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Pakistan on FATF's Grey List: Terrorist Financing Perspective

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Abstract *Pakistan is facing great challenges of terrorism which have posed serious threats towards integrity and stability of the country. It is unanimously agreed that finance serves as lifeline for execution of terrorist activities. Terrorist groups generate funds through multiple sources and transfer them by exploiting the loopholes existing in financial system. Despite, Pakistan has taken sufficient steps to counter the financing of terrorism (CFT), nonetheless, money is still transmitting due to some regulatory flaws of the financial system. Owing to terrorist financing related deficiencies, Pakistan has been placed on the Financial Action Task Force (FATF) "Grey list". FATF has warned Pakistan to be blacklisted if precipitate actions to address TF related deficiencies are not taken until February 2020. The paper evaluates the present CFT legal framework and recommends certain legal initiatives required to be taken by Pakistan prior dead line of February 2020.*

Key Words: Financing of terrorism, Sources of funds, Channels of fund transfer, Financial Action Task Force, CFT regime.

Introduction

Terrorism is as old as the human history (Blin, 2007). Every terrorist activity entails money whereas money is taken as *"lifeblood"* for any terrorist organization (Gupta, 2005). It reveals that, without money, these groups could not execute any terrorist activity or sustain as an organization. In this backdrop, it is important to discuss that what are the probable choices of fund generating and through which networks, the money is transmitted from one place to another. The role and importance of finance for terrorist groups may be perceived through the year wise budget of Al-Qaeda which was approximately more than 30 million US $ (Freeman, 2011), Hezbollah budget was up to 400 million US $ (Levitt, 2005) and annual budget of Afghan Taliban was between 240 to 360 million US $ (Kenyon, 19 March 2010).

After 9/11 attacks, international community has given special attention towards financial support of terrorism by considering the fact that financial resources serve as lifeline of terrorist attacks (Bush, 2001). It is unanimously agreed by the think tanks that disrupting the flow of finance from sponsors to militant organizations may severely affect the execution of terrorist activity (Meierrieks, 2018). Whenever, debate to counter terrorism is held, the aspect of financing of terrorism remained at priority being mainstay of terrorist activity (Report, February 2001). It is mostly observed that terrorist groups raised their funds from illegitimate means, whereas, legal sources like donations and charities also proved to be a rich font for the financing of terrorism. Furthermore, to avoid the likelihood of detection, militant groups process their funds on the same pattern as are adopted by non-terrorist groups (FATF, "*Report on money laundering typologies 2002-2003*", p.3., February 2003). In this backdrop, International community decided to take appropriate legal and preventive measures to cut off the financial flow towards and from terrorist organizations. The United Nations Security Council (UNSC), introduced Resolution 1373 which directly deals with the terrorist funding. The Resolution requires the countries, members to it, to ensure the mandatory actions to suppress the flow of funds collected for militant activities. In continuation of international measures, The Financial Action Task Force (FATF), with its regional groups, was created to set standards for countering terrorist financing through carrying out of comprehensive measures in the form of legal and regularity measures.

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Pakistan, unfortunately, has been a victim of various types of terrorism for the last many decades. Primarily, the wave of terrorist activities was started in 2001 and reached its climax in 2010. To counter the menace of terrorism, Pakistani law enforcement agencies (LEAs) launched operations against terrorist groups. Some terrorists of Tehriki-e-Taliban Pakistan (TTP) shifted to Afghanistan and continued their militant activities against Pakistan (TTP, 19 September 2018). Although, Pakistan is on number 5th among the most affected countries by terrorism (Global Terrorism Index , 2017), however, it is currently placed at 46th position in the world in terms of assessing the risks of terrorist financing (Governance, 2017). Militant groups, operating in Pakistan, use a wide variety of legal or illegal instrumentalities to generate funds. They exploit the loopholes of financial system and successfully transfer their funds from one place to another. FATF pin pointed Pakistan first time in 2008 for deficiencies in counter terrorist financing and anti-money laundering regime. Despite taking significant legal initiatives, Pakistan is again on the FATF grey list for compliance of 5 out of 27 action items. Pakistan has to comply all the action points till February 2020. Prior discussion on the present scenario, alerting Pakistan by FATF to execute its action plan, it is imperative to have a glimpse that what is militant financing, sources of financing, channels from where the funds move and the discrete link and similarities between the terrorist financing and money laundering.

What is the Financing of Terrorism?

Terrorist financing means the strategies through which terrorist groups generate funds to execute terrorist activities. Militant organizations need financing both for their operational purpose as well as to fulfill organizational requirements (FATF, *"Terrorist financing"*, 2008). Small groups working at low level also require funds to attain targets (FATF, *"Emerging terrorist financing risks",* 2015b). Collin Powell, former US Secretary of the State, highlighted the importance of finance for terrorism by asserting that *"Money is Oxygen for the terrorist organizations"* (Ashley, 2012).

The International Monetary Fund (IMF) and World Bank (WB) explicitly describe the 'financing of terrorism' as *"financial support, in any form, to the terrorist groups or o those who encourage, plan or engage in it"* (Dalyan, 2008). The importance to find out the sources of fundraising for militant activities was highlighted during the year of 1986, when United Nations General Assembly enlisted its first Convention against enrollment, training and the availability of money for terrorist organizations. However, the concrete step, at global level, towards efforts to trace out the financial assets of terrorist organizations was the embracing of first UN Convention in 1989. In the furtherance of said convention, another International Convention for the Suppression of Financing of Terrorism was embodied by the assembly of UN in 1999.

Terrorist Financing attracts some observations about the credibility of a nation at global level by parting an image that the state has failed to ensure mandatory steps in war to stop or at least restrict the funding of militant financing effectively. A US State Department report illustrates that even if Pakistani laws and regulations are in compliance of Standards, set by the international forums, yet, *"the authorities failed to uniformly implement UN sanctions related to designated entities and individuals such as Lashkar-e-Taiba (LeT) and its affiliates which continued to make use of economic resources and raise funds"* (US report on Terrorism, November 2019). As the vibrant aim of terrorist activity is to cause threat at large, for people as well as government, and this purpose can only be achieved, if the finance remains available without destruction. The financing of terrorism is a process to gather funds, intending to be used or knowing to be used for execution of a terrorist activity. A wide variety of methods/ channels is involved in raising and moving the funds.

What are the Sources of Fund Raising?

Financing is pursued for not only to fund precise terrorist attack, but to fulfill the extensive organizational expenses of rising and maintaining of militant group but also to produce favorable environment necessary to carry out their terrorist tasks. Terrorist groups are financed through a wide variety of sources like self-funding, general public, sects or states, however, the fundraising may be from illegitimate, legitimate or both sources (Bantekas, 2007).

Legitimate Sources of Fundraising

Terrorist groups raised their funds from legal sources like donations, self-funding, charities and business etc. Mostly donors give huge amount of money to any militant outfit considering it his religious duty. The abuse of charities or non-profit organizations by terrorist groups is common as the charities enjoy the trust of the public. Some charities having presence at world level provide facility of funds transaction for militant operations at national/ international level. Further, charities have fulfilled lighter regulatory requirements to operate at national/ international level (FATF, *"Terrorist Financing"*, February 2008). In this perspective, FATF concluded that *"the misuse of non-profit organizations for the financing of terrorism is coming to be recognized as a crucial weak point in the global struggle to stop such funding at its sources" (FATF Best Practices paper on Special Recommendation VIII.*). The proceeds of legal businesses are very attractive source of funds to finance terrorist attacks (Koh, 2006). To hide identity and to earn more profit, terrorist groups selected businesses like real estate, hospital equipment, construction firms, honey shops and restaurants and so on (Jacquard, 2002).

In Pakistan, people frequently pay Zakat and donations to the Islamic Charities. This type of financial help of poor people is always encouraged in the world notably in the Islamic states (Sulaiman, 2009). Islamic organizations or charities place small boxes for donations at points which are frequently visited by the general public to gather the money.

Illegitimate Sources of Fundraising

Initially, terrorist organizations started fundraising from legitimate sources like donations and state sponsoring. Upon enhancing the checks on legal sources for financing of terrorism, terrorist groups changed their preference and started fundraising from criminal activities like drugs/ arms trafficking, kidnapping for ransom, smuggling (FATF, *Terrorist Financing,* February 2008). Described below are the priority wise illegitimate resources from which the militant groups generate financing. Among these sources, drug trafficking is the main and lucrative source of funding throughout the world (Vittori, 2011). It becomes more attractive in the area where drug cultivation comes under the direct command of terrorist groups (Bantekas, 2003). The study reports disclose direct relation between the drug trafficking and terrorist organizations who work together for their mutual benefits.

Kidnapping for ransom is generally considered a very lucrative way to generate money militant organizations. Terrorist organizations adopt this practice on the premise that *"the holy worriers who detain foreign soldier, media person, social worker have right to demand money or release of arrested Talban(s)"* (Ali, 2010). Tehrik-e-Talban Pakistan remained involved in kidnapping for ransom of army personal and government employees from big cities of the Pakistan (ibid).

Channels used for Terror Financing

Timely transfer of funds with secrecy and reliability is always given preference by every terrorist organization for effective execution of terrorist activity. For this end, militant organizations opt sophisticated methods to transport their assets. It has been observed that terrorist organizations preferably transfer their funds by using three methods i.e. formal/ informal financial system, physical movement of cash and trade base money laundering. They use these channels as independently or in combination.

The formal banking system is preferably used by terrorist organizations on account of ease and speed which helps the efficient transfer of funds from one jurisdiction to another. The September 11 commission Report reveals that funds were mainly transferred to hijackers through formal financial system (Runder, 2010). It came to limelight that Osama Bin Laden, while residing in Sudan, opened diverse bank accounts in different countries to conceal the origin of fundraising source (Report, 2004). Parallel to formal banking system, terrorist groups choose informal value transfer system on the basis of trust which involves number of Hawaladars or money changers. Informal value transfer system does not involve actual movement of money and is familiar with multi names at global level like hundi in India and Hawala in Muslim countries (Kiser, 2005). It is reported that money launderers exploited the channel of Hawala/ Hundi in Pakistan (Lilley, 2003). Although, Pakistan has barred this practice, however, hawaladars are still working in the different areas of Pakistan. The annual turn out through Hawala/ Hundi in Pakistan is almost 14 billion US $ (Iqbal, 2015) .

Terrorist organizations move cash from one jurisdiction to another without interference of any safeguard imposed by financial system. It is observed that sometimes militant groups convert cash into high value commodities in order to move money without involving any paper trail. The global trade system always remained exposed to militant groups who exploited the same to transfer their funds under the cover of valid trade transaction. The precise techniques used to launder money via trade are well defined in FATF Typology Report (2006) despite that the militant funding was not the subject of this report (FATF, *Trade Based Money Laundering: Typologies Report*, 2006). Subsequently, upon disrupting fundraising activities of terrorist organizations, they started to transfer their financial assets by developing nexus with money launderers and criminals (Prokic, 2017).

The nexus between terror financing and money laundering

What militant financing and money laundering share in common is money. Money laundering is a process to transfer, conceal or use of financial assets derived from criminal activities (Convention, 1988). The main purpose of terrorist groups to opt money laundering is not only to mask the basic derives of crime but make the funds available at the place of operation (Stessens, 2000). Being the organized crime, money laundering lures terrorist groups to select it as channel for movement of their finance. Terrorist organizations may easily conceal the source of fundraising, especially when it is illegal, by adopting the process of money laundering. After passing through the three phases of money laundering (placement, concealment and integration), money appears as is outcome of legal activity. It has been observed that there is great similarity of stages between money laundering and terrorist financing. Like money launderers, terrorists collect funds at first stage, store their funds at second stage and transfer them at the site of operation at third stage.

Terrorist organizations require funds according to the mission and nature of terrorist activity (Passas, 2007). Terrorist Financing (TF) and money laundering (ML) have bearings not only for financial system but also pose serious threats towards the economy of the state (Rosner, 2009). Owing to deficiencies in combating the financing of terrorism, Financial Action Task force (FATF) has placed Pakistan on its "grey list" since June 2018. To understand the effect of placing on grey list, it is obligatory to know about the composition and working of FATF and how it judges countries for CFT related strategic deficiencies.

Financial Action Task Force

Financial Action Task Force (FATF) is an intergovernmental body and was established in 1989 in Paris (FATF, *"Guidance on the risk-based approach to combating money laundering and terrorist financing: high level principles and procedures"*, 2007). The key role of FATF is to devise guidelines to control the financing of terrorism (FATF). It groups international standards to counter militant financing and money laundering (ML) to save the reliability of global financial system (FATF, *Who we are*). It counters TF/ML across the world through its action plan known as FATF Recommendations which countries are to comply with. The FATF embraces 03 meeting in a year to evaluate the states' initiatives in realizing its recommendations. It cautions the countries having deficiencies in CFT/ AML legal regime. The United Nations (UN) has adopted its new Resolution 2462 in March, 2019 by urging all states to implement FATF recommendations specially to evaluate the risks associated with terrorist financing (UNSC, 2019). The Task Force prepares self-assessment report through its own experts regarding compliance of FATF recommendations by the countries (being member states are suspended on account of non-compliance of its standards. FATF appraises the performance of every country on the parameters of its "Assessment Methodology" (FATF, *" Methodology For Assessing Technical Compliance With The FATF Recommendations And The Effectiveness Of AML/CFT Systems"*) that includes:

1. To assess the technical compliance about legal and institutional framework, and
2. To assess the level to which the legal and institutional framework is giving the estimated effects.

Pakistan remained on TATF's "grey list" for three years (2012-15). Pakistan proficiently reversed to the specific list by taking specific measures (DAWN, 2015). The name of Pakistan was again included in grey list during FATF meeting in Paris June 29, 2018 due to non-compliance of International Standards especially against proscribed organizations (Iqbal A. , 2018). In response to FATF decision about placing the name of Pakistan on grey list, Pakistan gave assurance to reinforce its CFT legal framework and to remove its CFT related insufficiencies. Pakistan is not a member of FATF directly and linked with it through member of Asia/ Pacific

Group since 2000 (APG, n.d.). To observe the recent improvement of Pakistan to FATF's action plan, delegation of Asia Pacific Group (APG), one of the FATF-Style Regional Bodies (FSRBs), visited Pakistan in August 2018 and showed reservations regarding lack of coordination among the Federation and Provinces and not initiation of appropriate measures against individuals involved in Terrorist financing (Haider, 2018). At the October 2019 plenary *(APG, Anti-Money Laundering and Counter-Terrorist Financinf Measures, Pakistan,* 2019), Pakistan again reiterated its commitment for completion of action plan, however, FATF showed grave concerns with overall lack of progress by Pakistan on the following points:

1. To address the risks associated with the financing of terrorism.
2. To include deficiencies in demonstrating a sufficient understanding of Pakistan's transnational terrorist financing (TF) risks.
3. Completion of action plan in line with the agreed timeline.
4. To address the TF risks arising from the jurisdiction.

The table given below shows year wise detail of actions by FATF and APG against Pakistan.

Pakistani Compliance on FATF Action Plan

Year	Description of Compliance
2012-2015	Pakistan was placed on the FATF grey list for the first time in 2012 & remained on list for three years till 2015.
June, 2018	Pakistan was again placed on the FATF grey list on June 29, 2018. The country was given 15 months to implement a 27-points action plan agreed with the FATF.
August, 2018	APG team visited Pakistan on August 9, 2018 for onsite inspection to observe the compliance of action plan given by FATF. Team highlighted certain deficiencies in Pakistan's FATF action plan through its report dated August 16, 2018.
October, 2018	FATF declared on October 19, 2018 that progress of Pakistan on action plan (Recommendations) is unsatisfactory.
February, 2019	In pursuance of FATF action plan, Pakistan banned proscribed organizations.
June, 2019	FATF appreciated Pakistani measures to curb the financing of terrorism.
August, 2019	APG issued its Evaluation Report and included Pakistan in countries having improved follow-up on action plan.
October, 2019	FATF has strongly urged Pakistan to swiftly comply the action plan by February 2020 and until then Pakistan will remain on grey list.

After giving lifeline of four months to Pakistan till February 2020, FATF President Xiangmin Liu (President, 2019) told reporters in Paris regarding Pakistani compliance of FATF recommendations by sharing the following remarks:

> *"Pakistan agreed to national action plan to fix serious weakness in terrorist financing and money laundering framework. Despite high level commitment to fix these weaknesses, Pakistan has not made enough progress. Pakistan is required to take further measures but with fast pace. FATF is giving strong message that………. if by February 2020, Pakistan failed to made significant progress, further actions would be considered due to non-compliance" (FATF, Statement, 2019).*

Pakistani delegation led by Minister for Economic Affairs reaffirms its commitment to implement watchdog's action plan, however, Dr Vaqar Ahmed *(Joint Executive Director of Sustainable Development institute at Islamabad*) has enlightened Pakistani concerns regarding countering the financing of terrorism as follows:
"Pakistan cannot achieve the target given by FATF in four months. Technical institutions, banks and surveillance institutions lack capacity to counter the financing if terrorism and money laundering" (News, 2019).

Notwithstanding the above, the FATF Technical Compliance Index clearly depicts the true picture of compliance of FATF's Recommendations, Pakistan has fully compliant with one, mainly compliance with nine, partial compliance with twenty-six and zero compliance with four recommendations. Pakistan has been ranked 23 among other countries as per level of ML/TF risks (Index, 2019)

Effects of Grey Listing for Pakistan

Pakistan is given lifeline till February 2020 to implement the FATF action plan. If Pakistan fails to exist the grey list, it may involve the following effects for Pakistan:

1. Being part of international financial system, Pakistani banking deals can be badly affected.
2. The remaining on grey list may entail some serious impacts on economy especially on the area of imports/ exports and remittance.
3. Foreign financial institutions may enhance some extra checks on financial transactions with Pakistan on account of CFT risks.
4. Such institutions may also avoid dealing with Pakistan's financial system.
5. It may affect the sentiment of foreign investors.
6. Stock prices at Pakistan Stock Exchange may take effected further.
7. Pakistan cab be placed on 'blacklist' which may entail global restrictions.

FATF's Action Plan for Pakistan to Address CFT Deficiencies

To address CFT related deficiencies, Pakistan gave resilient assurance to FATF and Asia Pacific Group (APG), in 2018, to build up its CFT regime. Pakistan was given following action plan to overcome CFT weaknesses:

1. Pakistan has to identify, assess and deal with the TF risks.
2. In case of CFT violations, financial institutions have to apply all the remedial actions.
3. All required actions to stop the flow of illegal funds and against money transfer services are to be enforced in true latter and spirit.
4. Appropriate actions are to be taken against cash couriers, if identified to be involved in illicit transfer of money.
5. Coordination between federal and provincial government has to be enhanced.
6. Entities/ individuals involve in TF activities are to be identified and investigated by the relevant authorities.
7. Prosecution dealing TF cases should be effective.
8. Prompt and effective action against all militants placed on 1267 & 1373 designated list and persons acting on behalf of terrorists.
9. Designated entities/ individuals are to be deprived of their assets.
10. Cooperation between federal and provincial authorities to impose criminal penalties in Targeted Financial Sanctions (TFS) cases.

In response to aforesaid commitment made in 2018, Pakistan gave 27-points plan to exit 'grey list', however, as per assessment of FATF, Pakistan failed to take necessary measures in pursuance of its commitment. FATF has warned Pakistan to implement action plan till February 2020.

Pakistani Measures to Combat Terrorist Financing

It was realized that enforcement of law and regulation can contribute significantly countering the financing of terrorism. In this perspective, Pakistani laws and regulations were reevaluated in comparison with International Standards introduced to combat terrorist financing and money laundering. Pakistan took following legal initiatives to enhance capacity building for fight against terrorism and its financing:

- Anti-money laundering Act, 2010.
- Investigation for Fair Trial Act, 2013.
- Anti-Terrorism Amendment Act, 2013.
- Anti-Terrorism (2nd Amendment) Act, 2013.
- Protection of Pakistan Ordinance, 2013 (Lapsed).

- National Counter Terrorism authority (NACTA) Act, 2013.
- Anti-Money Laundering Regulations, 2015.
- Prevention of Electronic Crimes Act, 2016.
- AML/ CFT Regulations for Banks and DFIs, 2017.
- NACTA Act (Amendment), 2017.
- Security and Exchange Commission of Pakistan (AML/ CFT) Regulations, 2018.
  In addition to above CFT regime, National Action Plan (NAP) was launched to combat the financing of terrorism (htt1). To curtail the fundraising sources of terrorist groups, the NAP requires the relevant ministries to share information with other countries regarding sponsors of terrorist groups operating within Pakistan (Gishkori, 2015). To strengthen CFT regime, State Bank of Pakistan (SBP) issued the following guidelines for financial institutions:
- To align CFT Regulations with FATF action plan, necessary amendments in regulations, relating to funds transfer, correspondent banking and lowest requirement of documentations at opening new account, have been introduced.
- To prevent Terrorist Financing, detailed guidelines have been promulgated to implement SROs & Notifications issued under the United Nations (Security Council) Act, 1948 and Anti-Terrorism Act (ATA), 1997.
- The persons associated with banks would be disqualified upon having relations with entities/ individuals proscribed under UNSC Resolution or ATA, 1997.
- To enhance the standard of Know Your Customer (KYC) and documentation requirement for EC.
- Associations with Charitable & Not for Profit Objects regulations, 2018 have been issued to lay down procedures and criteria for grant of licenses to such associations.
- CFT/ AML Regulations, 2018 have been issued for the financial institutions working under the control of SECP.
- CFT/ AML Guidelines for Real Estate Agents, 2018 have been issued to bring agents into the domain of CFT regime.
- Pakistan Post has been issued CFT/ AML Regulations, 2018 to discourage the risks of terrorist financing.
- Designated Non-Financial Business and Professions (DNFBPs) like jewelers, charities, real estate agents etc. have been brought under the domain of CFT regime.
- Federal Board of Revenue (FBR) has taken far-reaching initiatives to counter illegal transfer of funds.

Despite taking considerable legal and preventive measures by Pakistan to combat terrorist financing, some TF related deficiencies are still existing. On account of these loopholes, Pakistan once again is placed on FATF 'Grey List' which may cause severe implications in future.

Deficiencies in Pakistani CFT Regime

Although, Pakistan has taken considerable actions to combat terrorist financing, however, APG Mutual Evaluation Report (Pakistan), 2019 reveals that Pakistani actions against TF risks have some deficiencies. The detail of the same is as follows:

1. Conviction of only 58 individuals against 228 cases registered for terrorist financing.
2. Technical shortcomings in Statuary Regulation Orders (SROs) issued in pursuance of United Nations Security Council Regulation (UNSCR) 1267.
3. Failing to proscribe all entities/ individuals as obligatory by UNSCR 1373 and Anti-Terrorism Act, 1997.
4. Failing to apply checks by Financial Institutions (FIs) and Designated Non-Financial Business or Profession (*DNFBP*) for screening of proscribed entities/ individuals or persons acting on their behalf.
5. Having insufficient knowledge by all FIs (other than banks) pertaining to CFT obligations and TF risks.
6. The value of monetary sanctions by State Bank of Pakistan (SBP) is at lower level.

7. Stock Exchange Commission of Pakistan (SECP) has limited understanding of TF risks and has not taken sufficient measures to implement risk base approach.
8. There is no mechanism to observe or supervise the TF risks associated with Trusts/ Waqfs in Pakistan.

Conclusion

The goal of terrorism is not money but the money is core pillar of terrorism. The financing of terrorism begins with collection of funds and ends up with distribution of these funds to the terrorist groups. Fundraising campaigns are lifelines for terrorist organizations and disrupting these activities is a vital aspect of counterterrorism plan. By evaluating the financial assets available to militant groups, it has been concluded that terrorist organizations are continuously financed from the local and foreign sponsors. At domestic level, Pakistan has taken many legislative initiatives to stop the generation and flow of funds for the purpose of terrorist financing. We have observed that finance is still flowing into the hands of terrorists. This unauthorized flow of finance warrants the urgent need of strong laws especially by empowering the investigation agencies to monitoring and surveillance of persons/financial transactions. The world leading financial standards body, Financial Action Task Force (FATF) has declared that laws on terrorism financing & money laundering in Pakistan do not exist or if exist, are ineffective. Some of CTF laws don't comply with the international standards and need fresh evaluation to enhance its effectiveness against the growing CFT challenges that include unnoticed funding sources, layering of funds, integration of funds and its distribution through various channel. By concluding the above, it is recommended that Pakistani laws to combat terrorist financing have to be appraised by comparing them with International Standards. Finally, a comprehensive and effective legal regime to deal with all possibilities of terrorist financing needs to be enacted.

Recommendations

Pakistan has taken sufficient measures to counter the financing of terrorism. Nonetheless, FATF has given warning Pakistan, already on its 'Grey List', to meet the CFT related deficiencies till February 2020. In case of non-compliance, strict decisions may be taken against Pakistan like 'blacklisting'. The appended below recommendations as pointed out by APG may help Pakistan to exit grey list or at least to be avoided from blacklisting:

- FIs and DNFBPs should have to extend their TFS applications against designated entities/ Persons or the individuals acting on their behalf. If FIs and DNFBPs fail to comply their CFT obligations, wide-ranging sanctions are to be imposed against them.
- A consensus at national level is to be developed to detect, evaluate and understand both the domestic and trans- national TF risks.
- To enhance sanctions against natural/ legal persons found to be involved in terrorist financing.
- The Financial Monitoring Unit (FMU) should enhance its capacity to have access to all relevant information pertaining to TF risks and subsequent sharing of financial intelligence with concerned agencies especially with Counter Terrorism departments CTDs.
- Federal and provincial government has to provide all possible support to the institutions (FMU, Prosecution, Courts etc.) dealing the cases of terrorist financing. If involvement in TF is proved, the amount of assets confiscation is to be enhanced especially in commensuration with county's TF risks.
- To initiate strict actions against Non-Profit Organizations (NPOs) and non-registered entities operating as NPOs when found involved in the financing of terrorism.
- CFT regulations are to be revised to enhance supervision of Pakistan Post and NDFBPs so that they may take necessary measures in accordance with their CFT obligation.
- Being vulnerable to TF risks, prompt actions are to be taken against hawala/ hundi under Foreign Exchange Regulation Act, 1947, if the same is found involve in terrorist financing.
- Pakistan has to extend its maximum cooperation in case of cross-border cash transactions.

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