



GOVERNMENT OF PAKISTAN  
NATIONAL COUNTER TERRORISM AUTHORITY  
ISLAMABAD



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Home Secretary, Government of Punjab, Sindh, KP, Balochistan, AJK & GB  
Chief Commissioner, ICT, Islamabad

**Subject: Directive/Guidance on Money Laundering/ Terrorist Financing (ML/TF) Risks in COVID-19 Scenario**

COVID -19 pandemic has affected every stratum of society and is likely to reshape multiple dimensions of individual and public life in future. The pandemic is swiftly restructuring priorities of policy makers and the public worldwide. The national leaderships are making utmost endeavors to maintain a fine balance between preventing spread of the pandemic and generating economic activities. In these challenging times, the governments are intensifying their efforts to combat the spread of coronavirus through multifaceted measures of reinforcing public health system, safeguarding economy and ensuring public order and safety. The developing countries like Pakistan, in particular, are facing the colossal challenge to support the poor segments of society due to lockdowns and deceleration in the economic activity.

2. This unprecedented situation may however have considerable impact on the organized crime and terrorism landscape by accentuating existing and emerging vulnerabilities enabling criminals to use their existing modus operandi

or through engaging in innovative criminal activities, especially when LEAs are engaged in COVID-19 related new responsibilities. In view of the distractions caused by the pandemic in the routine functions of LEAs, regulators, supervisors and agencies responsible for ensuring robust implementation of AML/CFT laws, criminals and terrorists may reinvigorate their activities both at individual and organized level.

3. Against this backdrop, the Financial Action Task Force (FATF) has issued guidance and advisories for a timely and coordinated response to mitigate the impact of COVID-19 pandemic on Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) efforts and the application of FATF Standards. This includes the statement issued by FATF President in April, 2020 and the FATF Paper on COVID-19-related ML/TF Risks and Policy Responses in May, 2020.

4. Keeping in view the available guidance and current scenario, it is imperative to highlight the following key ML/TF risk factors which require due attention and enhanced vigilance by Law Enforcement Agencies (LEAs), financial institutions and other relevant authorities.

#### **Misuse of Charitable Sector:**

Besides the Government's relief to affected segments of society, many NGOs, charitable organizations and philanthropic individuals are involved in the noble act of charity to serve humanity in these challenging times. While the act of generosity is much appreciable, the risk of possible attempts to exploit this space by undesired elements, including UN listed/ proscribed organizations or individuals working on their behalf, cannot be underestimated.

The FATF Standards do not require that all NPOs are considered high-risk and that most NPOs carry little or no TF risk. The FATF recognizes vital importance of the NPO community in providing charitable services and applauds the 'good works' intended to meet the needs of humanity. The objective of FATF Recommendations is however to ensure that NPOs are not misused by terrorist organizations. The national authorities and financial institutions should therefore apply a risk-based approach to ensure that while legitimate NPO activity is encouraged, the sector is not abused or exploited by UN listed or domestically proscribed organizations.

Pakistan's Updated ML/TF Risk Assessment issued in September 2019 has identified Pakistan based proscribed and UN designated organizations deriving their funding from charities and social welfare activities and posing significant TF risk in the country. There are 76 organizations proscribed by the Ministry of Interior (MoI) and a number of these entities have had a long history

of charity and social work. Some of the banned outfits had front NPOs in the past which have also been proscribed under the Anti-Terrorism Act, 1997. The list of these proscribed organizations and their proscribed affiliated entities can be accessed at [www.nacta.gov.pk](http://www.nacta.gov.pk).

While the fund-raising operations of these outfits have significantly been dismantled, their funding sources choked and hundreds of their members convicted and awarded heavy sentences, this momentum must be maintained so that the organizations or any of their erstwhile front NPOs do not use the COVID-19 crisis to sneak back into raising money or engaging in social service activities. It is therefore, imperative for LEAs including the Provincial Counter Terrorism Departments (CTDs), Charity Commissions and other departments dealing with NPOs or Designated Non-Financial Businesses & Professions (DNFBPs), District Administration, Police and other relevant departments to maintain enhanced vigilance so that the proscribed/UN listed organizations do not get any space to solicit or raise funds or otherwise involve in any charitable/welfare activity, directly or indirectly.

#### **Cybercrime/ Social Media:**

The possibility of cyberattacks against organizations and individuals is expected to increase and criminals may use the COVID-19 crisis to carry out social engineering attacks themed around the pandemic to distribute various malware packages. The cyberattacks may include phishing email, mobile messages through spam campaigns and use of links to fraudulent websites or malicious attachments to seek and exploit personal payment information, etc.

Criminals and terrorists may also attempt to solicit donations, steal personal information, or distribute malware by impersonating government or international agencies responsible for disease control and prevention or healthcare organizations.

The FATF paper on COVID-19 Reports indicates that cybercriminals are using different methods to insert ransomware on personal computers and mobile devices. Some FATF members have reported that cybercriminals are using malicious websites and mobile applications that appear to share COVID-19-related information to gain and lock access to victims' devices until payment is received.

Pakistan's updated National ML/TF Risk Assessment has identified Pakistan-based proscribed and UN-designated organizations deriving their funding from charities and fund-raising domestically and from abroad, including through online and social media platforms. The Updated NRA has

also taken into account the enforcement data which corroborates the use of cyberspace for propagation of extremist ideology and crowd funding. It is therefore imperative that the cyberspace and social media platforms are kept under close watch against the backdrop of COVID-19 so that any misuse or exploitation by the criminals and terrorist organizations is immediately spotted and effectively countered.

Moreover, during the lockdowns, majority of people remain confined and are a lot more online, which could present an ideal opportunity particularly to extremists to find new recruits online, spread their extremist ideologies and disseminate their hateful propaganda. The potential rise in radical activity calls for heightened vigilance by the relevant agencies.

#### **Virtual Assets:**

There is continuing ML/TF risks associated with virtual assets as it can be used to launder proceeds earned from selling fraudulent or counterfeit COVID-19 related medicine/ goods. Pakistan's Updated NRA has earlier emphasized that while Virtual Currencies (VCs) by their nature are either anonymous or pseudonymous and highly complex, they are known to be exploited for illegal activities for ML and TF, including cross border movement of funds. The ML/TF threats and vulnerabilities in the wake of COVID-19 crisis include the use of virtual assets to move and conceal illicit funds and warrants necessary vigilance by relevant authorities.

#### **Financial Frauds:**

Due to the economic uncertainty and fears caused by the pandemic, an increase in financial fraud and scams and the offer of fraudulent investments in Ponzi schemes are anticipated. This may also include counterfeiting essential goods, fund raising scams in the name of treating COVID-19 patients and fraudulent investment schemes due to disruption in economic/financial activities.

The COVID-19 situation may also lead to substantial increase in remote or non-face-to-face financial operations and purchase of products and services by electronic or online means, which could be used by criminals and terrorists to carry out fraud and cybercrimes. Certain population segments (e.g., the elderly, low-income groups, and remote or indigenous communities) may be less familiar with using online banking or payment platforms and, therefore, more susceptible to fraud. It is therefore necessary to pursue greater and enhanced monitoring of financial transactions, especially wire and international transactions.

### **Banking & Other Financial Services:**

Criminals may try to find ways to bypass Customer Due Diligence (CDD) measures by exploiting temporary challenges in internal controls caused by remote working situations, in order to conceal and launder funds. Financial institutions should remain vigilant to emerging ML/TF risks and ensure that they continue to effectively mitigate these vulnerabilities and report suspicious transactions/activity to the FMU.

### **Increased Physical Cash Transactions:**

The law enforcement and other relevant authorities may also be aware that criminals and terrorists exploiting COVID-19 and the associated economic downturn may move into new cash-intensive and high-liquidity lines of business, both for the laundering of proceeds as well as to fund their operations.

### **Unregulated Financial Services:**

As individuals move money out of the formal financial system due to uncertain situation, this may lead to an increased use of the unregulated financial sector, creating additional opportunities for criminals and terrorists to launder or move illicit funds. Similarly, in a prolonged economic recession, those with financing needs may seek out non-traditional or unlicensed lenders, which may include criminal groups.

### **Recruitment by Criminal/Terrorist Organizations:**

The FATF paper on COVID-19 has highlighted that criminals may take advantage of the pandemic to exploit vulnerable groups. Derived from the people's economic needs and possible unemployment as a consequence of economic inactivity, criminal and terrorist organizations could be increasing the recruitment of people to support them in executing their activities that generate resources susceptible to being laundered or used in terrorist activities.

### **Narco-Trade/Trafficking:**

The lockdown and forced seclusions are likely to cause melancholy and increase demand for drugs to overcome depression. This would set the stage for drug cartels to increase supply to benefit from the situation. A hand and glove cooperation of these anti-social elements with terrorist organizations will help both to thrive in the pandemic.

5. You are aware that Pakistan has already taken significant steps to combat money laundering and terrorist financing in compliance to international standards including meeting its obligations of Mutual Evaluation Report and FATF Action Plan. The focus of Pakistan's efforts has been to improve

legal provisions and establish efficient systems, structure and processes. These efforts are focused on effective supervision of financial institutions in a risk-sensitive manner, improving cross border controls to mitigate TF threats through cash smuggling, narcotics, etc., eliminating space for UN listed/ proscribed organizations through implementation of effective targeted financial sanctions and investigation/prosecution of wide range of TF activities in line with risks identified in the National Risk Assessment. Pakistan has also implemented a model charity law and put in place other measures in order to combat terrorist financing in the country and put an end to the front NPOs formed by various UN listed entities. This includes the establishment of Charity Commissions in the provinces to efficiently manage the NPO sector.

6. Nevertheless, the risk and vulnerabilities posed by the current pandemic situation needs to be continuously and closely monitored for effective mitigation. These may include but not limited to enhanced law enforcement checks against misuse of charities/fund raising, prioritizing investigation and prosecution of any COVID-19 related illicit ML/TF activity by LEAs, keeping close watch on any new typologies of misuse of COVID-19 situation for proactive response, regular communication with the private sector (Financial Institutions and DNFBPs), encouraging the full use of a risk-based approach to customer due diligence, supporting electronic and digital payment options in a secured manner, encouraging reporting entities to remain vigilant and report suspicious transactions in case of any abuse of financial systems, particularly in the context of cross-border flows in relation to COVID-19 related funding.

7. This Directive is forwarded for compliance and necessary action. The Directive may be disseminated to all concerned departments and entities for strict compliance.



**(Mohammad Iqbal)**  
Director General (CFT)  
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Copy to:-

- i. Secretary, M/o Interior Islamabad.
- ii. Secretary, M/o Foreign Affairs Islamabad.
- iii. Secretary, M/o Finance Islamabad.
- iv. Director General, FATF Secretariat, Islamabad.
- v. Chief Secretary, Government of Punjab, Sindh, KP, Balochistan, AJK & GB
- vi. PS to National Coordinator, NACTA.
- vii. Office Copy.