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Implementation of FATF standards and Law Enforcement Agencies in Pakistan: Challenges and a Way Forward

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ABSTRACT

This research paper is a critical examination of the adoption of Financial Action Task Force (FATF) standards by the Law Enforcement Agencies (LEAs) of Pakistan. Following the grey-listing of Pakistan in 2018, the state started a massive legislative reform to make its Anti-Money Laundering (AML) and Counter-Financing of Terrorism (CFT) framework compliant with international standards. The main aim of this research will be to determine the performance of the main LEAs in Pakistan namely the Federal Investigation Agency (FIA), the National Accountability Bureau (NAB) and provincial Police Departments in the implementation of these new laws. The article has taken the approach of a doctrinal research methodology in which primary legal texts, such as the Anti-Money Laundering Act (AMLA) 2010, the Anti-Terrorism Act (ATA) 1997, and the National Accountability Ordinance (NAO) 1999, and key case laws, including Justice Qazi Faez Isa v. Safdar Ali Khan v. the President of Pakistan. The State. The most significant results show that there is a great detachment between the legislative compliance and enforcement reality. Although the state has been able to develop a strong de jure system, giving the agencies cognizable arrest powers and expansive investigative authorities, the actual implementation is undermined by pathologies within the system. These are broken intelligence pipeline in which LEAs are not using financial intelligence efficiently, vicious jurisdiction turf wars between FIA and NAB and a dire lack of specialized human capital needed to conduct forensic financial investigation. The research paper finds out that the existing enforcement paradigm is repressive and divided. The only solution is a radical structural re-engineering, namely establishment of one National Financial Crime Agency (NFCA) and institutionalization of intelligence-led policing by a National Financial Crime Academy.

1. Introduction

The international campaign against money laundering (ML) and terrorist financing (TF) has grown to become a marginal regulatory issue to a core component of international security regulation. The Financial Action Task Force (FATF) is on the front line of this regime, and its soft law recommendations have become binding on international standards. To Pakistan, the association with the FATF has been characterizing (Rao et al., 2025). In June 2018, the country was placed on the greylist (Jurisdictions under Increased Monitoring), and this provoked a frantic mobilization of the state. The 2018 Action Plan, in contrast to the previous engagements, did not suffice to pass laws but needed to prove the effectiveness. The FATF assessment methodology changed its emphasis to the Immediate Outcomes, not only in terms of whether the country has the laws, but also in terms of whether the Law Enforcement Agencies (LEAs) are effectively investigating, prosecuting, and disrupting financial crime networks (Ali et al., 2025). This change put a strain on the criminal justice system of Pakistan than ever before. The state had to restructure its colonial-style policing systems and the disjointed investigative agencies to meet the demands of 21st century financial warfare (Raza et al., 2017). This led to a massive legislative change in 2018-2022 to remake the statutory powers of agencies such as the Federal Investigation Agency (FIA) and the National Accountability Bureau (NAB) (Sultan et al., 2022).

Legislation is just a tool, and LEAs are the drivers (Malik, 2022). The present research article is a critical assessment of the performance of LEAs in Pakistan in the implementation of these FATF standards. It examines the practicalities of the enforcement machine, tearing apart the difference between the books and the ground. The paper starts by describing the changed legislative structure that regulates LEA authorities. It followed by giving an agency-by-agency evaluation, which determines the operational failures within the FIA, NAB, Anti-Narcotics Force (ANF), and the Police. Then it examines the challenges of the system cutting across all the agencies specifically the breakdown of the intelligence pipeline and the absence of asset recovery. Lastly, based on the findings of the thesis, it offers a Way Forward, which is to have a centralized, specialized, and intelligence-driven architecture of enforcement.

2. The Legislative Mandate: Empowering the Enforcers

To have a glimpse of the issues that LEAs face, it is important to first know the legal weapons that they have been armed with. The new era of reforms in 2018 resulted in the introduction of strong amendments aimed at eliminating bottlenecks in the procedures and widening the range of enforcement bodies.

2.1. The Anti-Money Laundering Act (AMLA) 2010: The Primary Tool

AMLA of 2010 is the legislative framework of the money laundering enforcement system in Pakistan. During the ten years after its legislative adoption, the act was regularly attacked by international commentators and domestic jurists as the law that was practically toothless. This ineffectiveness was greatly due to processes weaknesses that saw the money laundering as a peripheral issue and not a major national security challenge. The radical changes that were brought by the transformative amendments implemented through the Anti-Money Laundering (Second Amendment) Act 2020 were not administrative changes but came as a paradigm shift on the coercive power of the state to comply with the strict requirements of the rigorous criteria of the effectuality of the Financial Action Task Force (FATF) (Anwar et al., 2022).

The most significant procedural change in this context was the reclassification of money laundering as a non-cognizable to a cognizable crime. This difference, in terms of law, determines the operational independence of the law enforcement. Until 2020, the Federal Investigation Agency (FIA) was constrained with a great deal; the investigators were legally bound to secure a warrant or grant permission to a magistrate before they could arrest a suspect or launch a full investigation. Within the framework of the contemporary financial crime, in which money can be moved across national borders in a matter of seconds through digital banking, this bureaucratic delay was often lethal to investigations. It gave suspects a critical period of time to dissipate funds, destroy electronic evidence, or flee the jurisdiction. The legislature by rendering the offense cognizable eliminated this judicial bottleneck and allowed the Law Enforcement Agencies (LEAs) to take action on actionable intelligence at the earliest opportunity. This transformation brings the enforcement capabilities of Pakistan in line with the agility that is needed to intercept the illegal financial flow in real-time (Khan & Akhtar, 2024).

At the same time, the changes in Section 4 of the AMLA were concerned with the problem of deterrence. In the past, the punishment of money laundering was considered by criminals as a cost of doing business- a risk that can be easily handled against the huge profits that the criminal activities yield (Imran et al., 2024). Reforms of 2020 radically changed this calculus by increasing punitive effects. The ten-year maximum imprisonment term is an extreme personal danger to the perpetrators. More to the point, the fact that legal entities (including corporations and banks) may be fined up to 100 million rupees is an effective economic deterrent. This requirement compels the private sector to ensure compliance since the financial cost of enabling laundering is currently threatening the existence of the entity. This directly meets the requirement of the FATF that sanctions should not only be proportionate, but also dissuasive (Hassan et al., 2022).

Moreover, the net of enforcement was essentially broadened by the addition of Section 3 to an overall list of predicate offenses. Such transformation requires an all-crimes approach to money laundering. In the past, the scope of investigations was usually restricted to the narcotics or terrorism money (Khan & Akhtar, 2021). The new structure will enable LEAs to prosecute money laundering together with an extensive assortment of offenses, such as smuggling and tax evasion and environmental offenses and cyber-fraud. This makes certain that money laundering is not an isolated case, but it is considered to be the financial backbone of all the large-scale organized crime. The state is now able to attack the financial resources of the criminals by connecting the laundering charge to a wider range of crime irrespective of the nature of the illegal business that they are engaging in (Alam et al., 2022).

This article evaluates that the 2020 amendments to the AMLA 2010 are a vital maturation of the anti-money laundering framework of Pakistan. The author of the research considers that the transition to cognizable crimes solves the historical dilemma between judicial control and the pace of investigation and makes the capacity of the state to disrupt financial crime a priority. Nevertheless, the study also points out that although the all-crimes approach and increased penalties under Sections 3 and 4 are on one hand a solid statutory toolkit, the success of the toolkit is ultimately determined by whether the FIA has the capacity to exercise these powers without undue overreach. The article concludes that these legislative improvements have managed to transform Pakistan to an active enforcement regime as opposed to a passive regulatory environment.

2.2. The Anti-Terrorism Act 1997: From Fighting Terrorists to Cutting Their Funding

The national security policy of Pakistan has undergone a paradigm shift in the Anti-Terrorism Act (ATA) 1997, which no longer follows a purely kinetic approach to the problem, but the model of economic containment. The initial law came into force in the late 1990s when sectarian violence was on the increase, and the initial law was intended to be an instrument of physical coercion, where the priority was to swiftly prosecute the violent individuals who engaged in bombings, targeted killings, and unrest. Nevertheless, the dynamic nature of global terrorism and strict requirements of the Financial Action Task Force (FATF) revealed the shortcomings of this violence-oriented method. The ATA amendments of 2018 are a kind of retrofitting of legislation, as they recognize that counter-terrorism in the modern world needs not just to counter the foot troops of militant organizations but also to cut the funding streams that support them (Ali, 2023).

This change of direction is best reflected in the fact that the ATA has been aligned to FATF Recommendation 5, which requires terrorist financing (TF) to be criminalized as a specific crime. The modifications of the Sections 11-H to 11-N essentially expanded the legal definition of the term financing. In the past, the prosecutors would be subjected to quite an evidentiary burden of proving that particular funds were utilized to support particular terrorist activity (Tariq, 2019). This loophole enabled financiers to act with impunity by saying that they were donating to the greater good and not violence. The revised sections sealed this loophole by decriminalizing the financing crime and separating it with the terrorist crime. It has now become illegal to give money, financial services or any other material assistance to any proscribed group or person whether a violent event is witnessed. This change allows the Law Enforcement Agencies (LEAs) and especially the Counter-Terrorism Departments (CTDs) to detain the donors and financial facilitators simply because they are related to the prohibited organizations (Rafique et al., 2023).

One of the notable characteristics of this legislative overhaul was the addition of Section 11-OOO a section that is used as the domestic enforcing mechanism of international law. Under this section, the state was given a statutory responsibility to implement the resolutions of the United Nations Security Council (UNSC) namely Resolutions 1267 and 1373. Before this amendment, UN sanctions were frequently applied in Pakistan informally and were prone to being stalled in the bureaucracy. Section 11-OOO made a failure to freeze the assets of UN-designated entities a criminal offense, and thus, a diplomatic obligation was turned into a domestic legal one. This clause denied LEAs the freedom to make discretionary decisions as they were required to act on the economic resources of specified groups with immediate effect (Imran & Idrees, 2020).

The working effect of the section 11-OOO was more evident in the crackdown on the organizations like Jamaat-ud-Dawa (JuD) and Falah-e-Insaniyat Foundation (FIF) in the state. These organisations have long held large financial structures masquerading as charity organizations such as schools, hospitals and ambulance services, which brought in revenue as well as social acceptability (Wattoo, 2022). LEAs could now directly attack this infrastructure by using the new powers of the ATA. The state blocked the accounts of banks, nationalized administrative buildings, and nationalized welfare funds. This strategy went beyond arresting the heads to causing a financial paralysis for the organizations as a whole, effectively rendering the organizations powerless to run and to hire (Kim, 2020).

This article analyzes that the reformation of the ATA 1997 indicates the maturity of counter-terrorism jurisprudence in Pakistan, which by-passes the reactive, incident-driven model and adopts the proactive, prevention-oriented financial regime. The researcher studies that the introduction of FATF Recommendation 5 and the domestication of UNSC resolutions by means of

Section 11-OOO has allowed the state to provide LEAs with legal empowerment to bring down the economic sustainability of proscribed organizations. In addition, this paper evaluates that the legislative framework in the fight against terror financing is now sound, but its effectiveness is subject to the effectiveness of the Counter-Terrorism Departments (CTDs) in enforcing the laws in order to eliminate the financial networks without political favoritism.

2.3. The National Accountability Ordinance (NAO) 1999

The National Accountability Ordinance (NAO) 1999 holds a pivotal, though questionable role in the Pakistani anti-corruption and anti-money laundering (AML) strategy. It was enacted under a military governance, and its purpose is to formalize accountability, which is basically the main law in investigating high-ranking white-collar crime in which individuals in public offices are involved. The Anti-Money Laundering Act (AMLA) 2010 is concentrated on the laundering process, whereas the NAO is concerned with the source of illegal money, namely corruption. To the Financial Action Task Force (FATF) whose main objective is prosecution of the so-called Politically Exposed Persons (PEPs) and seizure of the proceeds of crime, the NAO was an essential, although crude, tool of state power (Shaikh & Khan, 2023).

Section 9 of the statute is the most powerful tool since it offers a broad definition of what is meant by corruption and corrupt practices. In contrast to the conventional bribery statutes which necessitate the demonstration of a particular quid pro quo interaction, Section 9(a) (v) proclaims the very holding of assets which are found to be disproportionate to the means of known income (Ali, 2020). This is practically a burden of proof that is put on the accused. When the prosecution proves that one is in possession of assets (such as luxury real estate or offshore accounts) that they cannot afford on their official salary, the burden of proving that the funds were obtained legitimately falls on the defendant. This reverse onus provision is a draconian but efficient measure of curbing high level money laundering activities where the trail of money is usually lost in shell companies and benami (proxy) accounts (Shah et al., 2023).

The NAO was used by the state to a great extent to exercise its aggressive procedural powers in order to prove the effectiveness as one of the indicators that FATF uses to assess the state. Section 24 gives the unilateral discretion to the Chairman of the National Accountability Bureau (NAB) to issue arrest warrants at the inquiry stage, when a formal reference (charge sheet) has not yet been filed. More so, the initial law had permitted a physical remand (custody) of suspects up to 90 days, a term that was way out of the ordinary 14 days provided by the Code of Criminal Procedure. This long detention was employed to coax information and plea bargains (Voluntary Return) on high profile politicians and bureaucrats (Iqbal & Mustafa, 2022). The state claimed that such draconian powers were required to end impunity of elite. The international evaluators were shown high profile arrests of former prime ministers and senior civil servants as proof that Pakistan was indeed attacking big fish and getting their illegal wealth. The ability to freeze assets under Section 12 at the investigation phase was also in line with FATF Recommendation 4, which did not allow suspects to liquidate their assets during the investigation process (Hodges & Wright, 1995).

Nevertheless, there is a paradox that is disturbing when it is critically appraised. Although the NAO was giving the means to effective, its implementation was often marred by claims of political engineering. The Supreme Court of Pakistan has on numerous occasions condemned NAB to have employed its powers of arrest as a weapon of harassment and political victimization instead of a power of proper investigation. The thin border between true responsibility and political pressure discredited the AML regime. Also, the use of plea bargains (in which suspects remit the looted money in exchange for release) resulted in a moral hazard, which practically enabled criminals to purchase their way out of conviction, a trend that has traditionally been looked upon with distrust by the FATF because it does not have the property of being dissuasive (Ferry & Midgley, 2022).

The researcher examines the fact that the National Accountability Ordinance 1999 was a necessary evil in the FATF compliance strategy in Pakistan. The researcher also analyses that although the critical legal leverage required to prosecute unexplained wealth without the untenable burden of following through on all transactions was given by the section 9(a)(v), the statute had a very harsh procedural aspect (90-day remand) that brought serious due process issues. The study points to the fact that the dependence of the state on the NAO shows that it favors the aspect of coercive over forensic effectiveness. In the end, the paper finds that the way forward to achieve sustainable AML compliance is through reforming the NAO to be more consistent in the exercise of its potent investigation capabilities with judicial checks and balances, such that financial evidence is used to convict offenders instead of procedure intimidation.

3. Operational Assessment of Law Enforcement Agencies

Nevertheless, these legislative improvements do not reflect well on the real-life performance of the LEAs in Pakistan. The next section assesses the important agencies that are charged with the responsibility of enforcing these laws.

3.1. Federal Investigation Agency (FIA): The Overburdened Lead

The Federal Investigation Agency (FIA) is the leader of the anti-money laundering (AML) enforcement regime in Pakistan, and it is under the burden of a mandate that has grown exponentially in terms of scope and complexity. The FIA went through a strategic pivot after the Financial Action Taskforce (FATF) 2018 Mutual Evaluation Report (MER) criticized the agency because of its lack of action in undertaking parallel financial investigations (Khan et al., 2021). It aimed to move out of a reactive organization that received complaints, to a proactive force that makes inquiries based on financial intelligence. This change was enshrined in law by the 2020 amendments to the Anti-Money laundering Act (AMLA), which gave the agency su motu authority and re-categorized money laundering as a cognizable offense, which in theory provided the agency with the ability to act decisively (Bashir & Shahzad, 2021).

Nevertheless, critical analysis of the reality of the FIA operations shows that it has a debilitating capacity-mandatory mismatch. Although the law gives the agency the power to police the boundaries of the 21st-century crime: cryptocurrency fraud, trade-based money laundering, and dark web financing, its institutional structure is still based on a 20th century model of policing in the form of the generalist (Sadiq, 2020). The human resources strategy of the agency is an aspect that depends on the rotation of the officers among incompatible directorates. Someone who serves in the Immigration Wing and checks passports may take three years to get to the Economic Crime Wing to work on complex derivatives fraud. Such a systemic churn does not allow the building of deep subject-matter expertise. Financial forensics is not a competency that can be learned in a workshop, it takes years of specific attention. The FIA has been structurally impaired in its capacity to compete with the well-developed white-collar criminals by making financial investigation a generic policing activity instead of a specialized field (Ali, 2024).

This absence of specialization is the cause of the agency being predicate-centric in its investigative culture. In the overwhelming majority of instances, FIA investigators devote their limited resources to demonstrating the underlying predicate offense like bank fraud, corruption, or human trafficking since the latter provide physical evidence that is more easily obtained. The financial investigation concerning the layering, integration and ultimate beneficial ownership of the proceeds is commonly seen as an administrative, secondary task and not the heart of the investigation. It is not just a failure of will but of technological ability. During most of the reform, investigators did not have access to sophisticated data analytics software that could read through millions of banking transactions to identify patterns of laundering. They used manual challans rather and collection of evidence on paper (Ullah et al., 2025).

There are severe judicial implications of this strategy. The FIA registers a large number of cases and convicts of minor offenses, but its result in complex cases of money laundering is much lower. The loopholes in the financial evidences are taken advantage of by the defense attorneys who are usually more specialized than the prosecutors (Sharmeen, 2024). They sometimes win cases on the argument that although the FIA might have established that a theft took place, it was unable to provide the continuity of the forensic nature necessary to establish that a particular asset was the proceed of that theft. As a result, the rate of conviction in standalone money laundering is low as the evidence produced is not usually enough to meet the high burden beyond reasonable doubt that is required by the judiciary (Amin et al., 2021).

In this article, the researcher examines the fact that the Federal Investigation Agency has been functioning on a structural deficit in which its legislative empowerment has been ahead of its institutional modernization. The researcher discusses the fact that the predicate-focused nature of FIA investigations is an effect of a greater failure to professionalize financial crime fighting as a distinct career path. The study identifies that the use of generalist officers and manual collection of the evidence poses a capability trap in which the agency is successful at registering the cases but unsuccessful at getting high-quality convictions. The discussion finds that sustainable performance demands the establishment of a special Financial Investigation Cadre in the FIA, which is not susceptible to regular rotations and possesses proprietary data analytics.

3.2. National Accountability Bureau (NAB): The Crisis of Legitimacy

The strongest, but ironically the weakest, key to the Pakistani anti-money laundering (AML) system is the National Accountability Bureau (NAB). Unlike Federal Investigation Agency (FIA) that deals with a wide range of white-collar crimes, NAB only deals with grand corruption and white-collar crime that deals with people in high office (Shah et al., 2023). Within the Financial Action Task Force (FATF), the role of NAB is essential since it is focused on Politically Exposed Person (PEPs) high-ranking officials who pose a significant threat of money laundering because of their access to state resources. To achieve this requirement, the state gave NAB extraordinary legal powers under the National Accountability Ordinance (NAO) 1999, most notably, the power to detain suspects on physical remand of up to 90 days. In principle, this protracted custody will permit the investigators to unwind complicated financial rings that would remain hidden under shorter custody (Muhammad et al., 2025).

However, on critical analysis of the history of operations of NAB, it can be noted that these draconian powers have become its bane. The agency has been plagued by a systemic crisis of legitimacy as opposed to playing the role of an objective enforcer of accountability. The root cause of this crisis is the common belief, which is most of the time supported by factual trends, that NAB has served as a political engineering device. Case choice is often based on current interests of the political executive and has been accused of being selective in its application with opponents being prosecuted viciously and those allied to the government enjoying impunity. This politicization is deadly to the reputation of an AML regime; when financial investigation is considered as a political weapon, it becomes morally and legally unacceptable (Ali, 2020).

This view of bias was legally proven in the historic Supreme Court ruling of *Safdar Ali Khan v. The State* (2022). In this decision, the Supreme Court passed a damaging indictment of the operating behavior of NAB. The judges observed that the bureau was abusing its arrest authorities, which were not to carry out the task of real investigation, but a tool of intimidation and humiliation (Lughmani, 2024). The Court noted that there was a trend of arrest first and investigate later which is against basic due process and human rights. This court vote of no confidence has very dire ripple consequences in enforcement. The evidentiary burden in the court increases when the judiciary considers an investigation agency as biased. Judges develop hyper-vigilance to procedural abuse and tend to grant bails or acquittal in cases which would otherwise have stood, merely because it was done in a mala fides manner. (Sheikh & Khan, 2023).

In addition, the success measure of NAB is inherently incompatible with the global AML standards. The agency boasts of its high recovery figures of billions of rupees to the exchequer. A large part of this recovery is, however, done under the mechanisms of Voluntary Return and Plea Bargain. These clauses enable criminal suspects to give back stolen funds so as to receive amnesty against prosecution or a lighter sentence (Samad, 2008). Although this helps in boosting the treasury, it does not meet the FATF requirement of dissuasive sanctions. By letting criminals make money off their conscience- NAB defeats the deterrent aspect of the law. The fact that the agency uses the coerced financial settlements as opposed to forensic rigor implies that the agency has a very small number of contested convictions in court. Therefore, advanced money launderers tend to consider NAB processes as a financial bargain as opposed to a criminal danger (Lughmani et al., 2023).

This paper examines that the National Accountability Bureau is an example of structural paradox of the AML regime in Pakistan: the law is all-powerful, but the practice is weak. The researcher investigates that the legitimacy crisis of the agency which is aggravated by the Safdar Ali Khan judgment has negated the efficacy of the draconian powers of the agency. It is pointed out in the research that NAB might have a moral hazard regarding the predisposition of negotiated settlements (plea bargains) instead of evidentiary convictions, in which a financial crime can be seen as a debt, to be repaid, instead of a felony, to be penalized. It can be concluded that in the absence of a basic depoliticization of its command system and a transition towards forensic evidence-gathering NAB will continue to be an instrument of political coercion as opposed to being an effective instrument of financial justice.

3.3. Provincial Police: The Structural Void

This most crippling of the Pakistani Anti-Money Laundering (AML) regime structural voids is arguably the exclusion of provincial police forces into the domain of financial investigation. This alienation is based upon a dogmatic jurisdictional bifurcation that does not explain the symbiotic connection between crime and money. The main law and order agents in the country are provincial police forces that include Punjab, Sindh, Khyber Pakhtunkhaw and Balochistan and deal with more than 90 percent of the reported crimes in the country (Zia et al., 2022). They explore the offences of the predicate that create illicit wealth, i.e. kidnapping to ransom, extortion (bhatta), organized burglary, and local fraud. But with the current system of lawmaking, they have a responsibility that goes as far as the physical crime. The laundering of the financial funds, the so-called investigation, is the prerogative of the Federal Investigation Agency (FIA), a federal agency with limited capabilities and scope (Nawaz, 2025).

This structural distance results in a situation of financial impunity of the street-level organized crime. An officer in charge of a car theft ring is known as a Station House Officer (SHO) and works under the Code of Criminal Procedure (CrPC) 1898 and the Pakistan Penal Code (PPC). These colonial laws enable the SHO to reclaim the stolen car and arrest the thief but do not make available any legal means by which the gang spends its gains. The SHO is not allowed to freeze the bank accounts, request the financial institutions to provide the transaction records, or access the financial intelligence of the Financial Monitoring Unit (FMU). These authorities are contained in the Anti-Money Laundering Act (AMLA) that cannot be accessed by the provincial police legally. As a result, the thief can be taken to jail, but the financial system of the criminal enterprise property, businesses, and bank accounts are left intact, which means that the network can be reborn (Sultan & Mohamed, 2024).

The effectiveness of the Counter-Terrorism Departments (CTDs) of the same provincial police forces is a contrast and a demonstration of concept. In response to pressure by FATF, the state made the CTDs more professional and subsequently armed them with the legal requirement (under the Anti-Terrorism Act) and particular training to probe Terrorist Financing (TF). This has seen a high conviction rate in Anti-Terrorism Courts (ATCs) which demonstrates that the provincial police with the right tools and legal cover can be capable of breaking down the financial networks. This, however, has not been imitated by the mainstream police force, which has been trying to create a kind of a specialized island of success. This unequal system results in two levels, one where the financing of a terrorist organization is actively pursued and the other where the laundering of the earnings of a drug cartel or extortion racketeering is done with impunity provided it does not attract the attention of the FIA (Imran et al., 2024).

The most effective global practices propose the use of a hub and spoke pattern of enforcement in order to close this gap. The provincial police units (the spokes) would be the first line of defense in this type of model, with preliminary inquiries of all significant property crimes being conducted by the police units. They would then input this intelligence into a central agency of specialization or a special Economic Crime Unit (the hub) which would be able to process it with complex forensic analysis. Pakistan does not have this formal referral mechanism at the moment. The discovery of assets that are out of proportion to the income of a suspect does not place an automatic legal trigger on a police officer that requires him or her to refer a case to the FIA. The effect of this "siloed" method is that the financial footprints of the majority of the crimes in Pakistan are immediately frozen and cut by a jurisdictional wall that is easily broken by criminals (Hussain, 2025).

This study evaluates that omission of provincial police in the AML structure is a very fundamental intelligence gap that weakens the performance of the whole regime. The researcher looks at how restricting the power to investigate finances to federal agencies such as the FIA would result in the creation of a bottleneck since these agencies do not have access to the grassroots to police the predicate crimes that give rise to the dirty money. The study points out that the effectiveness of the CTDs justifies the possibility of provincial police dealing with financial crime provided that they are sufficiently mandated. The conclusion of the analysis is that sustainable compliance on AML necessitates the amendment of laws to create Economic Crime Units (ECUs) in the provincial police lines, which will decentralize the combat against money laundering.

4. Systemic Challenges in Enforcement

In addition to agency-specific failure, cross-cutting systemic pathologies that weaken the whole AML/CFT regime are also common in the enforcement system.

4.1. The Weak Intelligence Network

The success of the Anti-Money Laundering (AML) regime in Pakistan will depend on the presence of an effective intelligence cycle, which is theoretically based on the Financial Monitoring Unit (FMU). The FMU serves as the central nervous system in the FATF model whereby raw financial data is processed into actionable intelligence which directs the Law Enforcement Agencies (LEAs) to illicit networks (Amin et al., 2020). Nonetheless, a critical analysis shows that this pipeline is structurally compromised, which is being used as a bottleneck rather than a strategic resource. The fundamental problem lies in defensive reporting of financial institutions. Banks are afraid of being severely punished by the State Bank of Pakistan and thus submit thousands of Suspicious Transaction Reports (STRs) randomly to be in compliance with the regulations. This inundates the FMU with a torrent of poor-quality data, which produces an overwhelming noise to signal ratio that masks actual financial risks (Shah et al., 2023).

More importantly, the FMU is not equipped with the so-called technological capital, namely, Artificial Intelligence (AI) and machine learning algorithms that would help automatically shift through this giant amount of data. Use of manual analysis by small number of staff leads to extreme processing lag and connection loss. Therefore, LEAs are given little proactive intelligence (Sultan et al., 2024). LEA works on a reactive model instead of initiating inquiries based on data that identifies criminal syndicates that were not known previously. They usually only start investigations when a scandal is exposed or someone has filed an official complaint and they use the FMU as an excuse to collect evidence retrospectively. This inversion of the intelligence cycle essentially negates the concept of the intelligence-led policing. It makes sure that the state is always in the pursuit of crimes that have already been carried out successfully but are not interrupting the flows of finances in real time (Hussain, 2019).

The researcher establishes that operational paralysis of the FMU is one of the key failure points in the AML architecture of Pakistan. The researcher analyses that the existing system values the amount of reporting as opposed to the worth of intelligence, giving rise to a rich data and information poor environment. This study has pointed out that the reactive character of LEA investigations indicates that the financial intelligence system is not being used to enforce as FATF requirements. It is the final recommendation of the analysis that the FMU cannot serve its mandate without the immediate incorporation of automated analytical tools, which will expose the country to advanced, unnoticed financial frauds.

4.2. Jurisdictional Issues

A structural turf war between the two main investigative bodies of Pakistan: the Federal Investigation Agency (FIA) and the National Accountability Bureau (NAB) has broken up the enforcement environment of the financial crime regime (Shah, 2021). This is not just an issue of bureaucratic competition, but a structural defect in the law that lies in duplication of statutory requirements. The FIA is an agency that investigates the white-collar crimes, cybercrimes, and money laundering and is headed by the Federal Investigation Agency Act, 1974 and enabled by the Anti-Money laundering Act (AMLA) 2010. On the other hand, NAB is regulated by the National Accountability Ordinance (NAO) 1999 where there is a draconian requirement to probe into corruption and corrupt practices, abuse of power and ill-gotten wealth that is beyond the means of an individual (Idrees et al., 2020).

This overlapping jurisdiction produces a jurisdictional wild-west, most clearly seen in the 2020 Sugar Scandal. Both agencies went on the offensive at the same time after a forensic audit which implicated key political families in market manipulation and subsidy embezzlement. The FIA began criminal investigations into money laundering and "satta" (speculative betting) rings and NAB began its own investigations into the abuse of export subsidies. Rather than a pincer move, procedural anarchy was created (Mehmood, 2025). The investigation targets used this duality to their benefit, submitting petitions, which mentioned that there was a double jeopardy and that there was a question of which agency was the primary jurisdiction. This gave the strong suspects the option to obtain stay orders and postpone the proceedings by putting the two state agencies against each other in a court of law (Adil, 2023).

This fragmentation is actively used by sophisticated white-collar criminals. The defendants can delay a long period of investigation by locking agencies in a court battle over which one has jurisdiction primacy over the supposed crime, and not the quality of the alleged crime. Another defense counsel argument, often used, is that the same facts cannot be proved by two agencies under two different laws and this leads to a legal gridlock that leads to bail or acquittal based on technical reasons. There is no centralized command system; the resources of the state are diluted; the forensic specialists and prosecutors are divided between conflicting hierarchies, undermining the overall case of the state (Mehmood, 2024).

This paper examines the fact that the overlapping of jurisdiction between FIA and NAB is a self-inflicted injury on the accountability system in Pakistan. The scholar analyzes that the political breakdown in the legislation to explicitly defines the functional boundaries of these agencies is the cause of a cannibalization of state power, with conflicting investigations counteracting each other. The study points out that the absence of a legal process to give primacy or formation of a single National Financial Crime Agency will perpetuate the dual-track system that is not serving the interests of the powerful elite but the ends of justice.

4.4. The Asset Recovery Failures

The final effectiveness of an Anti-Money Laundering (AML) regime is determined by the ability to seize the proceeds of the crime. The asset recovery system in Pakistan, which is predominantly based upon the Anti-Money Laundering Act (AMLA) 2010, and the National Accountability Ordinance (NAO) 1999, is severely hampered by the fact that it is largely based on the concept of a convictions-based forfeiture regime. Likewise, this is a personam (against the person) action, i.e. the right of the state to appropriate assets depends on the successful criminal conviction of the defendant. This poses a considerable hurdle to the process: the prosecutors need to establish guilt beyond a reasonable doubt. This means that in the event a complex white-collar offender is killed during a lengthy trial, runs to safety, or employs time-consuming maneuvers to run out the clock, the illegal funds are beyond legal reach. The riches go to the estate or proxies of the criminal and go against the intention of the law (Ibrahim, 2021).

This archaic model is quite different with the regime of civil recovery applied in the United Kingdom under Part 5 of the Proceeds of Crime Act (POCA) 2002. The UK regime provides Non-Conviction Based (NCB) forfeiture, which is an action in rem (against the property itself). In this case, it is the state that is suing the money and not the individual. More importantly, the type of burden of proof is the civil standard of the balance of probabilities (more likely than not). This would enable the authorities to seize the unexplained wealth even though they may not be able to accumulate sufficient evidence to lock up the owner (Chohan, 2020).

The Broadsheet LLC saga graphically portrayed how ineffective the existing structure of Pakistan is. The state contracted an overseas company to help track down illegal assets that political elites had deposited in foreign countries, but they were not able to recapture much. The attempt was reduced into a legal debacle since Pakistan did not have a domestic statutory system on civil recovery that would help in tracing international assets. The state had to pay millions of dollars in damages for breach of contract instead of repatriating the looted wealth. This episode highlighted the fact that in the absence of an NCB law, the state will be left virtually disarmed against transnational kleptocracy (Ahmed et al., 2022).

This study examines that the conviction-based forfeiture system in Pakistan is one of the fundamental structural weaknesses that make its asset recovery operations somewhat performative. The researcher looks at the fact that the dependence on criminal convictions puts a gap of sovereignty, where the state is unable to recover the assets that have been washed away to other countries or their hiding places by procedural stalling. The study emphasizes the fact that the Broadsheet meltdown is a conclusive case study of the weaknesses of ad-hoc recovery efforts. This analysis concludes that sustainable effectiveness would be the implementation of a special Civil Asset Recovery Act which would change the legal emphasis of the act of punishing the offender to the recovery of the asset.

5. A Way Forward: Strategic Recommendations

To graduate out of a culture of forced obedience to a culture of real working efficiency, Pakistan will have to go through fundamental structural changes. The recommendations outlined below were because of the analysis of the thesis, which is a roadmap to sustainable change.

5.1. Structural Reform: Creation of a National Financial Crime Agency (NFCA)

The disintegration of the present enforcement system in Pakistan is a system vulnerability that is actively manipulated by advanced criminals. As a solution, the state must seek radical convergence of its financial crime-fighting powers by creating a National Financial Crime Agency (NFCA) by law. The suggested organization is a strategic break of the existing multi-agency approach, wherein the Federal Investigation Agency (FIA) and the National Accountability Bureau (NAB) often act in isolation causing overlapping jurisdictions and watered resources. The NFCA would make the FIA absorb the economic crime divisions and the associated units of NAB in financial investigation and establish a single command division that would focus solely on high-profile financial crimes (Mirza, 2022).

Such consolidation would also do away with the devastating turf wars that have long plagued high-profile investigations including the sugar and wheat scandals in which agency rivalry frequently substituted investigative soundness. The economies of scale and specialized focus can be attained by the state by having all the limited technical capabilities, including forensic accountants and digital specialists, in one location. Moreover, the single NFCA would act as an authoritative single point of contact in international cooperation. In the present case, the foreign jurisdictions find it difficult to navigate through the multi-layered bureaucracy of the various agencies in Pakistan; a centralized agency would simplify the process of intelligence exchange and mutual legal cooperation, hence improving the status of Pakistan in the international war against transnational money laundering (Nawaz, 2025).

5.2. Human Capital: A National Financial Crime Academy

To establish an institutional capacity to address, it is necessary to go beyond the present dependency on ad-hoc workshops and short-term training seminars, which can alleviate the problem of a long-term lack of capability only temporarily. The state should make the generation of expertise institutionalized by chartering a National Financial Crime Academy. This degree-granting institution, in contrast to the current police training colleges, would not be oriented to general law enforcement, but would be specifically devoted to the intricacies of contemporary financial warfare. It would train the whole triad of the criminal justice system (investigators, prosecutors, and judges) using long-term and specialized vocational training (Safdar, 2024).

This academy curriculum must be demanding and future-oriented with specialization in niche areas like forensic accounting, preservation of digital evidence, cryptocurrency investigations and changing typologies of AML. The academy would help to make sure that a prosecutor writing a charge sheet and a judge reviewing evidence are using the same technical language by establishing a standardized educational base. This would be the prerequisite to admission into the professional cadres of the proposed NFCA and the financial prosecution service to ensure that the human capital employed in fighting white-collar criminals is professionally qualified and technically skilled (Amin et al., 2022).

5.3. Operational Reform: Integrating the Police

The provincial police are presently not a part of the financial investigation system and therefore it poses a major intelligence gap in the proceeds of street-level crime. In response, the state should formulate Economic Crime Unit (ECUs) in every provincial police departments. Such units would intervene between the financial crime and predicate offense. Although the average police officer is tasked with the physical side of the crime such as extortion, robbery, and fraud, the ECUs would have been required to make initial financial investigations to track down the immediate disposal of illegal funds (Malik, 2022).

This change needs the establishment of a strong legal system of automatic referral of complicated cases. The provincial ECUs would work on a hub and spoke model, with the spokes being the provincial ECUs, which can collect grassroot financial intelligence and sieve cases. Cases that are above some level of monetary threshold or complexity would be referred to the central hub- the NFCA or FIA. Such integration makes financial intelligence flow smoothly down to the street level up to the federal level to bridge the impunity gap that the local criminal gangs are now able to operate without any fear of financial investigation (Sultan et al., 2025).

5.4. Legal Reform: Civil Asset Recovery Act

To successfully destroy criminal gangs, the state should not only be imprisoning the criminal but also seizing the riches. This involves passing of a separate Civil Asset Recovery Act, which proposes a Non-Conviction Based (NCB) regime of forfeiture. The confiscation of an asset is now coupled with criminal conviction, that is, a defendant is not allowed to touch his/her assets in case of his/her death, absconding, or delaying the trial. The basic change that an NCB regime will have is that the state can now sue the property itself (in rem), as opposed to individuals (in personam) (Butt et al., 2020).

The level of proof under this proposed legislation would be reduced to the civil level of balance of probabilities as opposed to the criminal level of beyond reasonable doubt. This would allow the state to seize unexplained wealth in case it can establish beyond reasonable doubt that it is more probable than not to have been gained through illegal means though it cannot come up with the convict. This change in the law is crucial to reclaiming assets in instances where those with strong ties or transnational gangsters are usually unreachable by the normal criminal justice systems (Cheema & Cheema, 2022).

6. Conclusion

The Law Enforcement Agencies in Pakistan have gone through the FATF grey-list process reluctantly because of forced evolution. However, the state was able to modernize its legal system hardware under the pressure of great external forces. The re-qualification of money laundering as a cognizable crime, criminalization of breaches of UN sanctions and its expansion of predicate crimes are all great legislative milestones. Pakistan is no longer a legal haven of financial crime.

The "software" needed to operate this system, the institutional culture, technical capacity, and operational coordination, however, is still out of date. The FIA and NAB are in silos with the culture of reactive investigation and politics instead of intelligence-led policing. The provincial police, whose size is the biggest enforcement body, are spectators of the financial war. The intelligence stream is congested, and the asset recovery regime has no teeth over advanced avoidance.

The critical evaluation of this study finds that there are need and inadequacy to comply with FATF standards technically. To ensure a sustainable and effective AML/CFT regime, Pakistan needs to shift its focus on compliance to competence. This needs the political goodwill to break down institutional fiefdoms, the long-term vision to invest in the specialized human capital, and the audacity to embrace contemporary legal means such as the civil forfeiture. It is only with this radical structural re-engineering that the LEAs in Pakistan can be changed into a force to reckon with when it comes to fighting financial crime.

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