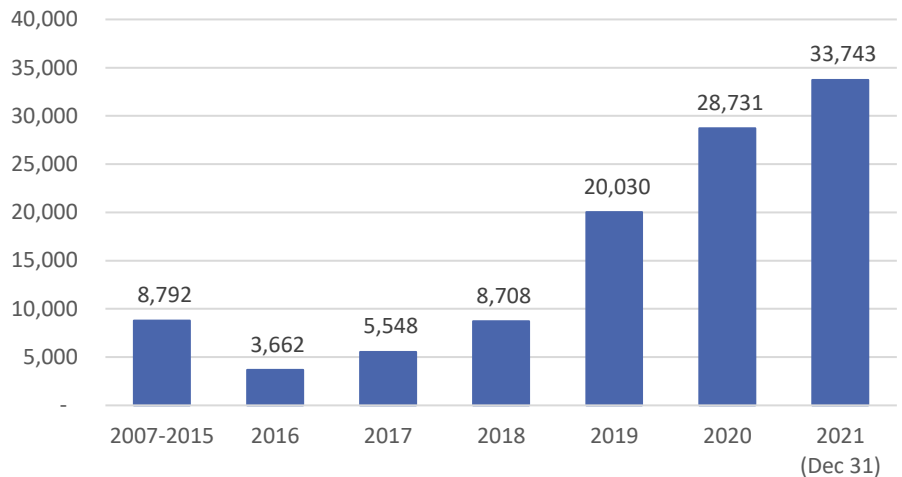


The reporting of STRs and CTRs have drastically increased over the years.

In 2021, FMU received 33,743 STRs and 3,220,594 CTRs.

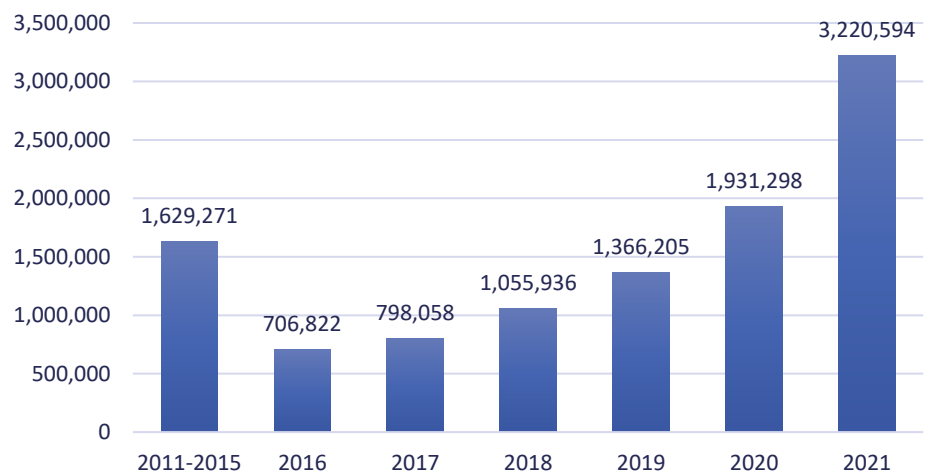
STR REPORTING

STRs Received by FMU since 2007



CTR REPORTING

Year Wise CTRs Received





STRs REPORTING COMPARISON

- During 4th quarter of 2021 STRs reporting decreased by 17% in comparison to 3rd quarter of 2021.
- whereas by comparing the reporting results with the 4th quarter of 2020, 5% increase has been observed.



STRATEGIC ANALYSIS

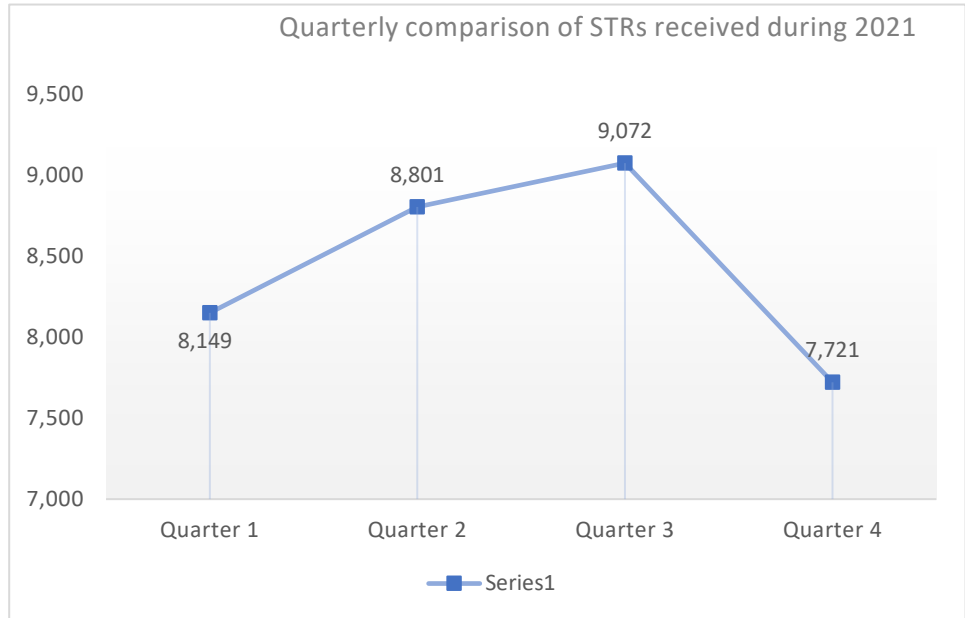
- FMU conducted Strategic Analysis on Currency Transaction Reports, Frequent US Dollars Transactions by Individuals and Strategic Analysis on ML/TF Risks associated to Jewelers and Gemstone Dealers in Pakistan.



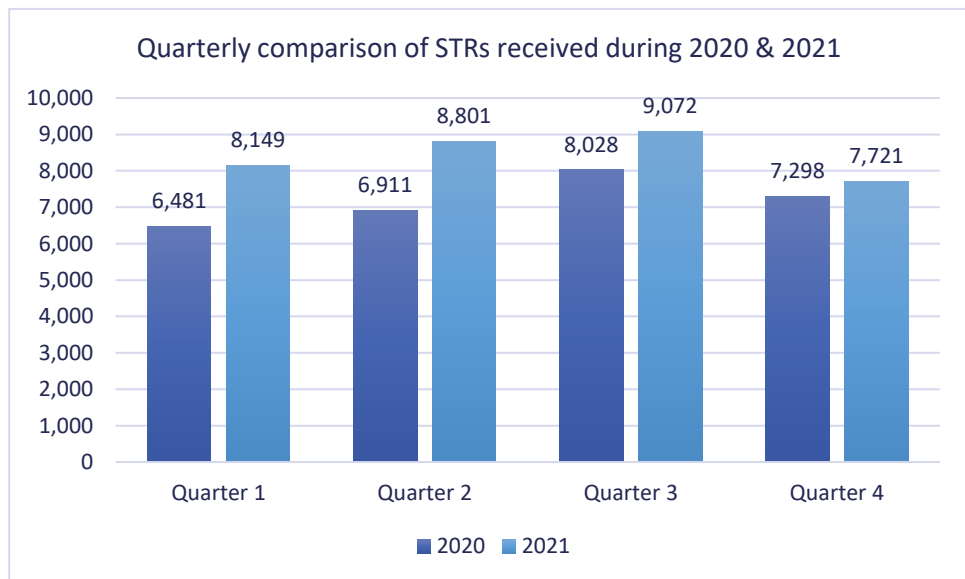
CAPACITY BUILDING

- In collaboration with ADB, FMU provided training to LEAs and REs on basic principles of trade finance processes and trade relevant Suspicious Activity Reporting.

STR Reporting Quarterly comparison 2021



QUARTERLY COMPARISON WITH LAST YEAR

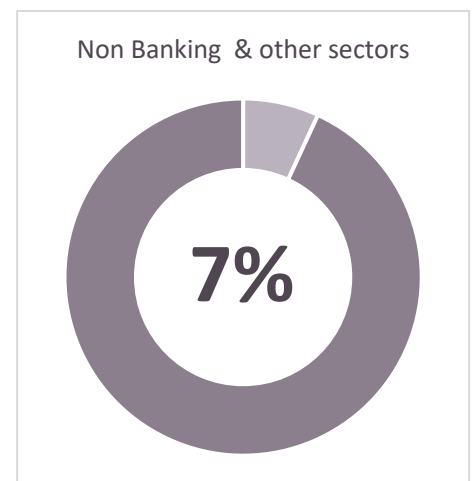
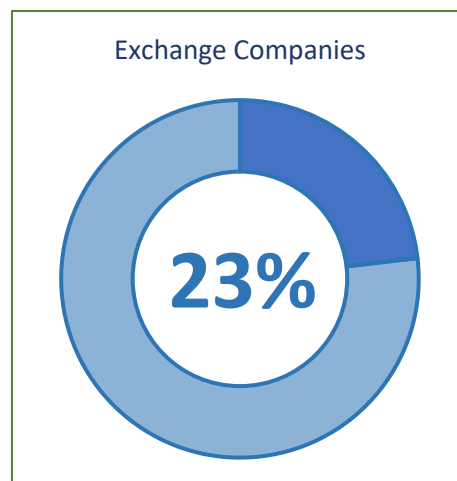
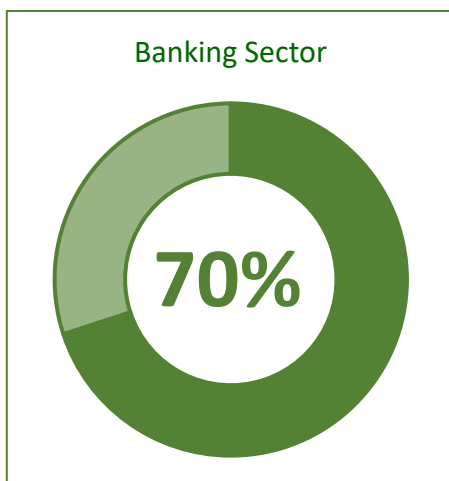


STR REPORTING-SECTOR WISE-2021

SUMMARY

	Q1	Q2	Q3	Q4	Total
Banking Sector	5,593	6,557	6,848	5,402	24,400
Exchange Companies	1,768	1,608	1,703	1,787	6,866
Non-Banking Sector	788	636	521	532	2,477
Total	8,149	8,801	9,072	7,721	33,743

STR REPORTING (QUARTER 4 – 2021)

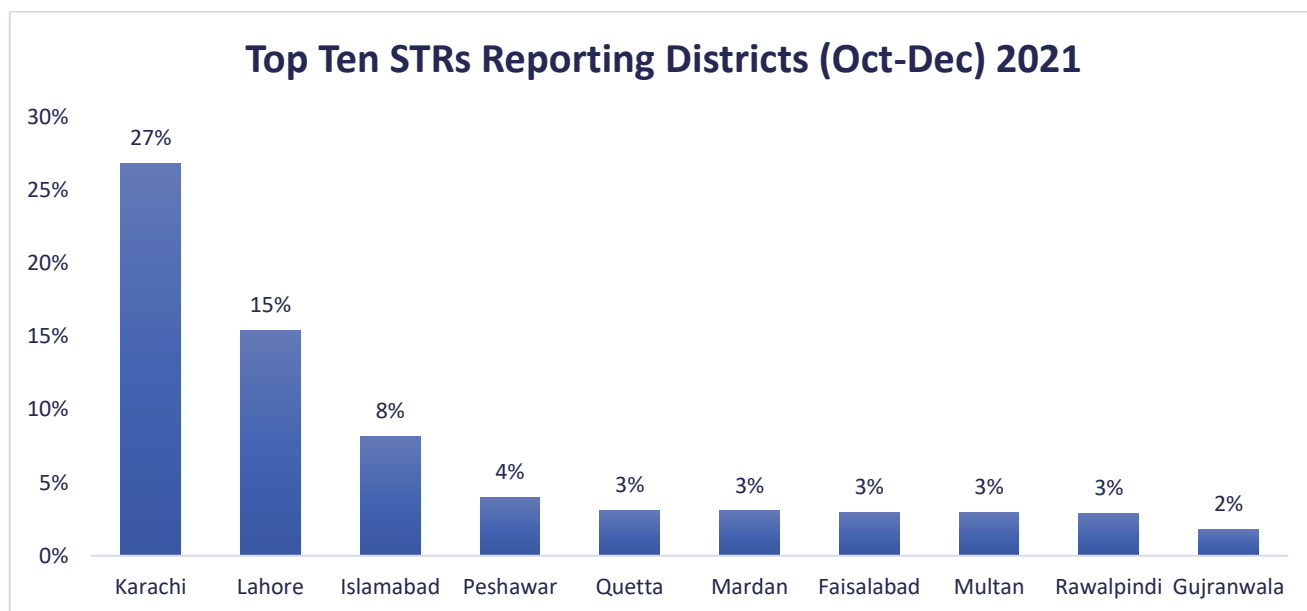


STR REPORTING SECTOR WISE-2021

Sr. No.	Reporting of STRs (Institutions Wise)	Q1	Q2	Q3	Q4
1	Private Commercial Banks	3385	3996	3990	2699
2	Islamic Banks	389	469	535	951
3	Foreign Banks	3	2	2	3
4	Specialized Banks	31	25	18	10
5	Public Commercial Banks	326	528	487	500
6	Microfinance Banks	1459	1537	1816	1239
1	Banking Sector	5593	6557	6848	5402
7	Exchange Companies (A)	1622	1482	1541	1683
8	Exchange Companies (B)	146	126	162	104
2	Exchange Companies (A) & (B)	1768	1608	1703	1787
9	DFIs	8	0	1	0
10	Insurance Companies	203	230	185	152
11	Brokerage Firms	27	41	23	11
12	Asset Management Companies	30	29	37	45
13	Leasing Companies	1	0	0	1
14	Microfinance Institutions (MFIs)	52	36	28	9
15	Modarba Companies	0	0	1	0
16	Investment Banks	0	0	1	0
17	Electronic Money Institutions (EMIs)	1	6	6	16
18	DNFBPs	6	15	0	0
3	Non-Banking Sector / NBFIs	328	357	276	234
4	Supervisory Bodies (SBP, SECP)	2	17	1	3
5	LEAs and other govt. agencies	458	262	238	295
	Total	8149	8801	9072	7721

TOP TEN STR REPORTING DISTRICTS (4TH QUARTER -2021)

District	No. of STRs	% of Total STRs
Karachi	2072	27%
Lahore	1189	15%
Islamabad	629	8%
Peshawar	307	4%
Quetta	239	3%
Mardan	237	3%
Faisalabad	228	3%
Multan	228	3%
Rawalpindi	222	3%
Gujranwala	139	2%
Other Districts of Pakistan	2231	29%
Grand Total	7721	100%



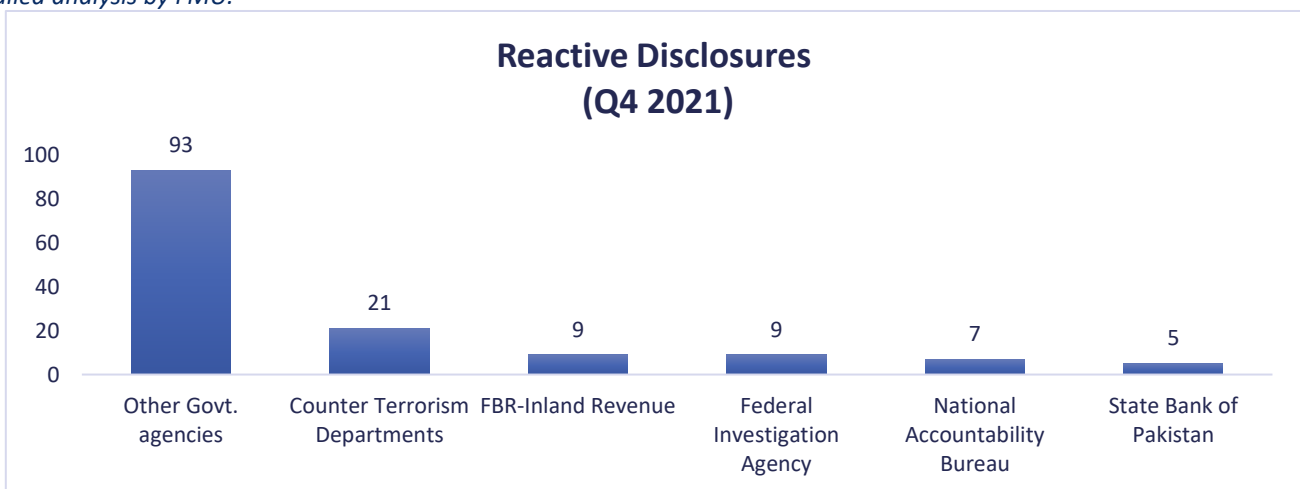
FINANCIAL INTELLIGENCE (DISCLOSURES) SENT TO LEAS/REGULATORS

(Q4 - 2021)

Total Disclosures	Proactive Disclosures	Reactive Disclosures
446	302	144



Proactive Disclosures are the Financial Intelligences based on the STRs/CTRs received from REs and sent to LEAs after performing detailed analysis by FMU.



- *Reactive Disclosures are the Financial Intelligences based on requests received from LEAs*

FINANCIAL INTELLIGENCES DISSEMINATED TO LEAs PREDICATE OFFENCE WISE

TF & ML Related

	Designated categories of offences as per FATF	Q3	Q4
1	Terrorism Financing	59	45
2	Participation in an organized criminal group and racketeering;	4	0
3	Trafficking in human beings and migrant smuggling	0	1
4	Sexual exploitation, including sexual exploitation of children;	1	0
5	Illicit trafficking in narcotic drugs and psychotropic substances;	1	2
6	Corruption and bribery/Unexplained Assets as per NAO/Cheating Public at large/ unjustified High Turnover	15	12
7	Fraud; / Ponzi Schemes	42	18
8	Cybercrime	1	0
9	Murder, grievous bodily injury	0	1
10	Smuggling / Offences under Customs Act	7	5
11	Currency Smuggling;	2	4
12	Forgery	0	1
13	Insider trading and market manipulation	6	2
14	Tax Evasion / Tax Crime	107	102
	TOTAL	244	193

Other offences

	Non-Designated categories of offences as per FATF	Q3	Q4
1	Regulatory Violation/ Regulatory Advice	11	10
2	Virtual Currency	5	1
3	Trade Based Money Laundering (TBML)	11	9
4	Hawala/Hundi	40	63
5	Illegal Trade in Financial Instruments /FCY	11	11
6	Ground Check	19	13
8	Misuse of Donations	2	2
	TOTAL	99	109

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

QUARTERLY CTRs REPORTING (2021)

	Q1	Q2	Q3	Q4
Currency Transaction Reports (CTRs)	680,060	753,227	837,171	949,807





STRATEGIC ANALYSIS CONDUCTED DURING 4TH QUARTER - 2021

1. Strategic Analysis on Currency Transaction Reports

Strategic analysis was conducted on Currency Transaction Reports (CTRs) received during 01-Jul-20 to 30-Jun-21. The objective of strategic analysis was to cover major aspects and trends of cash deposits and cash withdrawals made by different persons, entities while using different financial channels including banks and exchange companies.

During analysis period, around 2.601 million CTRs were reported with an amount of around Rs. 10.59 trillion by different reporting entities. Cash deposited based on the CTRs was reported approx. Rs. 6.002 trillion whereas cash withdrawal of over Rs. 4.5 trillion was reported. Major contributor in CTR reporting was Banking sector followed by Exchange Companies and Non-Banking Financial Companies (NBFCs). CTRs have been reported from all major cities of Pakistan and from the border areas connecting Afghanistan including the cities of former Federally Administered Tribal Area (FATA) & Provincially Administered Tribal Area (PATA). The report covers issues identified in CTR reporting and recommendations for reporting entities for improvement in reporting mechanism that will improve the data reliability and accuracy.

2. Strategic Analysis Report on Frequent US Dollars Transactions by Individuals

FMU conducted strategic analysis on rapid fluctuations and depreciation of PKR against USD and other foreign currency (FCY). The report is based on reported STRs/CTRs on the sale / purchase, deposit / withdrawals of USD by individuals conducted during the period 01-Jan-2021 to 30-Sept-2021. The purpose was to analyze the excessive buying of USD for saving/hoarding as well as for market manipulation and/or for speculation purposes, which resultantly caused the higher trend in exchange rate of USD against Pak Rupee.

3. ML/TF Risks Associated to Jewelers and Gemstone Dealers in Pakistan

Financial Monitoring Unit conducted strategic analysis to evaluate money laundering and terrorist financing risks associated with jewelers and gemstone dealers in Pakistan. The analysis was based on domestic and international reports on jewelers and gemstone dealers, and STRs reported to Financial Monitoring Unit (FMU) during the calendar year 2020. The report covers analysis of financial services/products availed by jewelers, gemstone dealers to identify possible ML/TF risks associated with this sector through case studies.

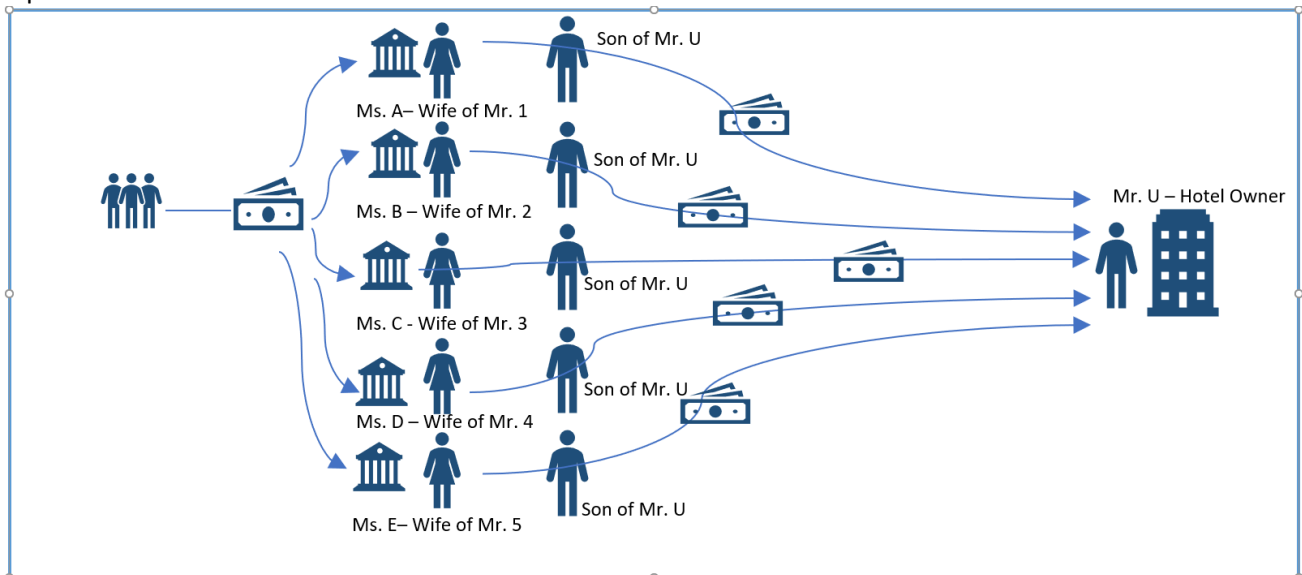
The purpose of the strategic analysis was to assist Financial Sector, Regulators, Law Enforcement Agencies (LEAs) and other stakeholders to develop/update the policies and regulations for jewelers and gemstone dealers in Pakistan and mitigate ML/TF risks associated with them through provision of recommendations and suggestions to regulators/ LEAs and to highlight important red flags for reporting entities based on case studies.

ROUTING OF FUNDS TO FAMILY MEMBER ACCOUNTS FOR TAX EVASION

STRs related to housewives associated with each other by different family relationships were reported to the Financial Monitoring Unit (FMU) as they were receiving large cash deposits into their accounts without any valid justification. The transactional activities of these housewives did not match with their profiles.

During the analysis at FMU, the linkages through the goAML software solution were identified which revealed that the reported housewives were linked to the same family. Their father-in-law was the owner of a renowned hotel in Pakistan. The following is a diagram showing the family and the movement of funds.

The family members opened multiple accounts in the same bank and the housewives were maintaining a separate bank account for themselves.



During the review of the statements of accounts of the daughters and daughters-in-law of Mr. U, it was identified that a large amount of cash was deposited into all the accounts in same manner and the accounts were opened in a same month. Mostly the funds were deposited into the accounts through structured transactions in order to avoid currency transactions reports (CTRs). Subsequently the funds were transferred to Mr. U's account.

The pattern of transactions followed by the housewives indicated that Mr. U might have been routing business proceeds in cash through his family members' (daughters and daughters in law) accounts and later on funneled the funds into his own accounts to avoid paying income tax. Mr. U might be the beneficial owner of the funds deposited and routed funds from his daughters' and daughter in law's accounts.

A record of the tax history of the housewives revealed that they had paid a reasonable amount of tax initially, but gradual decline in the amount of tax paid was noted during later periods and no tax was paid at all in the most recent year. Based on the findings, the financial intelligence was shared with an LEA for further investigation.



DEFRAUDING THE GENERAL PUBLIC THROUGH A PONZI SCHEME

The accounts of a sole proprietorship business, Company A, were reported by a bank, upon the suspicion of high turnovers in the accounts through numerous small value inter-bank fund transfers received from multiple locations.

As per the account details, the aforementioned business was owned by Mr. S, who was engaged in digital marketing and advertising services through social media. Mr. S along with Mr. O registered the business with the Securities & Exchange Commission of Pakistan (SECP) as a private limited company with the name as “Company A” and another business with the name “Company B”, with similar principal activities. The individuals were attracting the public to invest in online paid-to-click programs with the promise to investors of a share of the program’s profits in exchange for paying an upfront fee or buying products.

During the analysis, it was determined that Mr. S and Mr O were using sole proprietorship accounts instead of company accounts for conducting business related transactions. The individuals received significant funds in more than 25,000 inter-bank funds transfer transactions ranging between PKR 3,000 (approx. USD 15) to PKR 50,000 (approx. USD 252). As per records provided by the reporting entity, the individual received funds in one account from a number of branches of the same reporting entity while the funds were mostly transferred from unrelated counterparties like housewives, students, and salaried persons’ accounts. Company A was also reported in the news media and social media campaigns as the members of the public protested and reclaimed their investments.

Based on the findings, financial intelligence was shared with an LEA which initiated an inquiry against the reported individuals. After the completion of the LEA’s investigation, both of the individuals were arrested.