Financial Monitoring Unit (FMU)
Government of Pakistan

# QUARTERLY REPORT

## Analysis Division

**APR-JUN 2022**

# Contents

# EXECUTIVE SUMMARY

## THE TEAM

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### STRs
FMU received 5,595 STRs during the second quarter of the year 2022.

### MAJOR SECTORS
Major reporting Sectors include Banks (4,130 STRs) and Exchange Companies (1,121).

### CTRS
1,115,996 CTRs have been received during the second quarter (Apr-Jun) of the year 2022.

### REPORTING DISTRICTS
Top three STR reporting districts (during the second quarter of 2022) are Karachi, Lahore and Islamabad with 1225, 904 and 532 reported STRs, respectively.

### OFFENCES
Top 3 Offences during second quarter (Apr-Jun) of the year 2022, in terms of number of disseminated Financial Intelligences, are Tax Crimes, Terrorism and Hawala and Hundi , respectively.

### STRATEGIC ANALYSIS
During the second quarter of 2022, FMU disseminated 4 Strategic Analysis.

Financial Monitoring Unit known as FMU, a financial intelligence unit of Pakistan. Its core functions are to receive STRs and CTRs, their analysis and dissemination.
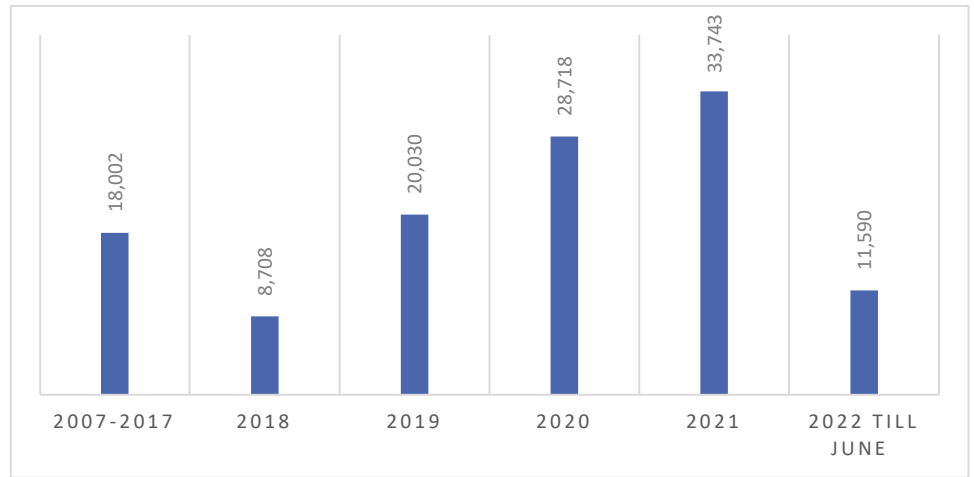
The STRs and CTRs are filed by financial institutions and designated non-financial businesses and professions.

## STRATEGIC ANALYSIS

FMU conducted 4 strategic analyses during the second quarter of 2022, which includes ML/TF related risk assessment in context of TBML, construction sector tax amnesty scheme, products of insurance sector and a geographic analysis of Baluchistan province.

# STRs RECEIVED BY FMU SINCE 2007



| | |
|---|---|
| 2007-2017 | 18,002 |
| 2018 | 8,708 |
| 2019 | 20,030 |
| 2020 | 28,718 |
| 2021 | 33,743 |
| 2022 TILL JUNE | 11,590 |

# CTRs RECEIVED BY FMU SINCE 2011

**CTRS RECEIVED**



| | |
|---|---|
| 2011-2015 | 1,629,271 |
| 2016 | 706,822 |
| 2017 | 798,058 |
| 2018 | 1,055,936 |
| 2019 | 1,366,205 |
| 2020 | 1,941,821 |
| 2021 | 3,220,710 |
| 2022 (TILL JUNE) | 2,119,875 |

# MONTH WISE STRS RECEIVED (APR-JUNE 2022)
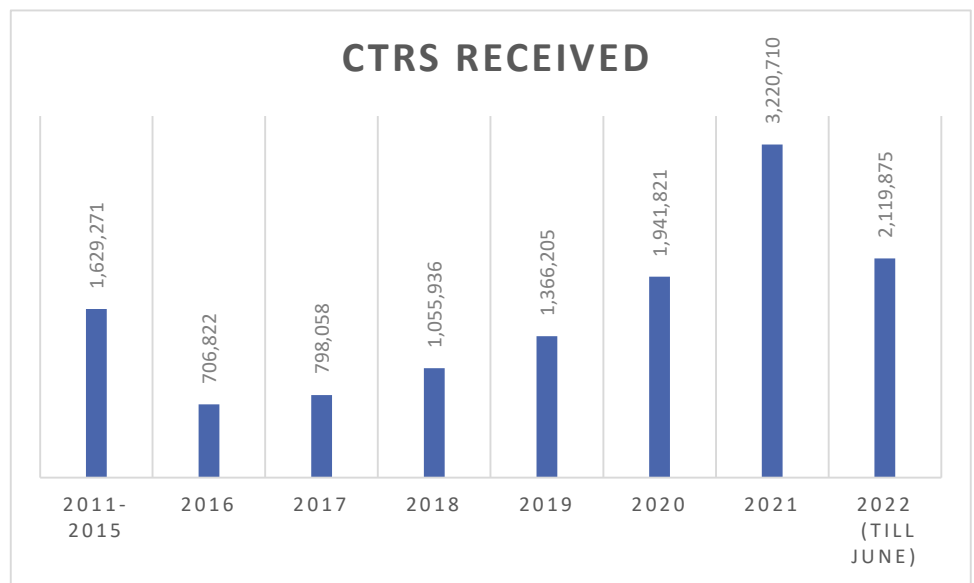
## STRs REPORTING COMPARISON

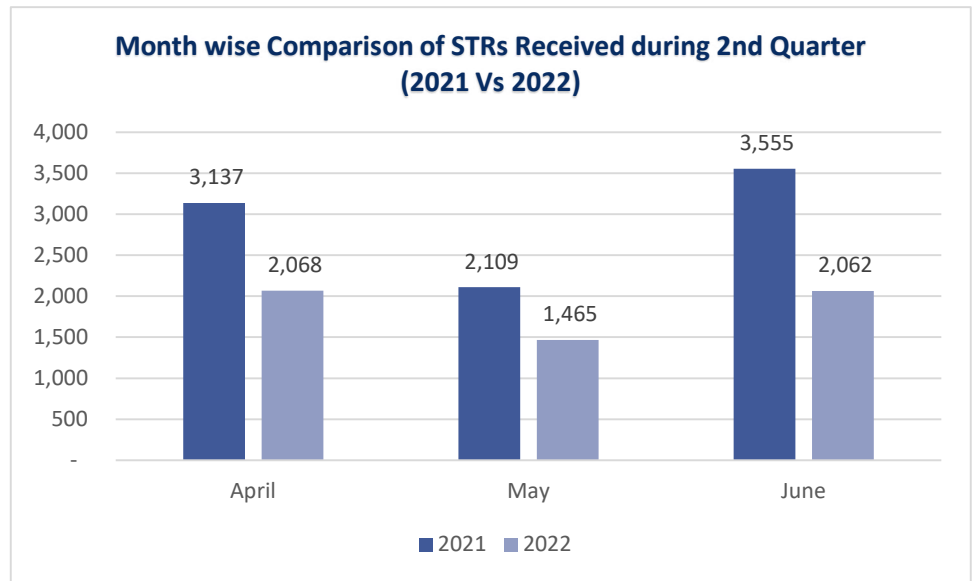In comparison of STRs received during the second quarter of 2021, a decrease has been observed in STRs reported in second quarter of 2022. Mainly due to, less reporting of bio metric verification related STRs by banking sector and FMU's focus upon quality reporting and enhancing the reporting entities understanding.

**Month wise Comparison of STRs Received during 2nd Quarter (2021 Vs 2022)**

| Month | 2021 | 2022 |
|-------|------|------|
| April | 3,137 | 2,068 |
| May | 2,109 | 1,465 |
| June | 3,555 | 2,062 |

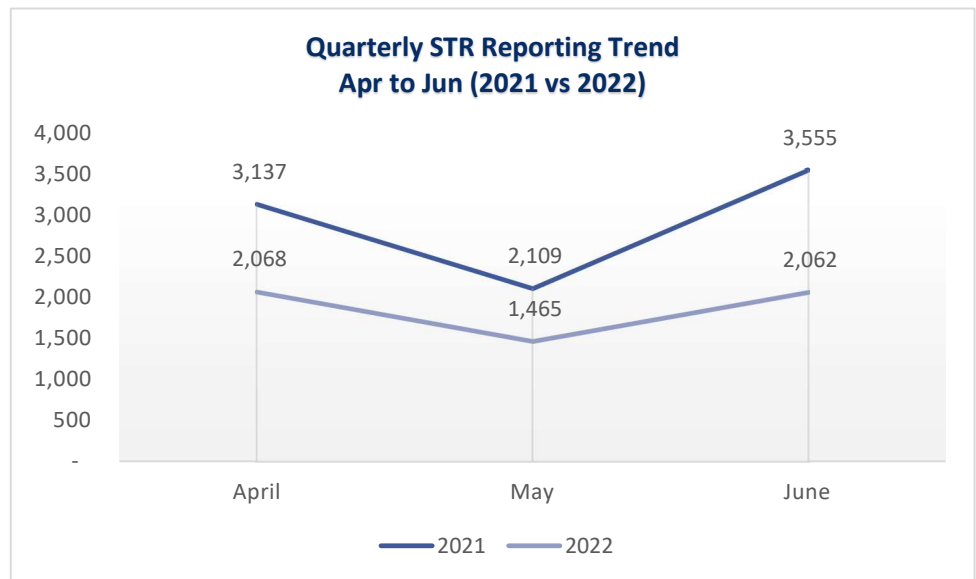## TREND

### Capacity Building

During the period of Apr to Jun 2022, goAML taskforce and Compliance team conducted 6 awareness sessions and one compliance meeting for Exchange Company.

**Quarterly STR Reporting Trend Apr to Jun (2021 vs 2022)**

| Month | 2021 | 2022 |
|-------|------|------|
| April | 3,137 | 2,068 |
| May | 2,109 | 1,465 |
| June | 3,555 | 2,062 |

# STRs RECEIVED -SECTOR WISE
## (Apr-Jun 2022)

| | Apr | May | Jun | Total |
|---|---|---|---|---|
| Banking Sector | 1,462 | 1,088 | 1580 | 4,130 |
| Exchange Companies | 424 | 277 | 420 | 1,121 |
| Non-Banking Sector | 182 | 100 | 62 | 344 |

Banking Sector

**74%**

Exchange Companies

**20%**

Non-Banking Sector

**6%**
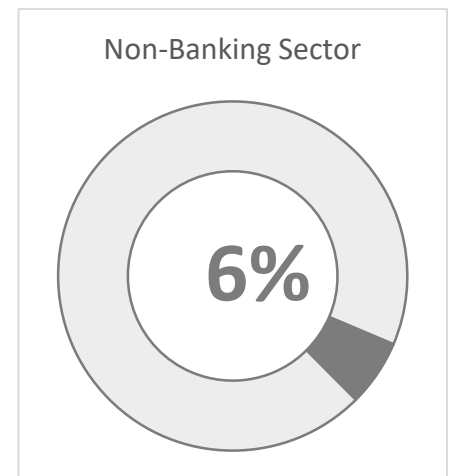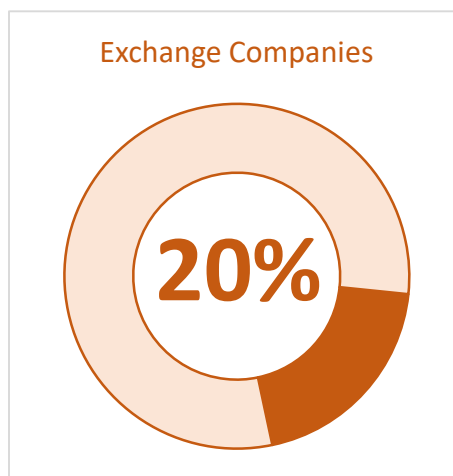
# SECTOR WISE DETAILS OF STR REPORTING DURING 2ND QUARTER OF 2022

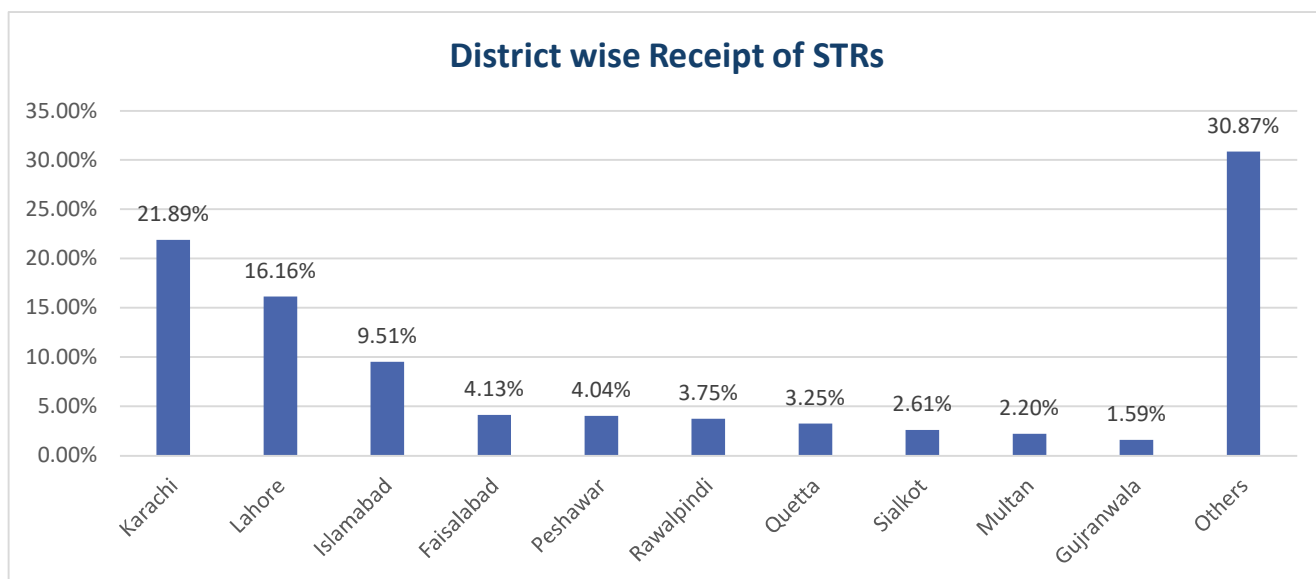| Sr. No. | Reporting of STRs (Institutions Wise) | Apr | May | Jun | Total |
|---|---|---|---|---|---|
| 1 | **Banking Sector** | **1462** | **1088** | **1580** | **4130** |
| 1 | Private Commercial Banks | 805 | 710 | 1041 | |
| 2 | Islamic Banks | 297 | 118 | 114 | |
| 3 | Foreign Banks | 1 | 0 | 0 | |
| 4 | Specialized Banks | 1 | 0 | 0 | |
| 5 | Public Commercial Banks | 141 | 111 | 178 | |
| 6 | Micro Finance Banks | 217 | 149 | 247 | |
| 2 | **Exchange Companies (A) & (B)** | **424** | **277** | **420** | **1121** |
| 7 | Exchange Companies (A) | 418 | 252 | 398 | |
| 8 | Exchange Companies (B) | 6 | 25 | 22 | |
| 3 | **Non-Banking Sector / NBFIs** | **46** | **32** | **54** | **132** |
| 09 | Insurance | 27 | 24 | 36 | |
| 10 | Brokerage Firm | 0 | 2 | 0 | |
| 11 | Asset Management Company | 17 | 5 | 17 | |
| 12 | Micro Finance Institutions (MFIs) | 2 | 1 | 1 | |
| 4 | **Supervisory Bodies (SBP, SECP, Directorate DNFBP)** | **8** | **-** | **-** | **8** |
| 13 | SECP | 8 | 0 | 0 | |
| 5 | **SBP BSC, CDNS & PPO** | **127** | **50** | **3** | **180** |
| 14 | SBP, Banking Services Corporation (SBP-BSC) | 119 | 18 | 1 | |
| 15 | Central Directorate of National Savings | 6 | 32 | 2 | |
| 16 | Others | 2 | 0 | 0 | |
| 6 | **DNFBPs** | **0** | **0** | **0** | **0** |
| 7 | **Electronic Money Institution (EMI)** | **1** | **18** | **5** | **24** |
| 8 | **LEAs** | **0** | **0** | **0** | **0** |
| | **Total** | **2,068** | **1,465** | **2,062** | **5,595** |

# TOP TEN STR REPORTING DISTRICTS (APR-JUN2022)

| District | No. of STRs | % of Total STRs |
|---|---|---|
| Karachi | 1225 | 21.89% |
| Lahore | 904 | 16.16% |
| Islamabad | 532 | 9.51% |
| Faisalabad | 231 | 4.13% |
| Peshawar | 226 | 4.04% |
| Rawalpindi | 210 | 3.75% |
| Quetta | 182 | 3.25% |
| Sialkot | 146 | 2.61% |
| Multan | 123 | 2.20% |
| Gujranwala | 89 | 1.59% |
| Others | 1727 | 30.87% |
| **Total STRs** | **5,595** | **100%** |

**District wise Receipt of STRs**

| District | % |
|---|---|
| Karachi | 21.89% |
| Lahore | 16.16% |
| Islamabad | 9.51% |
| Faisalabad | 4.13% |
| Peshawar | 4.04% |
| Rawalpindi | 3.75% |
| Quetta | 3.25% |
| Sialkot | 2.61% |
| Multan | 2.20% |
| Gujranwala | 1.59% |
| Others | 30.87% |

# DISCLOSURES SENT TO LEAS
## (APR-JUN 2022)

| Total Disclosures | Proactive Disclosures | Reactive Disclosures |
|---|---|---|
| 473 | 247 | 226 |

**Proactive Disclosure (Q-2 2022)**

| Category | Value |
|---|---|
| FBR-IR | 84 |
| FIA | 85 |
| CTDs | 44 |
| NAB | 13 |
| FBR-Customs | 6 |
| SBP | 9 |
| SECP | 4 |
| ANF | 2 |

**Reactive Disclosure (Q-2 2022)**

| Category | Value |
|---|---|
| Others | 142 |
| CTDs | 43 |
| SBP | 23 |
| NAB | 13 |
| FBR-IR | 2 |
| FIA | 3 |
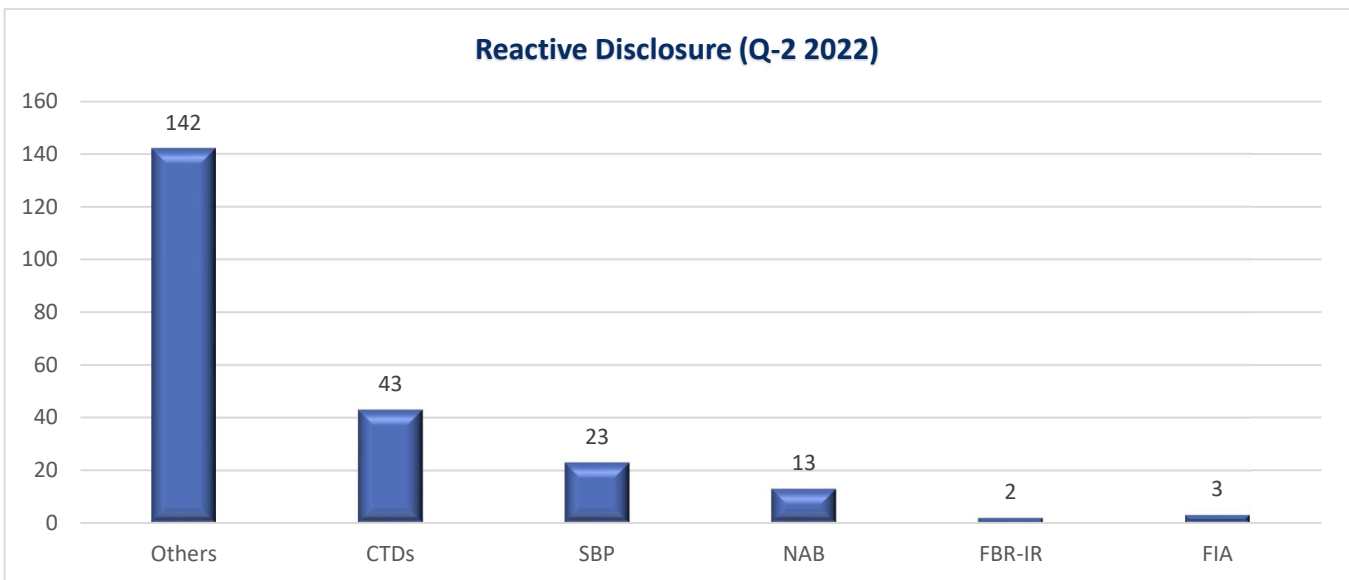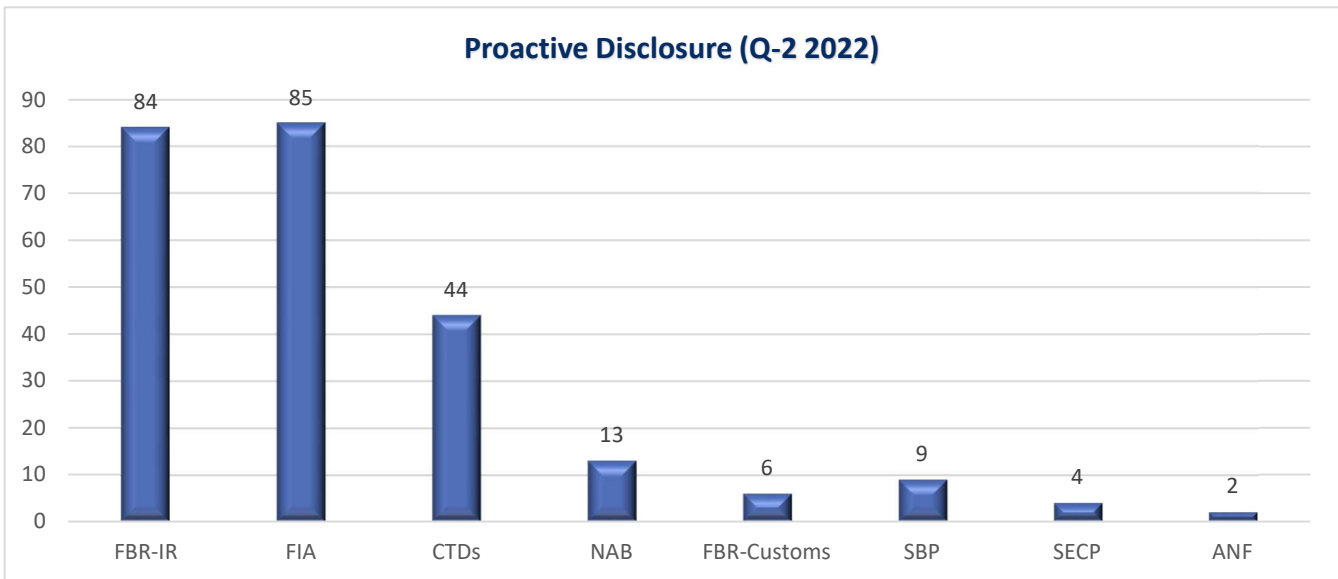
# FINANCIAL INTELLIGENCES DISSEMINATED TO LEAS
## (PREDICATE OFFENCE WISE)
### (APR-JUN 2022)

| | Designated categories of offences as per FATF | Q2 Apr-Jun 22 |
|---|---|---|
| 1 | TF (UNSCR-1373) | 41 |
| 2 | TF (others) | 09 |
| | **TOTAL - Terrorism Financing** | **50** |

| | Designated categories of offences as per FATF | Q2 Apr-Jun 22 |
|---|---|---|
| 1 | Trafficking in human beings and migrant smuggling | 2 |
| 2 | Illicit trafficking in narcotic drugs and psychotropic substances | 2 |
| 3 | Corruption and bribery/Unexplained Assets as per NAO/Cheating Public At large/ unjustified High Turnover | 26 |
| 4 | Fraud; / Ponzi | 17 |
| 5 | Murder/ grievously bodily injury | 1 |
| 6 | Smuggling / Offences under Customs Act | 3 |
| 7 | Tax Evasion / Tax Crime | 73 |
| | **TOTAL** | **124** |

| | Other offences | Q2 Apr-Jun 22 |
|---|---|---|
| 1 | Regulatory Violation/ Regulatory Advice | 3 |
| 2 | Virtual Currency | 2 |
| 3 | Trade Based Money Laundering (TBML) | 3 |
| 4 | Hawala/Hundi | 42 |
| 5 | Illegal Trade in financial instruments | 8 |
| 6 | Illegal Trade in Financial Instruments /FCY | 15 |
| | **TOTAL** | **73** |

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

# MONTH WISE CTRS RECEIVED
## (Apr-Jun 2022)

| | Apr | May | Jun |
|---|---|---|---|
| Currency Transaction Reports (CTRs) | 384,829 | 349,114 | 382,053 |

**Month wise CTR Reporting Trend (Apr to Jun) 2022**

| | |
|---|---|
| 390000 | 384829 |
| 380000 | 382053 |
| 370000 | |
| 360000 | |
| 350000 | 349114 |
| 340000 | |
| 330000 | |
| | April  May  June |
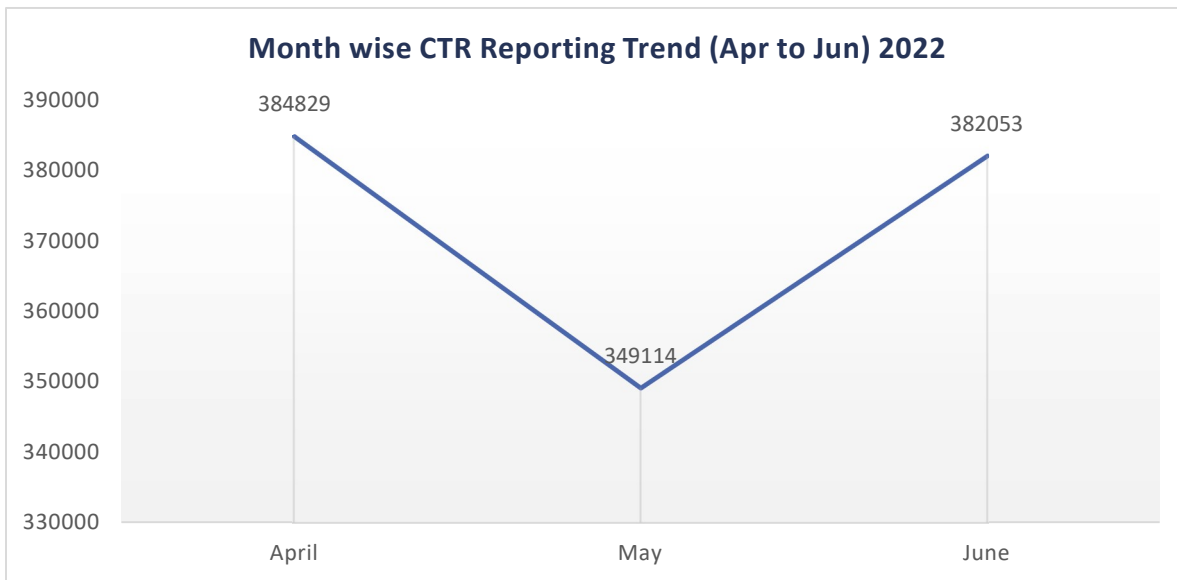
# CAPACITY BUILDING

FMU in pursuing its mission to eradicate money laundering and terrorist financing focuses upon providing an actionable lead to Law Enforcement Agencies (LEAs) based on quality intelligence. For this purpose, FMU understands the need to build the capacity of the Reporting Entities in line with findings of the NRA, MER and any recent development in AML/CFT regime.

During the period of April to June 2022, FMU in cooperation of other organizations organized 6 capacity building sessions for its reporting entities in which more than 700 participants from banking sector, insurance sector and Banking Services Corporation-State Bank of Pakistan participated. Three of these sessions were organized by Asian Development Bank (ADB) in coordination of FMU, and 540 individuals from compliance and trade departments of banking sectors participated in these sessions.

In the month of June 2022, FMU also conducted a feedback and compliance meeting with an exchange company, in which feedback was provided by highlighting major issues on previously reported STRs, and recommendations were provided thereof.

# BRIEF SUMMARY OF STRATEGIC ANALYSIS

## 1- Money Laundering and Terrorism Financing Risks Associated to Insurance Products

The purpose of Financial Monitoring Unit's (FMU) strategic analysis is to assist Law Enforcement Agencies (LEAs) and other stakeholders for review and update the strategy to effectively regulate insurance sector to proactively tackle menace of Money Laundering (ML) and Terrorism Financing (TF).

This strategic analysis is conducted on the STRs reported from the insurance sector during the period January 01, 2021, to December 31, 2021. The analysis was performed for the review of insurance products being availed, customer analysis including geography, age and profession etc., while the related predicate offences were also analyzed in detail.

Based on the Strategic Analysis, FMU recommended its insurance sector reporting entities to strengthen their internal analysis process and to enhance KYC practices through ascertaining source of income, nominee relationships with policy holders, tax profile inquiries especially pertaining to high-net-worth individuals and Politically Exposed Persons (PEPs). Findings of the analysis were shared with FIA, NAB, SECP and CTDs of all provinces.

## 2-Risk Evaluation of Money Laundering (ML) / Terrorism Financing (TF) and other Predicate Offences in the Province of Balochistan as per Reported STRs

Strategic analysis is conducted to evaluate the risks of Money Laundering (ML), Terrorism Financing (TF) and other predicate offences wherein the STRs and CTRs were reported from the branches of the Reporting Entities (REs) located in the province of Baluchistan. The strategic analysis was conducted to cover the broader prospect based on the 1556 STRs reported from January 01, 2020, to March 31, 2022.

The strategic analysis covers aspects of major Financial Sector being used by the suspected individuals, major cities of the Baluchistan having risk of ML/ TF, major red flag indicators being reported by reporting entities to form the suspicion of ML/ TF and other predicate offences, financial sector analysis which covered risks associated with delivery channels and financial products which were being used by the suspected individuals, analysis of cash handling by suspected individuals through CTRs reporting, etc.

The strategic analysis was shared with Counter Terrorism Department-Baluchistan (CTD-Baluchistan), Federal Investigation Agency (FIA), Federal Board of Revenue-Customs (FBR-Customs), State Bank of Pakistan (SBP) and National Counter Terrorism Authority (NACTA) on April 30, 2022.

### 3- Strategic Analysis on Construction Sector Tax Amnesty Scheme (2020)

Strategic analysis is conducted to evaluate the risks of Money Laundering (ML), wherein the STRs were reported in context of construction sector amnesty scheme (2020).

The strategic analysis analyzed the reported STRs based upon the indicators' selection, reported accounts' nature and turnovers, geographical locations, declared professions of reported individuals and suspected predicate offences. Further, strategic analysis also discussed the previous disseminations aspects on reported individuals. Based on the key observations, findings were shared with SBP and FBR-IR, while recommendations were also provided thereof.

### 4-Strategic Analysis Report on Trade Based Money Laundering for Year 2021-2022

The strategic analysis is mainly focused on Trade-based money laundering. The complexity of trade process makes it vulnerable to be used by the criminals to move their ill-gotten money to other jurisdictions without coming into the notice of the law enforcement agencies.

STRs based on the parameters reported during the period Jan 1, 2019, till June 30, 2021, were analyzed. The analysis mainly assesses the geographic distribution of Importer / Exporter involved, nature of businesses, products and commodities involved in international trade, major TBML techniques / methods used in transactional analysis based on the STRs.

The key findings of the analysis were shared with SBP and FBR-Customs, while recommendations were also provided thereof.