



# *Remittances and Anti-Money Laundering*

*Presentation By*

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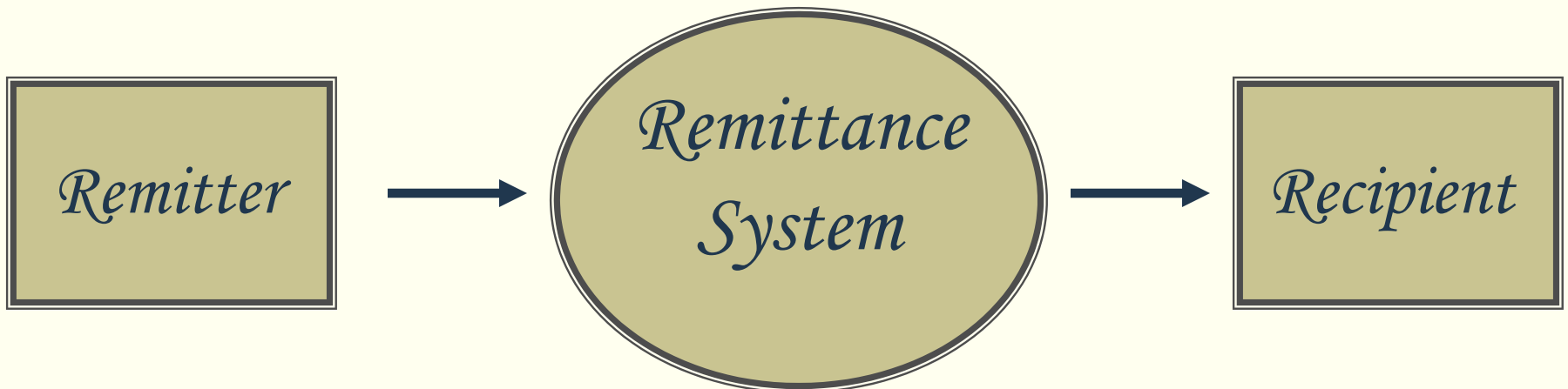
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# Remittances

- *Transmission of money / value from one place to another place by persons, legal entities, agents, etc*
  - *Inward Remittances*
  - *Outward Remittances*



# Types of Remittances

## A. Workers Remittances

### □ Legal Migrants

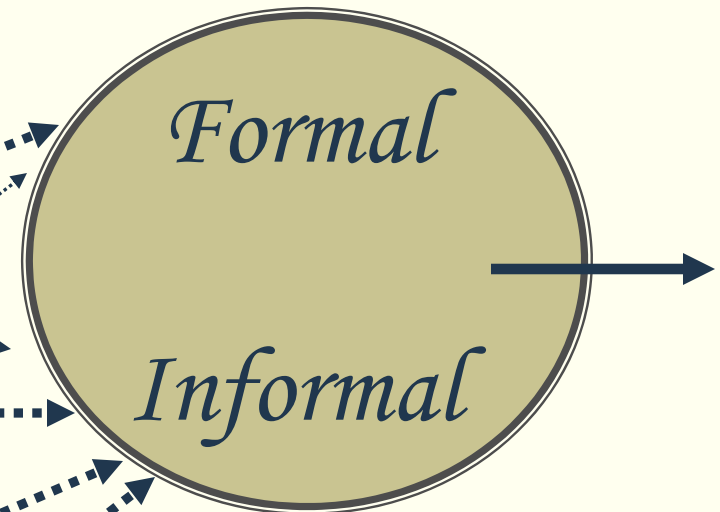
- Skilled

- Unskilled

### □ Illegal Migrants

- Skilled

- Unskilled



# *Types of Remittances*

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## *B. Investment-related Remittances*

- *FDI, Portfolio Investment, Capital flows, etc*

## *C. Business-related Remittances*

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# *Remittance Systems*

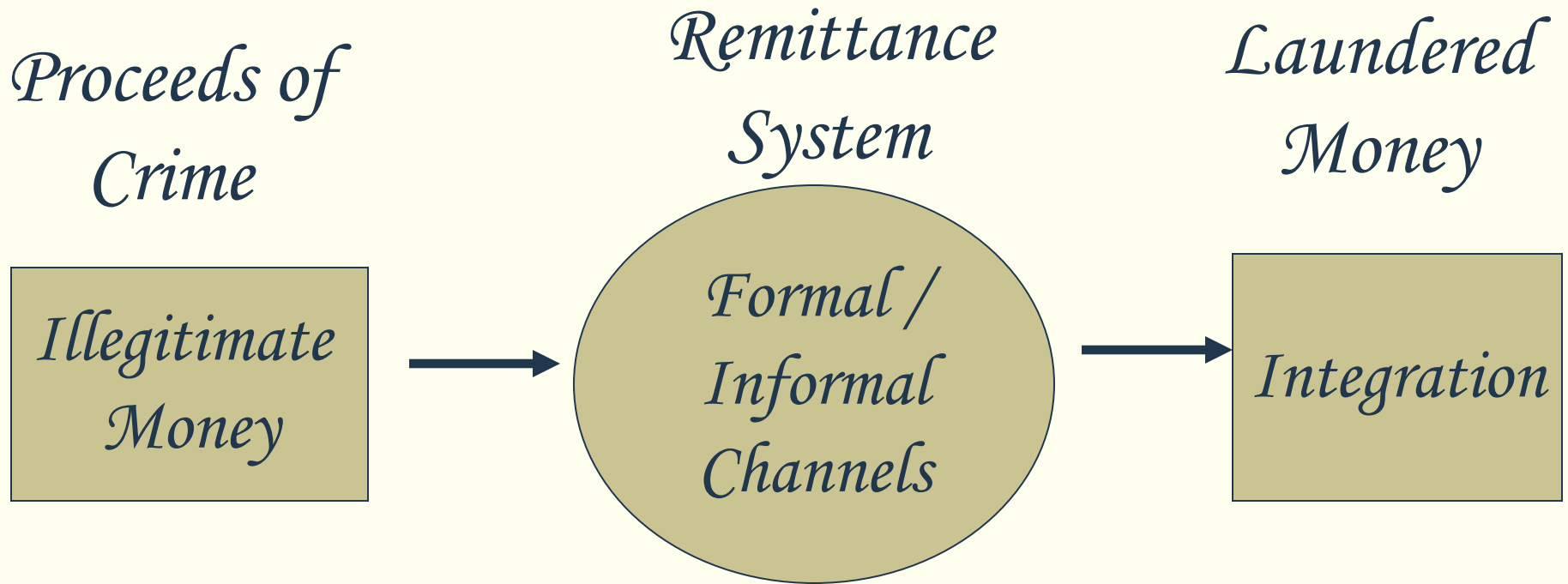
- ❑ *Formal System (FIs, NBFCs, Exchange companies)*
  - *Wires, Financial Instruments, ATM, E-Payments, Smart Cards, Stored-value cards, etc*
- ❑ *Informal System*
  - *ARS /Hawala / Hundi (Person-to-Person)*
  - *Intermediary Financial Operators*
  - *Self-carry, Hand-carry by friends, family, others*
  - *Cross-Border movement of Currencies, Bearer Negotiable Instruments, Commodities, Consumer Goods, Gems & Stones / Antiques, etc*
  - *E-Money*

# *Recipient*

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- *Workers Remittances*
    - *Housing, Food, Health Care, Education, Consumer Spending, Investments, Savings, etc*
  - *Investment-related Remittances*
    - *Capital Markets, Equity Investments, Real-Estate, Bonds, Industry, etc*
  - *Business-related Remittances*
    - *Remittance on account of Imports, Exports, services, commission, royalty, technical fee, franchise fee, other fees, etc*
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# Remittances & Money Laundering



# *Why Remit Proceeds of Crime*

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- Hiding / Concealing the Proceeds of Crime*
  - Avoiding Detection of Proceeds of Crime*
  - Security*
  - Motivation for profits*
  - Sharing of Benefits*
  - Financing of other Criminal Activities*
  - Re-entry of Proceeds into the System as Legitimate Money*
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# *Remittances & Money Laundering*

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## *Remittances Related Risks*

### *Host Country*

- General Money Laundering Risks and Vulnerabilities*
  - Relatively Weak Regulatory Framework*
  - Weak Interception of Suspicious Remittances*
  - Non-Sharing of information with Home Country*
  - Cross Border Movement*
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# *Remittances & Money Laundering*

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## *Remittances Related Risks*

### *Home Country*

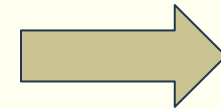
- Relatively Limited Risk Assessment of Inward Proceeds*
  - Limited information about Originator to raise STR*
  - Non-Sharing of information with host country*
  - Relatively Weak Regulatory Framework*
  - Cross Border Movement*
-

# *Remittances & Money Laundering*

## *Weaknesses in the Remittance System*

### *Formal Channels*

- ❑ *Weak implementation of KYC*
- ❑ *Lack of Ongoing CDD*
- ❑ *Veracity of funds not ensured*
- ❑ *Low detection rate of STRs*



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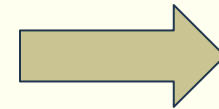
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# Remittances & Money Laundering

## Weaknesses in the Remittance System

### Informal Channels

- ❑ Operate discreetly
- ❑ Unregulated Sector
- ❑ Lack of Awareness about AML measures
- ❑ Least Documentation
- ❑ Incapacity to apprehend Suspicious Remittances



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**Ill Gotten Money** in the Hands of 'Z' Family  
(Through corruption / Kick Backs)

## Transaction Flow Chart- 'Z' Family

April 1992 - October 1994

Opening of Benami  
Foreign Currency  
A/Cs With various  
Banks

Purchase of DBCs,  
FEBCs etc. and  
depositing the same in  
Benami bank A/Cs

The deposits were used as  
collateral for loans obtained  
by various companies of 'Z'  
Family

APRIL 1993 - JUNE 1998

Routing of Deposits / Loans  
Through Various Banks /  
Companies

- Transactions were carried out in 8 different Banks Through 7 Benami Accounts
- 15 companies were used as borrowers to shift loan from one to another

MARCH - JUNE 1998  
Purported Foreign Investment  
in ABC Mills Ltd.

With the help of Informal  
Remittance System

*EXPLANATION OF USE OF INFORMAL  
REMITTANCE SYSTEM BY 'Z' FAMILY*

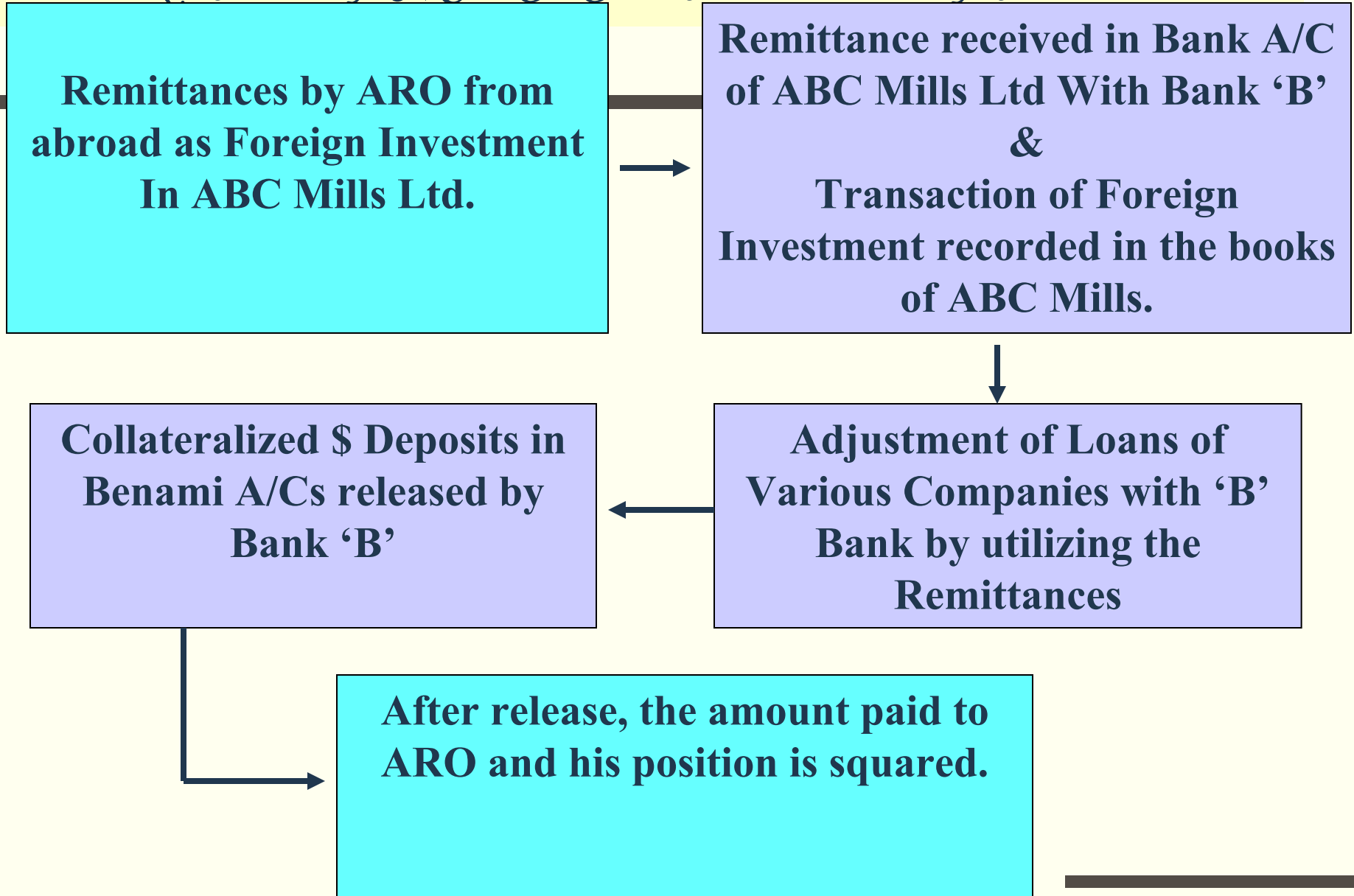
**Remittances by ARO from  
abroad as Foreign Investment  
In ABC Mills Ltd.**

**Remittance received in Bank A/C  
of ABC Mills Ltd With Bank 'B'  
&  
Transaction of Foreign  
Investment recorded in the books  
of ABC Mills.**

**Collateralized \$ Deposits in  
Benami A/Cs released by  
Bank 'B'**

**Adjustment of Loans of  
Various Companies with 'B'  
Bank by utilizing the  
Remittances**

**After release, the amount paid to  
ARO and his position is squared.**



Foreign Bank

Mr. 'R' –A Licensed Money Changer Abroad.



Loan From Bank 'X'

Bank 'X' in Pakistan



Deposited Back in Bank 'X'

Branch in City 'A'

Branch in City 'B'

Branch in City 'C'

Branch in City 'D'

Branch in City 'E'

Branch in City 'F'

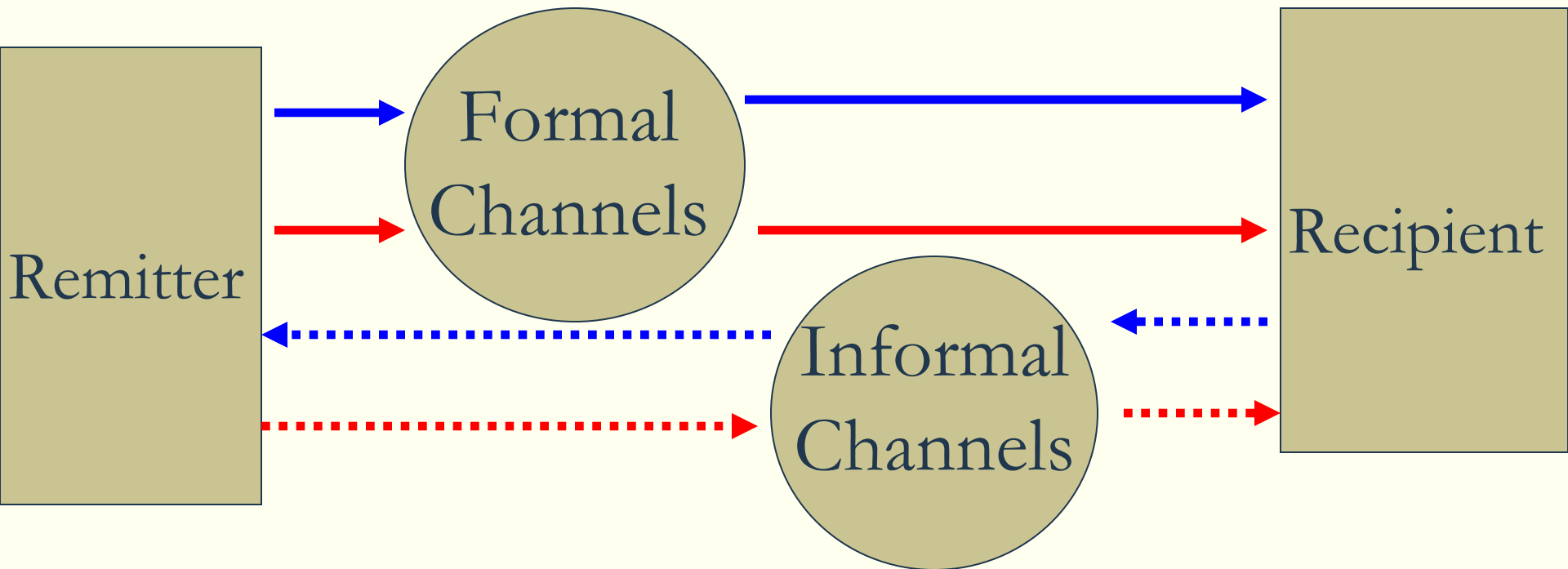


# Physical Carriers

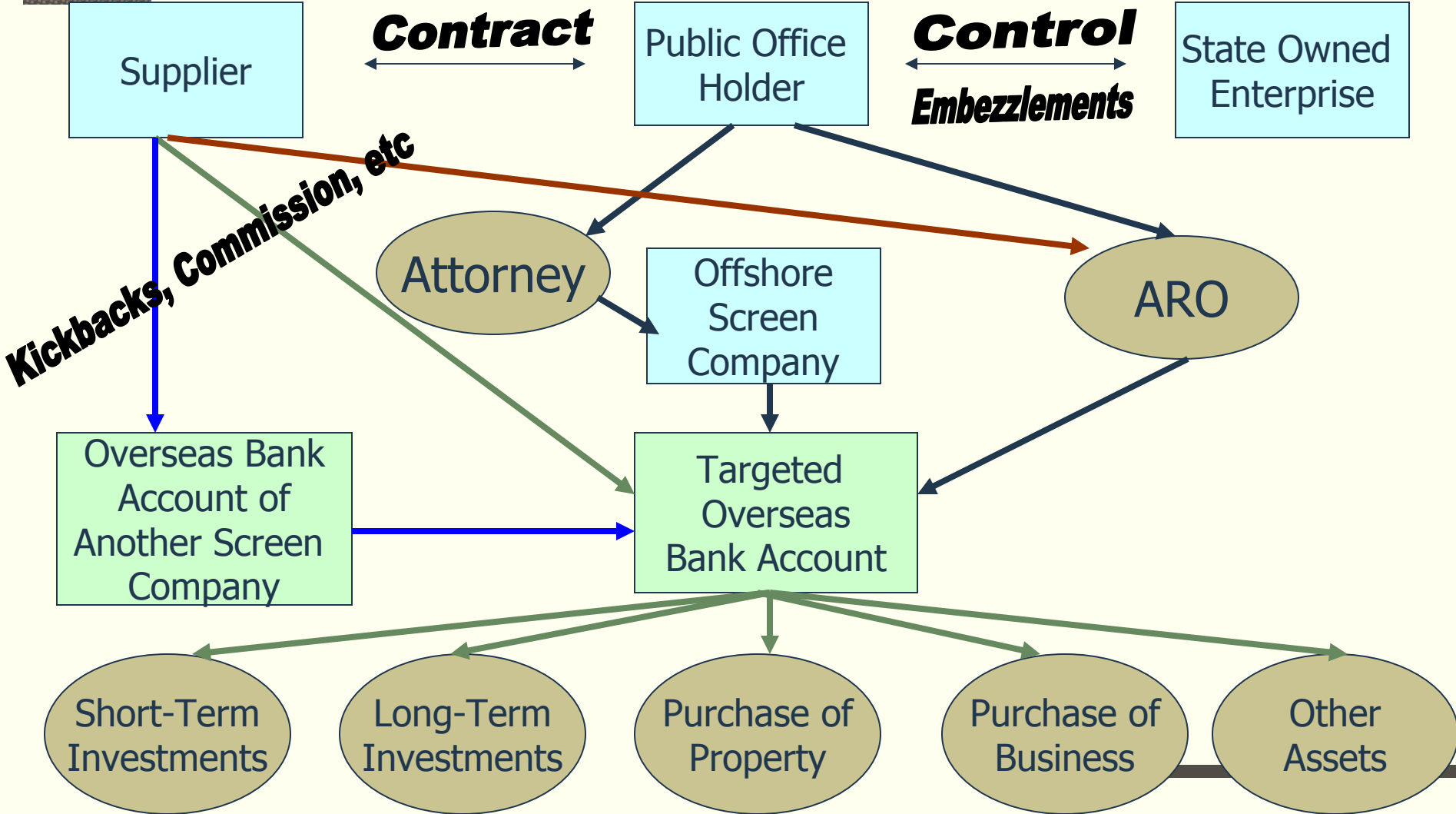
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# *Over & Under Invoicing*



# Corrupt Public Official



# *Conclusion*

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- ❑ *System itself is Not Criminal rather it is the User who Misuses it for his Nefarious Designs*
  - ❑ *Every System of Every Society created for the Welfare of the People has been Misused by the Criminal-Minded People.*
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# *Recommendations*

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- ❑ *Remittance System can be strengthened by implementing FATF Recs*
    - ❑ *KYC / CDD requirements*
    - ❑ *Complete Originator Information*
    - ❑ *Risk-based procedures to identify Suspicious Remittance*
    - ❑ *Sharing of STR with Concerned Jurisdiction*
    - ❑ *Regulatory oversight to ensure Compliance*
    - ❑ *Awareness raising, Trainings, Guidelines*
    - ❑ *Powers to impose Sanctions*
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**Thank You**

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