



DECONSTRUCTING TERROR FINANCING IN PAKISTAN

By
Asad Ullah Khan
Research Fellow

Edited by
Najam Rafique

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



The US has put forward a motion to have Pakistan placed on a global terrorist financing watch list of the anti- money laundering monitoring group - The Financial Action Task Force (FATF). If successful, the move will increase the challenges for Pakistan on its economic front.

This is the second harsh move by US after the suspension of 900 million in security aid to Pakistan last month.¹ United states accused Pakistan of not implementing the UN Security Council Resolution 1267 which encourage states to take measure like assets freeze, travel ban and arms embargo in order to have a strong control over terrorism financing around the globe.

The FATF is an intergovernmental body headquartered in Paris. The task force was charged with studying money laundering trends, monitoring legislative, financial and law enforcement activities taken at the national and international level, reporting on compliance, and issuing recommendations and standards to combat money laundering. It also monitors progress in implementing the FATF Recommendations through "peer reviews". The FATF has recommended a complete document in which standard measures are highlighted for the states to handle this important issue. The recommendations include identifying the true risk of money laundering, need for national cooperation and coordination on terror financing, considering terror financing as a criminal offence on the basis of Terrorist Financing Convention, and drafting adequate laws for non-profit

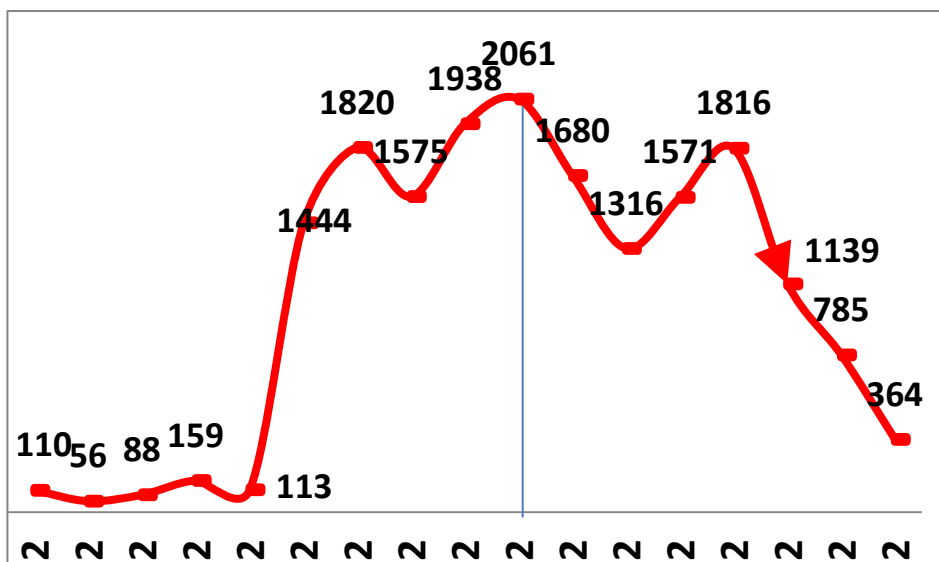
¹ US approaches anti-money laundering monitoring group to place Pakistan on global terrorist-financing watch list, "News Nation", <http://www.newsnation.in/world-news/us-approaches-anti-money-laundering-monitoring-group-to-place-pakistan-on-global-terrorist-financing-watch-list-article-191913.html>

organizations so that that the terrorists organization may not pose themselves as legitimate entities.²

Pakistan has been accused by the US of non-compliance of FATF rules and regulations on terrorism financing. Moreover, Pakistan will be called upon to defend its case on the basis of measures it has taken so far in the upcoming FATF meeting on February 18-23, 2018.

Islamabad has a strong case for its defense under the significant progress that it has made to control terrorism in the country. The recent report released by National Counter Terrorism Authority (NACTA) states that currently, the phenomenon of terrorism is on the lowest scale in the country when compared against the data of previous years, and demonstrates the state's commitment to fight against the menace of terrorism.

Graph: Number of Incidents per year



Source: NACTA, Pakistan

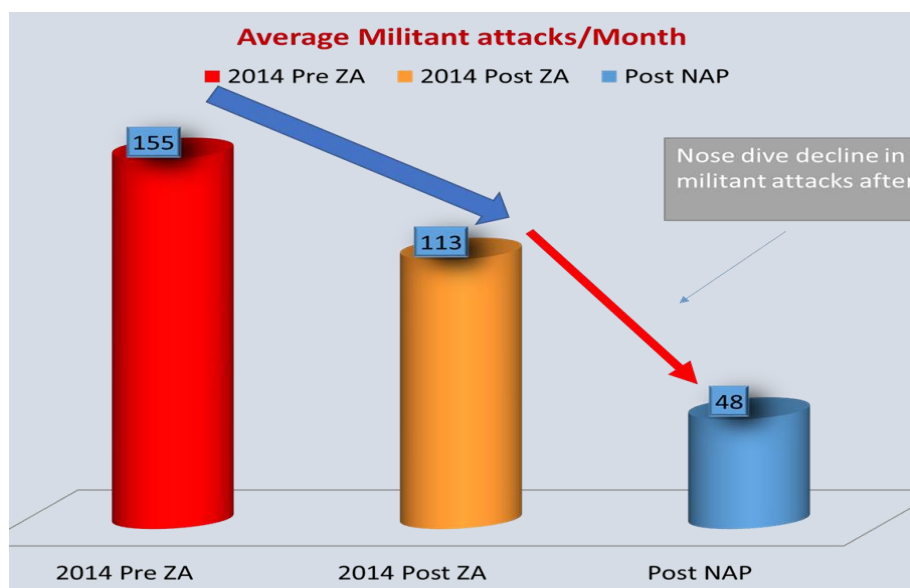
Secondly, the recent report by the Global Terrorism Index (GTI) clearly states that terrorism has fallen significantly in Pakistan as compared to the previous years, and places Pakistan on number fifth in the countries list who are most affected by terrorism, which shows an improvement as compared to the previous years.³

² The FATF Recommendations, "The Financial Action Task Force", <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>

³ Global Terrorism Index 2017, <http://visionofhumanity.org/app/uploads/2017/11/Global-Terrorism-Index-2017.pdf>

Pakistan has also established a Financial Monitoring Unit (FMU) to effectively augment and enhance efforts of domestic law enforcement agencies, regulators and other stakeholders in detection and prevention of threats emanating from money laundering and terrorist financing activities, and providing the essential interface with such efforts elsewhere within the entrusted legal mandate in an efficient, substantive and effective manner. The FMU Unit has brought down many illegal transfers with the coordination of Federal Investigation Agency (FIA) and Provincial Counter Terrorism Departments in Police.⁴ This can be cross checked by the facts and figures released by NACTA which states that the cases reported in Hawala/ Hundi are 777, arrests made against these cases are 1060 and recovery of Rs. 1320.705 million has been done in this regard.⁵ Furthermore, under the National Action Plan (NAP,) Counter-Financial Terrorism (CFT) investigative units have been established in Police Counter Terrorism Departments (CTD). Countering Financial Terrorism Directorate is also present in NACTA for a unified response on the feedback coming from the provinces.

There are two fronts on which Pakistan is trying to control terror financing in the country. First one is the internal front in which it has to deal with the groups and individuals designated by the United Nations as terrorists who are still functioning in the country. Such groups use the space of informal activity in the Pakistan's economy and banking system. Secondly, the presence of large militias like Al-Qaeda, Tehrik-e-Taliban Pakistan (TTP) and Daesh has been taken care of by the kinetic operations such as Operation Zarb-e-Azb and Operation Raddul Fasad in combination with the National Action Plan.



Source: Director Office NACTA

⁴ Financial Monitoring Unit, <http://www.fmu.gov.pk/index.html>

⁵ Director Office National Action Plan, National Counter Terrorism Authority (NACTA).

In a meeting on February 15, 2018, the Minister of State for Finance Rana Muhammad Afzal briefed the Senate that Pakistan has taken vibrant steps to seize the assets of banned groups in compliance with FATF regulations. He also added the fact that the investment in Pakistan and the ongoing development projects will be adversely affected by this move as a bearish spell can be observed in Karachi Stock Exchange after the move has been adopted by US.⁶

On the other hand, the Punjab government has started taking over all the moveable and immovable assets of Jamaatud Dawa (JuD) and the Falah-i-Insaniyat Foundation (FIF) operating in the province.⁷ This action has been taken after the amendment in the Anti-terrorism Act of 1997 earlier in February 2018, and allowing the state to deal with the proscribed organizations on the United Nations list.⁸

While the government was criticized for the loose and slow implementation of National Action Plan, the performance report released by NACTA shows a significant improvement. However, the situation will not change over the night. The measures for dealing with terrorism financing under the National Action Plan are a phenomenon which will produce desired results in the longer run. The government is making every effort to deal with the issue by making the needed amendments in laws and then implementing them appropriately in order to fully pursue its efforts of curbing terrorism. External pressures at this stage by the US to isolate and castigate Pakistan only amounts to turning a blind eye to all the efforts by Pakistan to check terrorism in the country.

⁶ Nadir Guramani, "Pakistan on global lobbying campaign against placement on terror-financing watchlist", *Dawn*, February 15, 2018. <https://www.dawn.com/news/1389591>

⁷ Amjad Mahmood, "Punjab govt moves to seize assets of JuD, its welfare wing" , <https://www.dawn.com/news/1389524/punjab-govt-moves-to-seize-assets-of-jud-its-welfare-wing>

⁸ Ibid.