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Mal-Practices of Corporate Governance in Pakistani Financial Institutions: Overview of Panama & Pandora Leaks

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Abstract: *Malpractices of corporate governance in Pakistan are identified in Panama and Pandora's papers published for secret gains. These leaks highlighted the names of Pakistan's personalities involved in financial crime, including tax evasion and money laundering. Further, there are certain allegations of financial crimes against the renowned personalities of Pakistan. Therefore, the matter is pivotal for Pakistan because of financial constraints due to the sanctions imposed by FATF. It is a need of the hour to look into this matter because our economy is on the ventilator due to financial crimes. Further, to understand how our institutions are dealing with financial crimes. For this research, the library and internet sources were used for data collection. The qualitative methodologies are adopted for this analytical and descriptive study, and data analysis is carried out through a critical analysis of the Pakistani legal framework. Therefore, this article has highlighted the issues related to governance and its impact on the economic system of Pakistan. Further, it is concluded that Pakistani institutions need statutory help preventing the increasing rate of mal-practices of financial transactions and white color crime in Pakistan.*

Key Words: AML, FATF, FIA, FBR, NAB, Panama Papers, Pandora Leaks, SECP

Introduction

This paper is about the existence of shell companies and the mode of their business in the world and its discourse in the Panama papers and Pandora papers. The Panama Papers is a collection of 11.5 million leaked papers that were released on April 3, 2016. More than 214,488 offshore entities are included in the files, which include financial and attorney-client information. Mossack Fonseca, a Panamanian legal firm, owns the document and makes it available to the public. The document disclosed a network of over 214,000 tax havens, with people and businesses from more than 200 countries participating. (Siraj, 2019)

As per the Panama Papers, this type of financial crime is occurring all over the world to conceal illegal income and avoid paying taxes. The Pandora Papers is a leak of approximately 12 million documents revealing hidden riches, tax avoidance, and money laundering by some of the world's wealthiest and most powerful individuals. (Rehman, 2019) For months, over 600

journalists from 117 countries scoured through data from 14 sources, uncovering stories that will be published this year. The data was gathered by the International Consortium of Investigative Journalists (ICIJ) in Washington, DC, which is conducting its largest-ever global investigation involving over 140 media organizations. (Mattise, 2021) Significantly, the 2.94-terabyte haul's data was verified by comparing it to public documents from dozens of countries. According to the ICIJ, the records "contain information about the involvements of nearly three times quite so many current and former leaders of countries as any previous leak of paperwork from offshore havens." "The records contain information on roughly four times as many current and former country leaders' dealings as any preceding leak of files from offshore havens." (Jones, 2021)

Furthermore, the researcher attempted to initiate Pakistan's legal framework to protect black funds raised through unlawful methods and their transfer in offshore operational processes. It is important to note

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that Pakistan is experiencing financial difficulties as a result of illegal money transfers to tax-exempt countries. (Oxford, 2020) As a result, various researchers have identified corruption as the primary impediment to Pakistan's economic growth. Tax evasion is used as a form of theft of state assets by Pakistan's wealthy. Furthermore, this study evaluated all configurations of money laundering and shell company operations around the world the safeguard their illegal monetary benefit and investments. ([Saleem, 2019](#))

Shell Companies and its Operations

To be sure, a shell company is a legal entity that is used in a variety of business activities to reduce tax liability, gain access to funds, store funds, or maintain anonymity. Furthermore, it can be open and go from its bank accounts, and it can only participate in monetary transactions. A shell corporate entity, on the other hand, is a business that has no substantial assets or active operation. ([Iftakhar & Ehsan 2019](#)) s.

For example, remember that a shell corporation is a firm or corporate entity that only works on paper, with no offices or personnel, but which may well have a bank account, detached investments, or be the registered proprietor of intellectual property. As a consequence, shell companies can be enlisted at the location of a company that offers a service for establishing shell companies and also acts as a legal communications agent. ([Hussian, 2019](#))

Since the end of the twentieth century, the world has been moving toward substantiated large assets or activities. To rationalize their financial transactions, the people and the corporation established the company of shell companies. These shell companies are now used for tax avoidance, circumvention, and money laundering, as well as to achieve a specific goal such as anonymity. Anonymity can also be used to protect financial property from unknown sources. When a partner in a failing marriage, creditors, or public officials want to hide their assets, they can invest in shell companies. ([Floros & Sapp, 2011](#))

Shell corporations can be used for commercial and legal purposes in the aforementioned situation. As a result of a contract defining the trustee's obligation, Shell Corporation can act as a trustee for the trust. In addition, a corporate shell can be built around collaboration to limit the partners' liability and other commercial operations. (Qureshi, 2017) This protects one component of the company from the risks of another. Shell corporations can also be used to transfer the money from one company to another while

keeping the previous company's obligations. Furthermore, one reputable organization may be transformed into a shell company as a result of adverse market conditions or poor management. When a company's operations are halted, a shell corporation can form. A corporate organization's function is not described by the term "shell corporation." On legal documents, it is simply to show an entity based on a specific regulatory regime, such as a private equity firm, general partner, or limited partnership. (Kerin, 2019)

Surprisingly, in the present situation, shell companies, particularly those based in tax havens, play a significant role in the underground economy. They are referred to as international company companies, personal investment groups, front companies, and "mailbox" companies. As a result, shell companies are used to avoid paying taxes. Traditional tax avoidance schemes are launched by numerous corporate entities to start reducing tax liability in various countries, and people benefit from these schemes by investing their money in shell companies. ([Park, 1978](#)) To be sure, the researchers have pointed out that forming shell and shell accounts in the modern world is a breach of international law. This is why these companies have become a financial terror for developing countries, as leaders save their unfair improvements through the quote marks of these offshore companies. ([Sharman, 2012](#))

Business Operation of Companies in Pakistan

Without a doubt, the corporation of businesses is regulated and controlled by the statutory provision in Pakistan, companies Act 2017 for its authorization and fully operational of the company is assessed by the Security and Exchange Commission of Pakistan (SECP). However, the Federal Board of Revenue (FBR) and the Federal Investigation Agency (FIA) have the authority to investigate the fairness of business transactions within Pakistan as well as the proper business operations of registered and non-registered companies. (Oxford, 2021) Considering the process and functional areas of firms in Pakistan, shell companies exist as a result of the lack of proper enforcement of legislation and the strict system of checks and balances of regulatory bodies in Pakistan. ([Jones, 2021](#))

There are no particular firms enrolled as shell companies in Pakistan because no laws, guidelines, or regulations permit shell companies. However, when the researchers define shell companies in Pakistan, they state that these types of companies only exist on paper and have no offices or employees in Pakistan.

(Qureshi, 2017) Furthermore, these businesses have bank balances, but they don't appear to be conducting any business on the record, even though they are submitting all legal documents to the governing institutions. As a result, these companies have no record or information about just the company's owner other than the fact that they are used to protect the assets of individual people by company registration under the identities of legal corporations. [\(Shub, 2006\)](#)

In most cases, shell businesses operate in Pakistan to launder money and transfer illegal funds through banking firms by presenting investment opportunities on paper. Significantly, shell firms in Pakistan lack real operational processes, personnel, or manufacturing capabilities, but these institutions are only set up to conceal authority in tax havens where rules are less rigidly enforced. (Ammar, 2021) The goal of this type of business is to launder money from Pakistan to any other country where offshore accounts are encouraged to invest.

Pakistan is currently experiencing an economic crisis or deficit, and the FATF has placed Pakistan on the grey list for monetary operations due to the unfortunate fact that money laundering is prevalent in Pakistan. Financial crimes involving narcotics, trying to smuggle, tax evasion, and corrupt practices are major issues in our country. The proceeds of narcotics and financing for terrorist activities are embezzled through the undocumented remittance systems known as hawala and hundi. [\(Jaffery & Mughal, 2020\)](#) To look into these illegal transactions and prevent them, the regulators of Pakistan are the State Bank of Pakistan (SBP), National Accountability Bureau (NAB), Anti-Narcotics Force (ANF), Federal Investigation Agency (FIA) along with customs authorities are liable to enforce the Anti Money Laundering Laws. [\(Mukhtar, 2016\)](#)

Difference between Shell and Offshore Companies

Without a doubt, there are two types of companies dealing with the protection of unfair improvements for the protection of assets. The first is a shell corporation, and the other one is an offshore corporation. Offshore and shell companies both offer individuals and businesses lower taxes, greater anonymity, and access to a wide range of international markets. However, because an offshore company is located in a foreign court, there is a different legal structure and set of laws that protect that company if it is the target of litigation. [\(Hussian, 2019\)](#) Surprisingly, the term "offshore" refers to a corporation that is formed or integrated into a country where the corporation is not a citizen. Another

distinguishing feature of an offshore corporate entity is that its owners and directors are typically based outside the country in which the company is formed, granting the company non-residential status. [\(Jancsics, 2018\)](#)

Role of Shell Companies in the International Financial System

Shell companies are corporate organizations with no active business that participate in the international financial system. Because of its ease of incorporation and disclosure requirements, it is used for money laundering or engaging in criminal activity. Even though corporate organizations in general, and shell companies specifically, have legitimate commercial applications. [\(Lejour et al., 2019\)](#) Their business operations are vulnerable due to a lack of accountability in the creation process. In some cases, the advantages of using these business entities for legitimate purposes pose threats to and potential delinquent behavior of these entities. Following that, tax policy issues relating to shell companies are not addressed in preliminary cases. These vulnerabilities are related to the use of shell companies to promote financial fraud and financial fraud in general. [\(Bambani & Visser, 2015\)](#)

Illicit Use of Shell Companies

In this case, a shell company is a legal entity formed by applicable corporate governance but does not conduct business. Instead, it is used to conceal the true owner of accounts and assets by performing fictitious transactions or retaining accounts and assets. As a result, the use of these shell companies is legal, but the purpose is illegal and illicit in any way to protect unfair gains. To protect their black money, more sophisticated money launderers, for example, use a complicated maze of shell companies in various countries. [\(Pacini et al., 2019\)](#) Furthermore, the money launderers fabricate the shell company's transaction history to make it appear as if it has been in operation for a long time to avoid undesired scrutiny of illegal assets. (Wadlinger, 2018)

In this case, the researcher has emphasized those According to the United Nations and Crimes, global illegal proceeds average more than \$2 trillion per year, with crime proceeds in the United States totaling nearly \$300 billion in 2010. For illicit conduct to thrive, criminals have to be able to conceal, transmit, and access criminal profits. Furthermore, they frequently resort to money laundering and frequently use the confidentiality of shell and front businesses to conceal

an entity's true beneficial ownership. [\(Sluyterman, 2010\)](#)

The widespread use of shell firms, front businesses, nominees, and other means to conceal the true beneficial owners of properties is a major flaw in the anti-money laundering (AML) system. Even though corporate structures are currently created by each state and require varying degrees of knowledge about officers, directors, and managers, none of them seek input on the personalities of those who own or regulate legal corporations when they are formed. [\(Schwartz, 2009\)](#)

As the FBI investigates a slew of the lawbreaker and national security risks in which criminals use shell and front companies to conceal their nefarious activities and true identities both domestically and internationally. The deliberate use of these agencies exacerbates and lengthens investigations. (Nielson, 2012) Therefore, electronic systems and documented economy and transactions are much needed to restrain the misuse of shell and offshore companies.

As is customary, identifying true beneficial owners can stymie or delay investigation and prosecution, necessitating duplicative, slow-moving legal procedures in multiple jurisdictions to collect the required information because this process is time-consuming and costly. [\(Tamanaha, 2015\)](#) If the FBI and other law enforcement agencies can easily identify the advantageous owners of these shell companies, they will be able to effectively minimize the risks presented either by the illegal flow of funds.

Business Activities of Shell Companies

Similarly, a company that wants to expand while lowering its tax burden may consider trying to form a shell corporation. A shell company can be used to invest in global markets such as stock exchanges and bond markets. Furthermore, shell companies are frequently used for tax evasion, tax avoidance, and laundering, as well as to achieve a specific goal such as anonymity. One of the functions of a shell corporation is to convert illegally acquired capital into lawful wealth that can be taxed and traced back to its source. [\(Sluyterman, 2010\)](#) These businesses are typically

started by the person(s) in possession of the unaccounted funds. Tax evasion, bankruptcy fraud, phony service schemes, price manipulation, and money laundering are all common illegalities carried out by a shell company. [\(Will Kenton, 2019\)](#)

Shell companies that want to hide their true profits frequently resell through shell companies in tax havens. When transactions are conducted through these shell companies, the initiating entity is not obliged to reveal its transactions and thus tries to avoid paying taxes. [\(Hubbs, 2019\)](#) Surprisingly, infrastructure companies are usually the most involved in this field because they are expected to bribe a large population of persons, including politicians, public officials, and the local mafia. The industrial zones would send a check for X amount to the shell company, which the shell would then cash. [\(Floros & Sapp, 2011\)](#) The shell company conceals its payments by proclaiming them as payment transactions to other shell companies. Shell companies are tax shelters that are formed without the formation of a company or the publication of a public listing. These businesses are then bought out by another corporation, which may or may not have a legitimate business but does not want to invest a lot of time, resources, and effort necessary to initiate a business. [\(Hussian, 2019\)](#) This could be one of the less shady uses of a shell corporation to indicate it unlawfully through the legal process. Parking lawsuits in complicated transactions, defending trade secrets, and using such firms as a weapon in mergers are a few of the acceptable uses of such firms. [\(Sharman, 2012\)](#)

Panama Papers and Pandora Papers highlighted Shell Companies of Pakistani

Shell businesses and companies that don't have any physical locations, personnel, or operational assets but exist outside or inside of the country for protection of illegal gains. These companies are registered through agents constructed to hide ownership information from other personnel. (Mattise, 2021) This offers them the anonymity they need to hide ill-gotten gains, evade paying taxes, and avoid AML rules. This is the list of some famous and renowned personalities of Pakistani who own this sort of investment. [\(Jones, 2021\)](#)

Table 1

S. No	Panama Papers Total: 259 Pakistani		Pandora Papers Total: 700+ Pakistani	
	Name	Profession	Name	Profession
1	Prime Minister Nawaz Sharif and his family members	Politician	Shaukat Tarin and his family	Politician

S. No	Panama Papers Total: 259 Pakistani		Pandora Papers Total: 700+ Pakistani	
	Name	Profession	Name	Profession
2	Chief Minister Punjab Shahbaz Sharif and his family members	Politician	Moonis Elahi	Politician
3	PPP Senator Rehman Malik	Politician	Senator Faisal Vawda	Politician
4	PPP Senator Osman Saifullah's family	Politician	Khusro Bakhtiyar and his family	Politician
5	Real Estate Czar Malik Riaz Hussain's son (Bahria Town)	Businessman	Ishaq Dar's son Ali Dar	Politician
6	Chairman ABM Group of Companies Azam Sultan	Businessman	Retired Maj Gen Nusrat Naqem	Armed Forces
7	Pizza Hut owner Aqeel Hussain and family	Businessman	Sons of former Pakistan Air Force chief Abbas Khattak	Armed Forces
8	Sultan Ali Allana, Chairman of Habib Bank Limited	Businessman	Axact CEO Shoaib Sheikh	Businessman
9	Hotel tycoon Sadruddin Hashwani and family	Businessman	National Bank of Pakistan President Arif Usmani	Businessman
10	Former Judge Justice Farrukh Irfan	Judge	Peshawar Zalmi owner Javed Afridi	Businessman
11	Retired Judge Malik Qayyum	Judge	Express Media Group Publisher Sultan Ahmed Lakhani	Journalist/Media Group
12	Mir Shakil-ur-Rehman of GEO and Jang Group	Journalist/Media Group	Dawn Media Group CEO Hameed Haroon	Journalist/Media Group

Shell Companies Used for Money Laundering

Most countries face significant challenges in preventing, identifying, and punishing money laundering and terrorist financing through shell companies. The use of sophisticated methods to launder money and finance terrorists complicates matters even more. Money laundering techniques include multiple banking transactions, the use of various investments and other types of valuation assets, various availability of economic institutions, accountants, investment advisors, corporate shell entities, and other providers such as fund transfer, and a complex web of transfers to and from different countries. (Tiwari, 2020) Terrorism funding, on either hand, entails the intention of providing assets or otherwise assisting in the commission of terrorist activities. Determining what constitutes terrorism is a more difficult concept to define because the term can have significant political, religious, and national connotations that vary from country to country. The concealment and concealment of the origin of illegal funds are common transaction-oriented aspects of money laundering and terrorist financing. (Nielson, 2012)

Money launderers move or attempt to move illicit funds through legal routes as shell companies to conceal their criminal origins, so although terrorist financiers transmit cash of either legal or illicit origin to conceal its source and ultimate use. (Stack, 2015) However, the result is the same. Lawbreakers profit

from their actions when money is laundered; they are rewarded for concealing the illegal activity that generates the illegal revenue as well as the source materials of what appear to be legitimate proceeds. Individuals who fund terrorists are similarly compensated for concealing their sources of funding and obscuring the financial support they require to carry out their crimes. (Schwartz, 2009)

History of Money Laundering Prevention Activities

In response to concerns about money laundering and terrorist activities, the international community has taken several steps. (Laundering, 2013) This section of the Guideline discusses the various international organizations that are viewed as international standard setters. It goes on to describe the documents and functions that have been created for AML/CFT purposes. (Ammar, 2021)

United Nations and UN Security Council Resolutions

The United Nations (UN) was the first international organization to take significant steps to combat money laundering on a truly global scale. The United Nations has a program in place to combat money laundering; the Global Program Against Money Laundering is part of the United Nations Office on Drugs and Crime and is based in Vienna, Austria (UNODC). The Vienna

Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) and the Palermo Convention against Transnational Organized Crime (1999) were adopted by the United Nations General Assembly (2000). In 2001, the International Convention for the Suppression of Terrorist Financing (1999) was adopted. These agreements require all UN member states to implement appropriate anti-money laundering and anti-terrorist financing measures. (Kemal, 2014)

Aside from these conventions, the UN Security Council has issued several resolutions under Chapter VII of the UN Charter that are binding on all UN members in response to a threat to international peace and security (UNSCR 1267 and its successors, 1373, and the resolutions related to the prevention, suppression, and disruption of the proliferation of weapons of mass destruction). ([Woda, 2006](#))

Financial Action Task Force

The Financial Action Task Force on Money Laundering (FATF) is an intergovernmental organization tasked with developing and advocating a global response to money laundering and terrorist financing. The G-7 nations established it in 1989. In terms of money laundering and terrorism financing, the FATF has three main responsibilities: monitoring members' challenges in developing AML/CFT indicators (explicitly or through regional bodies); assessing and reporting on laundering trends, techniques, and countermeasures; and reviewing and reporting on embezzlement trends, technologies, and countermeasures. As a result, the FATF AML/CFT standards are being widely adopted and implemented around the world. ([Mukhtar, 2016](#))

FATF issued a set of anti-money laundering (AML) recommendations intended for use by countries worldwide. These recommendations were first published in 1990 and have since been revised three times: in 1996, 2003, and 2012. The new rules, which included financing for nuclear proliferation, went into effect in 2012. The FATF created the International Co-operation Review Group (ICRG) as a new mechanism for engaging the "unwilling" and countries that pose a threat to the international financial system. ([Schwartz, 2009](#)) FATF and FSRB members must demonstrate an efficient commitment to carry out their international duties under the ICRG method. If a neighboring country serves as a haven for criminals, the time and money spent by one jurisdiction to establish an effective AML/CFT system in that country are squandered. Individual risks and hazards in specific scenarios are the focus of the ICRG approach.

If necessary, the FATF Plenary may publicly identify these jurisdictions. ([Shah, 2007](#))

Surprisingly, the ICRG's second role is to collaborate with those governments to address the flaws that led to the FATF Plenary's conclusion. This means that the ICRG and a single jurisdiction could work together on a focused follow-up strategy. There must be no duplication as well as conflict inside the FATF family or across the follow-up procedures if all evaluation evaluations and order and balance are completed correctly. Pakistan has been sanctioned by the FATF for failing to comply with its financial protocols. (Oxford, 2021) Therefore, Pakistan is on the grey list and facing some constraints in financial transition inside and outside of the country.

The Impact of Panama Papers and Pandora Leaks on Pakistani Institutions

Interestingly, when the researcher probed the impact of money laundering and financial crimes in Pakistan, he discovered that a few of Panama and Pandora's papers exist solely for money laundering purposes. ([Siraj, 2019](#)) Aside from these practices, the ulterior motives are tax avoidance and concealing the beneficial owner, which is the primary reason for trying to form a shell corporation in Pakistan. The law requires Pakistani financial institutions to recognize the ultimate beneficial owner (UBO) of shell corporations, and once identified, enforcement agencies can take action against them. ([Saleem, 2019](#)) Significantly, Pakistan is experiencing financial constraints, which are affecting money demand, rate of growth, distribution of income, tax revenues, lending companies, and the state bank of Pakistan's reserves. As a result, Pakistan is on FATF's grey list and is subject to sanctions in financial transactions around the world. ([Jones, 2021](#)) On the other hand, as previously discussed, the country's high taxes distinguish it from offshore tax havens outside the country, and people want to transfer their stolen funds through this channel to nations like Panama to safeguard their assets. ([Shah, 2007](#))

As a result, to combat this type of financial crime, the SECP is the first institution that regulates companies beginning with their formation and registration. Following that, a shell company may be listed on the Pakistan Stock Exchange (PSX). If a company is discovered to be involved in shell company operations after being identified, the enforcement agencies NAB and FIA may initiate criminal proceedings against them. (Ammar, 2021) If such companies continue to be listed by concealment, they will no longer be considered shell companies because

the perpetrators begin physical operations and businesses to avoid prosecution by law enforcement agencies. If law enforcement agencies in Pakistan do their jobs properly, they can play a critical role in preventing the business of shell companies and money laundering. As a result, Pakistan's income activity and economic stability will improve ([Lee, 2009](#)).

The State Bank of Pakistan

The FATF, the world's anti-money laundering watchdog, kept Pakistan on its watchlist in October 2020, urging it to tighten controls on terrorist financing while applauding some progress. According to the Reims watchdog, Pakistan has completed 21 of the 27 tasks while making varying degrees of progress on the remaining tasks. ([Mukhtar, 2016](#)) Pakistan has been working very hard to get off the grey list and avoid being positioned on the black list, which could lead to sanctions and a reduction in IMF funding. According to the most recent regulatory amendments, policies, controls, procedures, and barrier protection methods will be developed and implemented in proportion to the risk of financial fraud, terrorist financing, and stockholder fraud. (Mughal, 2020)

The SBP requested that banks provide sufficient magnitude information on customers (e.g., occupied country, asset volume, data obtained from public databases, the internet, and so on) and update existing identifying information and confidentially data on a more frequent basis. It also asked for more information on the planned nature of the manufacturing connection and transactions, as well as details on customers' sources of finances or wealth. "All business interactions with consumers should be constantly monitored to ensure that the transaction is comparable with the SBP's regulated entities' (REs) understanding of the customer, its effectiveness as well as operational profile, and, if essential, the sources of funds," according to the SBP. "Throughout its business engagement, SBP REs shall help their customers in opening savings accounts and, if granted by the FBR, obtaining NTN." (Kemal, 2014) However, in recent developments in 2021, the FATF has kept Pakistan on the grey list due to insufficient progress in all of the assigned tasks. As a result, the primary institution for growth in the economy should be required to regulate all subordinates by FATF guidelines, and the State Bank of Pakistan will be able to highlight financial crime. (Akram, 2019)

Role of Judiciary in the Prevention of Shell Companies Pakistan

Significantly, it demonstrates that courts are the "best practice" for assisting governments in "eliminating the veil of secrecy" around the final owner of a corporation, basis, cooperative, or other private corporation and preventing their exploitation, according to various studies. Beneficial ownership disclosure is critical to avoiding the misuse of corporations, organizations, or other entities for laundering money or terrorist funding. (Afzal, 2013) A beneficiary is a legal term for someone who benefits from owning even though the estate or business is possessed by someone else. This can be accomplished through a judicial proceeding. (Chachar, 2019)

Pakistan must ensure that officials have access to accurate and up-to-date information on the folks behind corporate entities, foundations, as well as other legal entities, according to FATF guidelines. The International Consortium of Investigative Journalists released the so-called "Panama Papers" documents in early 2016, revealing the beneficial ownership of hundreds of offshore firms. ([Haldevang, 2018](#)) While many of them were used correctly, the records revealed that some advantageous ownership was hidden for malicious or illegal reasons. The documents also named a slew of powerful Pakistani citizens as beneficial owners who refuses to declare their connections to offshore corporations in contravention of FATF rules. ([Lee, 2009](#))

The Pakistani judiciary plays a critical role in this regard, scrutinizing the shell and shell accounts of a Pakistani citizen involved in corruption. The Panama Papers case (officially titled *Imran Ahmed Khan Niazi v. Mian Muhammad Nawaz Sharif*), colloquially known as the Panamagate case, was a landmark decision by Pakistan's Supreme Court that barred incumbent Prime Minister Nawaz Sharif from public officials for the rest of his life. (Gulsher, 2019) Furthermore, cases of financial fraud are still being investigated by the National Accountability Bureau (NAB) courts. Cases involving white-collar crimes, on the other hand, are presently undergoing a severe backlog in higher courts, and the judicial system is growing in importance in enforcing financial crimes. (Visser, 2015)

Surprisingly, the Pakistani legal system has taken steps to mitigate this threat. The written and electronic media must be aware of the need to "nip the evil in the bud" by playing a positive role. It is critical to raise public awareness and education about financial crimes and emphasize the additional safeguards provided by anti-money laundering legislation. It's also critical that

major and small initiatives are closely scrutinized, allowing for some money laundering control. ([James, 2020](#)) Furthermore, the court urges that legislation be enacted to reduce money laundering, particularly in the financial sector. There is a need for a worldwide system in which banks refuse to store unlawful funds. ([DNA News, 2020](#)) As a result, the judicial forums of Pakistan have made substantial efforts to eradicate criminal financial transactions through various trials. The courts and prosecution section of the National Accountability Bureau is also playing an important role in preventing the activities of shell corporations in Pakistan, which are classified as white-collar crimes. Over time, the crime rate will drop due to the efforts and heavy sentences imposed by the courts in the instances. ([Hamilton, 2017](#))

Conclusion

It is concluded in this research article that shell companies engaged in illicit activities for tax evasion, money laundering, and other purposes are a major stumbling block for developing countries' economies. The structured approach and regulations are not enough in dealing with owners of shell companies in Pakistan because barriers of legal entities are insufficient to restrain them from investing in shell companies. Further, Pakistan has not had sufficient mechanisms and enforcement processes to cope with

Anti-money laundering. Therefore, the illegal business operations can't be restrained through mandatory registration as prescribed in the companies acts 2017.

Interestingly, shell companies are engaged in illicit activities for tax evasion, money laundering, and other purposes to protect the money obtained through illegal means. Pakistani institutions and law enforcement agencies are not dealing with coping with these sorts of financial crimes following international legal standards. Therefore, Pakistan is suffering from an economic disability, low currency rate, a reserves shortage, the high price of necessities of life, an increase in IMF loan and interest of the loan. It is need of the hour that all enforcement agencies can play their role in the prevention of financial crimes and the transfer of money through illegal means from Pakistan. This is the only way to restrain the illegal transfer of money and its investment in tax heaven the shell and offshore companies. However, the Pakistani judiciary is playing its role in eradicating shell companies' activities and money laundering within the country with the help of FIA, FBR, and NAB. If we can take it all in the legal framework and statutory measures and enforce it according to international standards settled for the prevention of money laundering, then Pakistan can become an economically sound country and starts economic growth.

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