

Financial Monitoring Unit (FMU) Government of Pakistan



QUARTERLY REPORT

Analysis Division

OCT-DEC 2022

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EXECUTIVE SUMMARY

STRs

FMU received 6,373 STRs during the fourth quarter of the year 2022.

MAJOR SECTORS

Major reporting Sectors include Banks (4,901 STRs) and Exchange Companies (824).

CTRS

1,350,026 CTRs have been received during the fourth quarter (Oct-Dec) of the year 2022.

REPORTING DISTRICTS

Top three STR reporting districts (during the fourth quarter of 2022) are Karachi, Lahore, and Islamabad with 1,285, 821 and 570 reported STRs, respectively.

OFFENCES

Top 3 Offences during fourth quarter (Oct to Dec) of the year 2022, in terms of number of disseminated Financial Intelligences, are Tax Crimes, Hawala and Hundi and Terrorism Financing, respectively.

STRATEGIC ANALYSIS

During the fourth quarter of 2022, FMU disseminated 1 Strategic Analysis.





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.

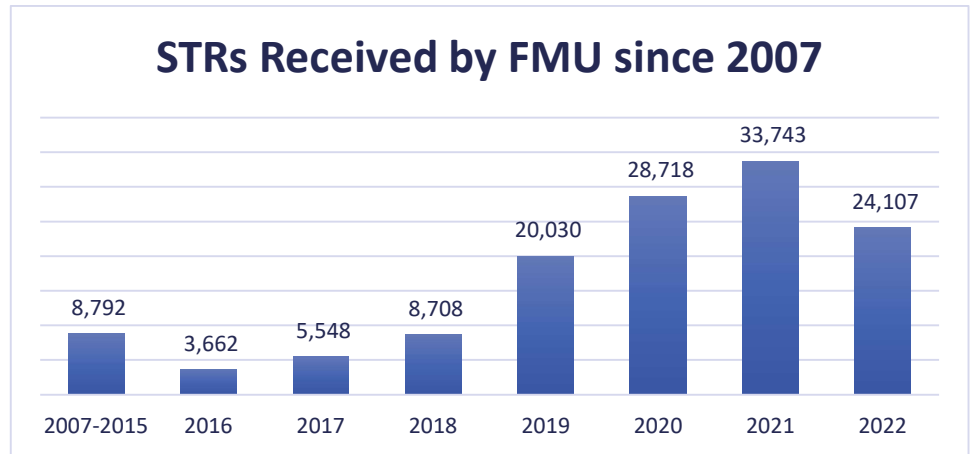
The STRs and CTRs are filed by financial institutions and designated non-financial businesses and professions.



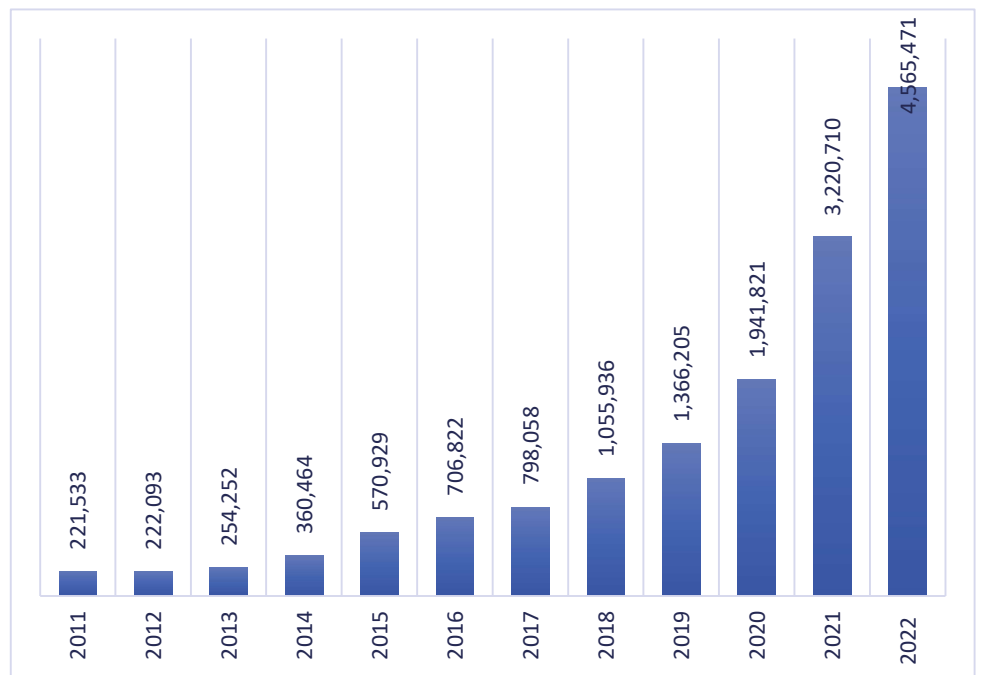
STRATEGIC ANALYSIS

FMU conducted 4 strategic analyses during the fourth quarter of 2022, in which 1,842 STRs were assessed pertaining to virtual assets.

STRs RECEIVED BY FMU SINCE 2007



CTRs RECEIVED BY FMU SINCE 2011



MONTH WISE STRS RECEIVED (OCT-DEC 2022)



STRs Reporting Comparison

In comparison of STRs received during the fourth quarter of 2021, a decrease has been observed in STRs reported in fourth quarter of 2022.



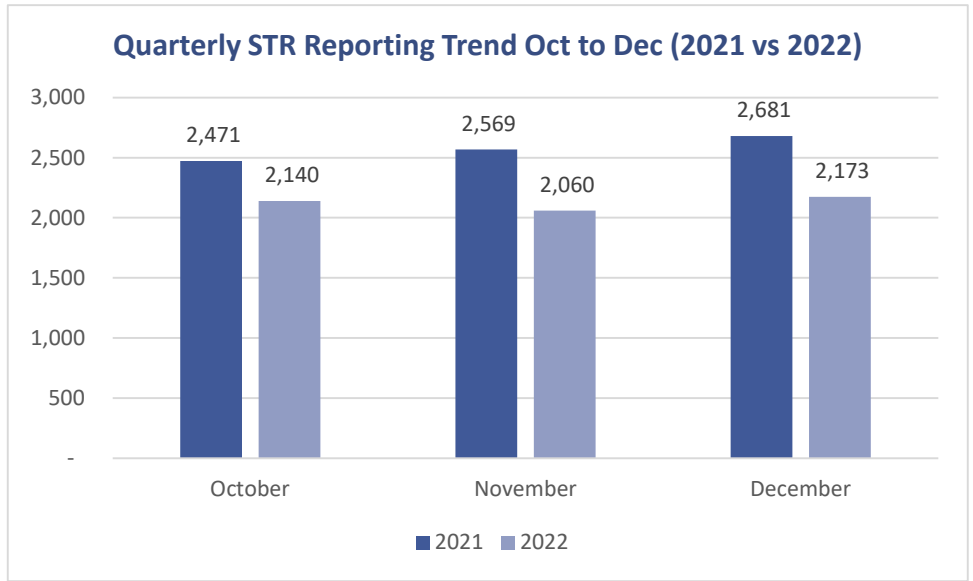
Awareness Sessions

During fourth quarter of 2022, FMU organized two awareness sessions for its reporting entities.

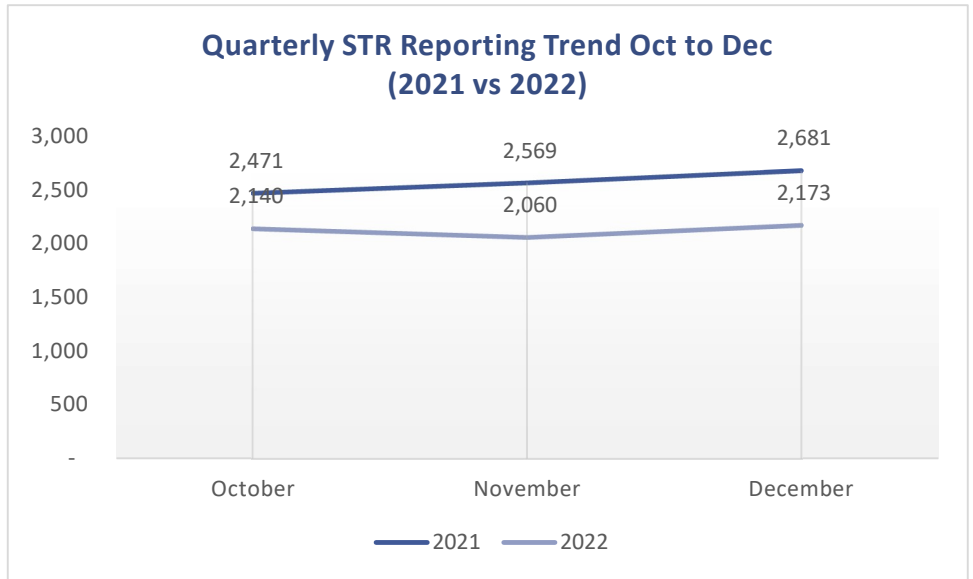


Compliance Meetings

During the period of Oct to Dec 2022, goAML taskforce and Compliance team conducted four feedback and compliance meetings with its reporting entities.

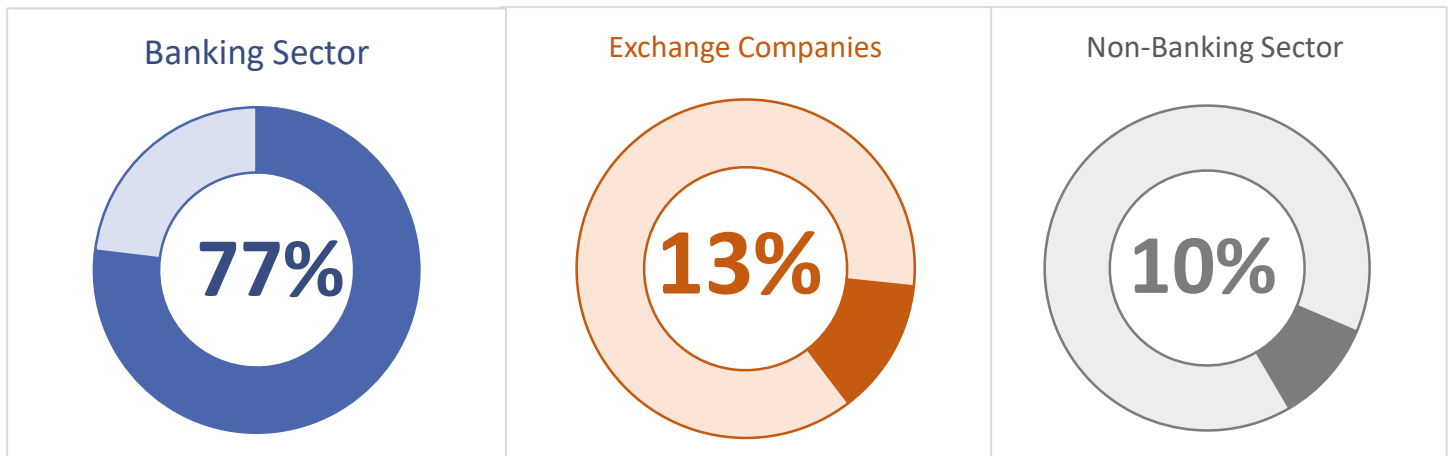


TREND



STRs RECEIVED - SECTOR WISE (Oct-Dec 2022)

| | Oct | Nov | Dec | Total |
|--------------------|-------|-------|-------|-------|
| Banking Sector | 1,597 | 1,551 | 1,753 | 4,901 |
| Exchange Companies | 303 | 224 | 297 | 824 |
| Non-Banking Sector | 240 | 285 | 123 | 648 |

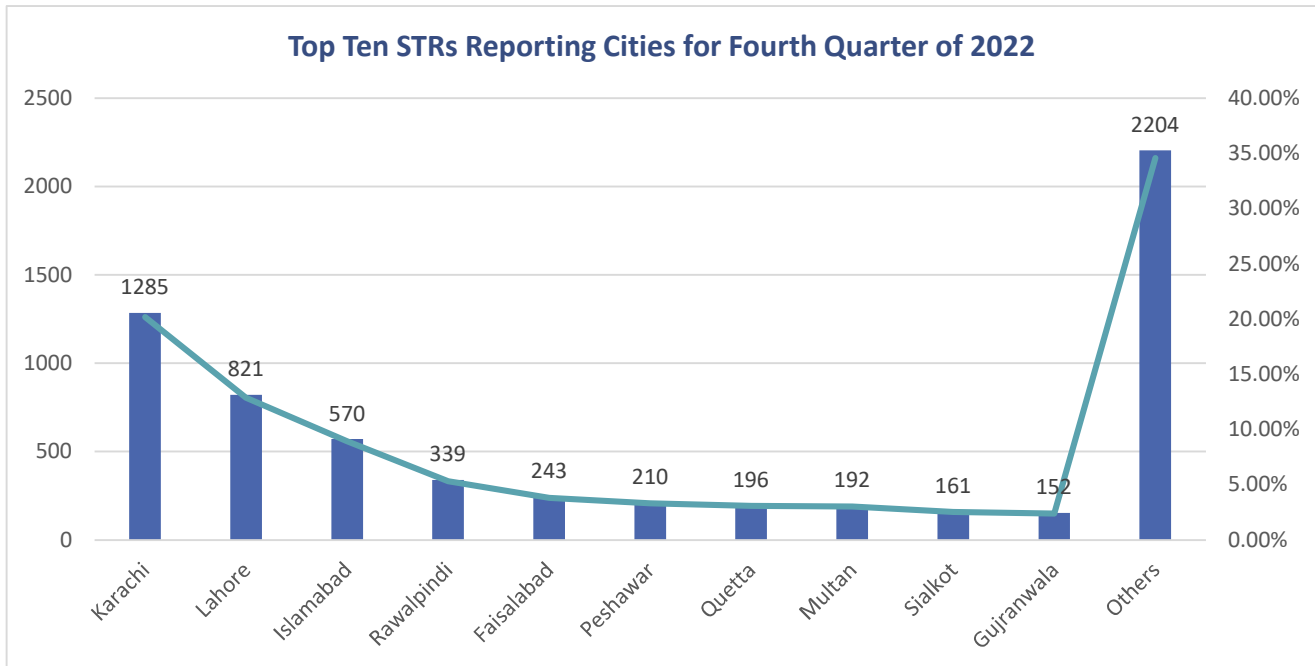


SECTOR WISE DETAILS OF STR REPORTING DURING 4TH QUARTER OF 2022

| Sr. No. | Reporting of STRs (Institutions Wise) | Oct | Nov | Dec | Total |
|----------|--|--------------|--------------|--------------|--------------|
| 1 | Banking Sector | 1597 | 1551 | 1753 | 4901 |
| 1 | Private Commercial Banks | 970 | 1022 | 1016 | |
| 2 | Islamic Banks | 233 | 233 | 278 | |
| 3 | Foreign Banks | 0 | 0 | 1 | |
| 4 | Specialized Banks | 0 | 0 | 2 | |
| 5 | Public Commercial Banks | 148 | 135 | 237 | |
| 6 | Micro Finance Banks | 246 | 161 | 219 | |
| 2 | Exchange Companies (A) & (B) | 303 | 224 | 297 | 824 |
| 7 | Exchange Companies (A) | 295 | 214 | 287 | |
| 8 | Exchange Companies (B) | 8 | 10 | 10 | |
| 3 | Non-Banking Sector / NBFIs | 127 | 87 | 58 | 272 |
| 09 | Insurance | 48 | 75 | 31 | |
| 10 | Brokerage Firm | 0 | 0 | 0 | |
| 11 | Asset Management Company | 76 | 8 | 24 | |
| 12 | Micro Finance Institutions (MFIs) | 3 | 4 | 3 | |
| | Supervisory Bodies | | | | |
| 4 | (SBP, SECP, Directorate DNFBP) | 19 | 12 | 6 | 37 |
| 13 | SECP | 19 | 12 | 6 | |
| 5 | SBP BSC & CDNS | 66 | 108 | 3 | 177 |
| | <i>SBP, Banking Services Corporation (SBP-BSC)</i> | | | | |
| 14 | <i>Central Directorate of National Savings</i> | 64 | 104 | 1 | |
| 15 | | 2 | 4 | 2 | |
| 6 | DNFBPs | 22 | 55 | 50 | 127 |
| | <i>Dealers in Precious Metal and</i> | | | | |
| 16 | <i>Stones</i> | 0 | 0 | 0 | |
| 17 | <i>Real Estate</i> | 22 | 55 | 50 | |
| | Electronic Money Institution | | | | |
| 7 | (EMI) | 6 | 22 | 6 | 34 |
| 8 | LEAs | 0 | 1 | 0 | 1 |
| | Total | 2,140 | 2,060 | 2,173 | 6,373 |

TOP TEN STR REPORTING DISTRICTS (OCT-DEC 2022)

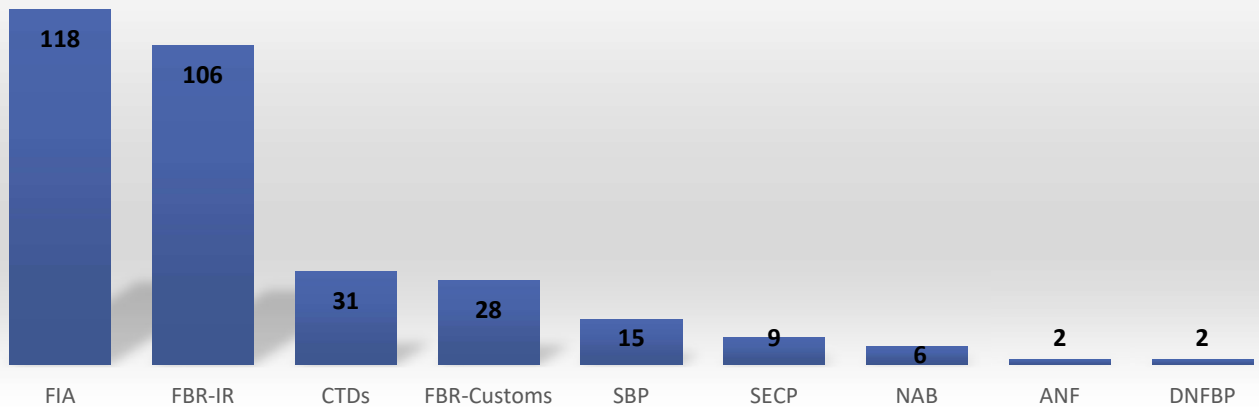
| District | No. of STRs | % of Total STRs |
|-------------------|--------------|-----------------|
| Karachi | 1285 | 20.16% |
| Lahore | 821 | 12.88% |
| Islamabad | 570 | 8.94% |
| Rawalpindi | 339 | 5.32% |
| Faisalabad | 243 | 3.81% |
| Peshawar | 210 | 3.30% |
| Quetta | 196 | 3.08% |
| Multan | 192 | 3.01% |
| Sialkot | 161 | 2.53% |
| Gujranwala | 152 | 2.39% |
| Others | 2204 | 34.58% |
| Total STRs | 6,373 | 100% |



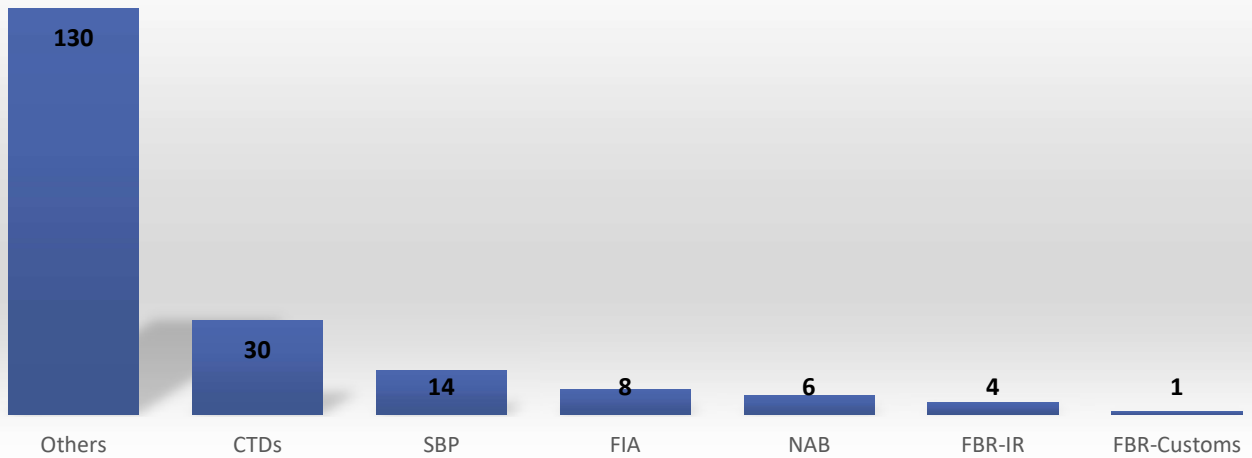
DISCLOSURES SENT TO LEAS (OCT-DEC 2022)

| Total Disclosures | Proactive Disclosures | Reactive Disclosures |
|-------------------|-----------------------|----------------------|
| 510 | 317 | 193 |

Proactive Disclosure Q4-2022



Reactive Disclosure Q4-2022



FINANCIAL INTELLIGENCES DISSEMINATED TO LEAS
(PREDICATE OFFENCE WISE)
(OCT-DEC 2022)

| | Designated categories of offences as per FATF | Q4 Oct-Dec 22 |
|---|---|---------------|
| 1 | TF (UNSCR-1373) | 20 |
| 2 | TF (UNSCR-1267) | 5 |
| 3 | TF (others) | 12 |
| | TOTAL - Terrorism Financing | 37 |

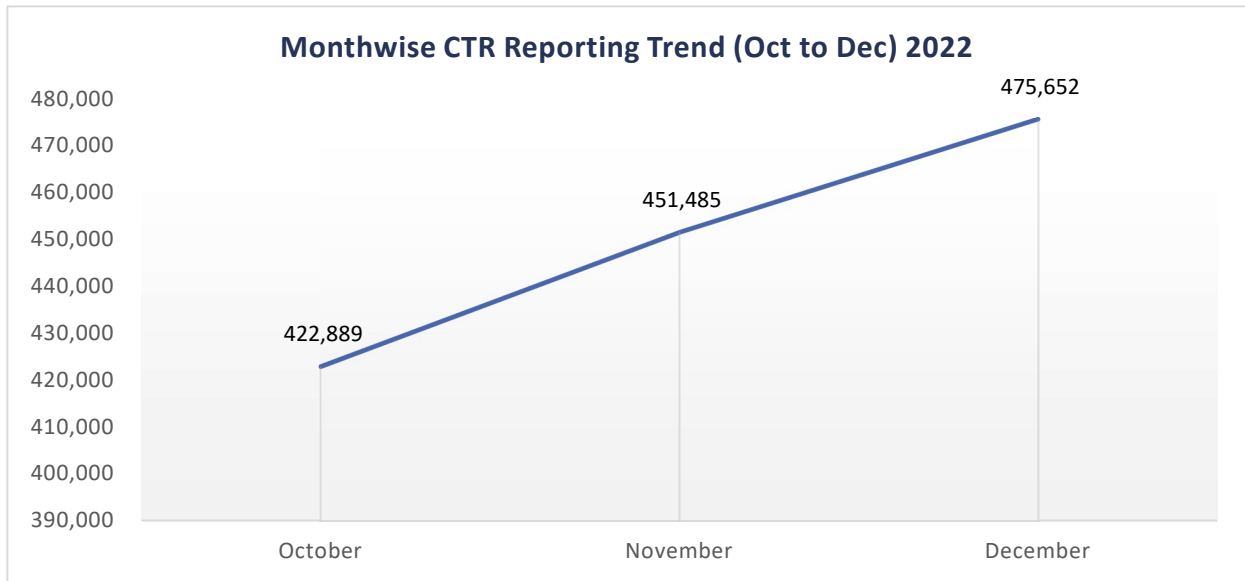
| | Designated categories of offences as per FATF | Q4 Oct-Dec 22 |
|----|--|---------------|
| 1 | Trafficking in human beings and migrant smuggling | 2 |
| 2 | Sexual exploitation, including sexual exploitation of children | 2 |
| 3 | Illicit trafficking in narcotic drugs and psychotropic substances | 2 |
| 4 | Corruption and bribery/Unexplained Assets as per NAO/Cheating Public At large/ unjustified High Turnover | 8 |
| 5 | Fraud; / Ponzi | 24 |
| 6 | Murder, grievous bodily Injury | 3 |
| 7 | Misuse of Donations | 1 |
| 8 | Smuggling/Offences under Customs Act | 16 |
| 9 | Currency Smuggling | 4 |
| 10 | Forgery | 1 |
| 11 | Tax Evasion / Tax Crime | 99 |
| | TOTAL | 162 |

| | Other Offences | Q4 Oct-Dec 22 |
|---|---|---------------|
| 1 | Regulatory Violation/ Regulatory Advice | 14 |
| 2 | Virtual Currency | 7 |
| 3 | Trade Based Money Laundering (TBML) | 6 |
| 4 | Hawala/Hundi | 80 |
| 5 | Illegal Trade in financial instruments | 2 |
| 6 | Ground Check | 9 |
| | TOTAL | 118 |

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

MONTH WISE CTRS RECEIVED (Oct-Dec 2022)

| | October | November | December |
|-------------------------------------|---------|----------|----------|
| Currency Transaction Reports (CTRs) | 422,889 | 451,485 | 475,652 |





CAPACITY BUILDING



Awareness Sessions

During the month of October 2022, FMU organized one Zoom based webinar for two different sectors of Designated Non-Financial Businesses and Professions (DNFBPs). This webinar was conducted for real estate sector and Dealers and Precious Metals and Stones (DPMS) which was attended by 110 participants.

One compliance session was also organized for the banking sector, the largest reporting sector of FMU. This compliance session was attended by compliance heads of banking industry and total number of participants was more than 50.

Compliance meetings

In the month of Oct 2022, FMU also conducted four feedback /compliance meetings. One of them was with an exchange company while the other three were conducted with private commercial banks. In these meetings, feedback was provided by highlighting major issues on previously reported STRs, and recommendations were provided thereof.





BRIEF ON STRATEGIC ANALYSIS

Virtual Assets- The emerging risk of Money Laundering and Terrorism Financing

The objective of this strategic analysis is to understand the virtual assets, underlying mechanism for transferring value and risks/vulnerabilities associated with such assets. The strategic analysis is based on different domestic and international reports on virtual assets and the suspicious transactions reports received by FMU during the period of July 2021 to June 2022. The report covers the demographics and geographic analysis of individuals involved in virtual assets and products/delivery channels used by them to perform transactions of virtual assets. Further, the report also tends to identify possible predicate offences linked with virtual assets with help of case studies.

Previously, FMU carried out similar nature of strategic analysis of STRs reported on transactions of virtual assets in December 2018, March 2020 and August 2021 which were shared with relevant stakeholders. The purpose of this strategic analysis is to assist the financial sector, regulators, law enforcement agencies and other stakeholders to develop legal/regulatory framework to govern the virtual assets as currently there are no regulations placed in Pakistan to tackle the risk of virtual assets.



CASE STUDY

Ponzi Scheme, defrauding public by offering lucrative investment packages.

· Fraud · Ponzi Scheme · Use of legal persons & arrangements · Organized Criminal Activity

Mr. GM declared himself proprietor of M/s WAL Traders, engaged in the business of IT services, E-commerce, and online advertisement services. The individual opened five accounts in the name of M/s WAL Traders at different banks in the year 2019. The transactional activity in the accounts was comprised of online transfers (IBFTs, Internet Banking, Mobile applications) and cash deposits from a large pool of individuals all over Pakistan. The credit transactions were in small amounts, but frequency of credit transactions was very high, while debits were less in number but high in value. An aggregate activity of PKR 1.5 billion was noticed in the account and all the accounts were closed at the end of the year 2020.

Simultaneously, the individual registered a private limited company with SECP in the name of M/s WAL Trader (Pvt) Ltd. which was involved in the business of online shopping and E-Commerce. As per the company registration form, it had three directors namely Mr. GM (51% shareholder), Mr. SH (25% shareholding) and Mr. AA (24% shareholding). The individuals opened 7 company accounts in name of M/s WAL Trader (Pvt) Ltd. with different banks in Pakistan at start of year 2021. However, Mr. GM was the only authorized signatory in all the company accounts opened in different banks. An aggregate activity of PKR 2.50 billion was noticed in the company accounts, mostly comprised of online transfers (IBFTs, Internet Banking, Mobile applications) and cash deposits from different individuals as investment. The analysis transpired that the accounts were used to raise fund from public from all over Pakistan as investments by offering lucrative profits, which was against the mandate of the company. The financial institutions, regulatory bodies and law enforcement agencies started to get complaints against the entity from public regarding frauds and cheating public at large. Upon inquiries by the banks, the individuals withdrew all funds from the accounts. Later, all the accounts were either closed or blocked by the banks, upon instruction of LEA.

MODUS OPERANDI

Mr. GM opened accounts in the name of M/s WAL Traders and M/s WAL Traders (Pvt) Ltd. During the analysis, identified various accounts used for crowd funding, which were opened in the name M/s WAL Traders and M/s WAL Traders (Pvt) Ltd. and operated by only Mr. GM. An aggregate activity of PKR 4.0 billion was noticed in the accounts, which appears to be raised from public using the Ponzi Scheme. Further, FMU also identified the personal account of director of M/s WAL Traders (Pvt) Ltd. at different banks. Moreover, the major counterparties of M/s WAL Traders (Pvt) Ltd. were also analyzed, which transpired that most of the counterparties were middle- and low-income individuals doing small businesses or employed in public or private sectors, who transferred funds to M/s WAL Traders (Pvt) Ltd. as investment. While a few counterparties appeared to be agents of Walton Traders (Pvt) Limited, who were mobilizing the public for investment in M/s WAL Traders (Pvt) Ltd. using social media and YouTube.

Based on the analysis of transactional activity and information from different sources, it was suspected that M/s WAL Traders (Pvt) Ltd. was involved in unauthorized activities such as Multi-Level Marketing and Ponzi Schemes and collecting deposits from the public by offering lucrative investment packages. It was learnt from the reports that M/s Walton Traders (Pvt) Limited was working as agent of OctaFX in Pakistan and various social media accounts/ YouTube videos showed the walk-through process to make payment to the foreign forex trading app (OctaFx) through accounts of Walton Traders

(Pvt) Ltd. Further, the State Bank of Pakistan (SBP) has declared online forex trading platforms such as OctaFX, Easy Forex etc. illegal and has barred Authorized Dealers from facilitating forex trading activity on these platforms.

OUTCOME

The financial intelligence was shared with the relevant law enforcement agency i.e., FIA, who already has started inquiry against the M/s WAL Traders (Pvt) Ltd and its directors. The intelligence was also shared with the regulators for sensitizing the financial institution and for taking appropriate regulatory action.

The SECP has included M/s Walton Traders (Pvt) Limited in the list of companies indulged in unauthorized activities of leasing/financing facility, MLM, pyramid/Ponzi schemes, seeking deposits from the public in the name of jobs, investment, and trading etc. Further, the FIA has registered a case against M/s WAL Traders (Pvt) Ltd. and its directors.

CHANNELS USED

Multiple business accounts under sole proprietorship category, Multiple company accounts, use of different banks, Inter-bank Fund transfers, online cash deposits, frequent internal transfers, internet banking, mobile banking, high value cash withdrawals.

