

**Government of Pakistan
Revenue Division
Federal Board of Revenue

**CONCEPT PAPER FOR CHAIRMAN FBR REGARDING
ESTABLISHMENT OF DEDICATED UNIT FOR ANTI MONEY
LAUNDERING AT I&I-IR**

The Directorate General, Intelligence & Investigation–Inland Revenue, Islamabad has been notified by the Government as Investigating and Prosecuting Agency within the meaning of section 2(i) of the Anti-Money Laundering Act, 2010 vide S.R.O No. 611(1)/2016 dated 09-06-2016 for more effective and efficient handling of such cases (F/A). To carry out investigations, related to anti-money laundering cases, a dedicated Anti-Money Laundering Cell under section 24 of Anti-Money Laundering Act, 2010 has been established at the Directorate General, Intelligence & Investigation–IR along with appointments of Investigation Officers (IOs) vide this Directorate General’s Office Order No. DIR(HQ)/I&I-IR/A-Money Act-26/2016/1714 dated 25-08-2016. Standing Order No. 01/2016 dated 22.09.2016 has been issued by the said Directorate General for vigilant and proficient discharge of new functions and responsibilities by the concerned officers under AML ACT, 2010 (F/B).

2. The following predicate offences have been added in the Anti Money Laundering Act 2010 in 2016 regarding income tax evasion:

- i. Prosecution for **false statement in verification**- where tax sought to be evaded is ten million rupees or more
- ii. Prosecution for **concealment of Income**-where tax sought to be evaded is ten million rupees or more
- iii. Prosecution for **improper use of National Tax Number** [Certificate]- where tax sought to be evaded is ten million rupees or more
- iv. Prosecution for **abetment** – where tax sought to be evaded is ten million rupees or more.

3. In view of the fact that a bulk of Suspicious Transaction Reports are being received from Financial Management Unit (FMU) Karachi in collaboration with State Bank of Pakistan, FMU has arranged several training sessions for the officers of Directorate General I&I-IR to ensure proper handling and early finalization of Anti-Money Laundering cases, being forwarded by the said Unit. It is an on-going process. The Directorate General, Intelligence &

Investigation–IR is fully committed to make all out efforts to control Money-Laundering in the country.

4. Pakistan promulgated its first money laundering law in form of Anti Money Laundering Ordinance in 2007 which was reframed in form of Anti Money Laundering Act, 2010. According to AML Act, 2010, offence of money laundering includes that a person shall be guilty of offence of money laundering, if he acquires, converts, possesses, uses or transfers a property knowing or having reason to believe that such property is proceed of crime or a person conceals or disguises the true nature, original location, disposition, movement or ownership of a property, knowing or, having reason to believe, that such property is proceed of crime. Money laundering is the process of disguising the proceeds of crime and moving value through the use of any medium like trade, investment in real estate etc. in an attempt to legitimize their illegal origins.

5. Proceeds of crime are invested in those sectors where there is least documentation and it becomes easy to give legal cover to ill-gotten money. The serious threat posed by this menace to the very existence of the state and social fabric is paramount. The AML Act criminalized the offence of money laundering and added a wide range of predicate offences. Sectoral vulnerabilities to the acts of money laundering in Pakistan manifest great variety. Some sectors of economy have very effective frameworks and procedures in place to check money laundering while other sectors lack fundamental regulatory mechanism. In order to counter the acts of money laundering it is imperative to have knowledge of the national economic structure as well as vulnerabilities of different business sectors in relation to their contribution to money laundering threat. Major risk areas for money laundering in Pakistan include real estate dealers, trade-based money laundering, and financial sector.

6. Given the increasing inflow of fresh STRs on regular basis being received from FMU, and for more effective and efficient handling of such cases at the Directorate General, it is strongly proposed that a dedicated unit be established within I&I-IR to investigate cases of Money Laundering, so that cases can be timely concluded and revenue involved in such cases can be realized. Following structure for the dedicated unit of AML is proposed:

A. Head of Dedicated Unit:

The dedicated AML Unit will be headed by a dedicated Director (AML) at I&I-IR (HQ).

B. Structure for Officers of BS-19:

- a. A dedicated Additional Director (HQ) will be posted at Islamabad. She/he will be responsible for coordination with the regional Directorates, and will act as a focal person

for FMU, and also responsible for handling miscellaneous AML issues within I&I-IR or with external agencies/departments.

- b. In addition, three dedicated Additional Directors are required for postings at larger Directorates, i.e. one each in Lahore, Karachi, and Peshawar. Given the huge number of STRs pertaining to these Directorates, these Additional Directors, solely looking after the matters of AML, will perform the important functions of supervision and effective handling of cases.

	Directorate	No. of Cases	BS-19 Officer Required
1.	Headquarter	-	01
2.	Karachi	49	01
3.	Lahore	39	01
4.	Peshawar	38	01

c. **Structure for Officers of BS-18:**

The Deputy Directors will be performing the core function of investigation in all AML cases. Hence, it is important to have sufficient number of Investigating Officers in every Directorate, who can effectively handle all cases for that Directorate. Depending upon the general distribution of AML cases among the Directorates as given below, the need for BS-18 officers (Deputy Directors) vary in each Directorate. The following structure is proposed:

	Directorate	No. of AML Cases as on 24.04.2017	No. of Officers of BS-18 required	To be shifted from the existing strength	Required
1.	Karachi	49	03	01	02
2.	Lahore	39	03	01	02
3.	Peshawar	38	03	0	03
4.	Islamabad	27	02	0	02
5.	Multan	09	02	01	01
6.	Faisalabad	04	01	0	01
7.	Hyderabad/Quetta	02	01	0	01
	Total	168	15	3	12

d. **Structure for officials (Inspector / Auditor)**

It is proposed that at least one official of BS-16, either Inspector, or Auditor, need to be posted with every dedicated Dep. Director/IO in the AML unit. It is of foremost importance that every IO is supported by adequate staff, including at least one BS-16 official, so that proper assistance in investigation, physical inquiries, and litigation matters, etc, is available to the IOs. It is pertinent to mention that financial investigation is a lengthy process in each case, and the process of establishing money trail of a suspect may take several weeks. Hence, without adequate and necessary staff, the IOs may not be able to handle multiple AML cases, or the same may proceed at a much lower pace than desired. Hence, success of the dedicated AML unit largely depends upon the necessary strength of not only officers but junior staff as well.

	Directorate	No. of Cases	Required BS-18 Officers	Required BS-16 officials
1.	Karachi	49	02	02
2.	Lahore	39	02	02
3.	Peshawar	38	03	03
4.	Islamabad	27	02	02
5.	Multan	09	01	01
6.	Faisalabad	04	01	01
7.	Hyderabad/Quetta	02	01	01
	Total	168	12	12

e. Structure for junior staff

Similarly, necessary junior staff including UDCs, LDCs, stenos/DEOs may also be posted within the dedicated AML unit, proportionate to the number of IOs and BS-16 officials. For instance, two junior staff (one UDC/LDC and one Steno/DEO) may be posted with every IO:

	Directorate	No. of Cases	Required BS-18 Officers	Required UDC/LDC	Required Steno/DEO
1.	Karachi	49	02	02	02
2.	Lahore	39	02	02	02
3.	Peshawar	38	03	03	03
4.	Islamabad	27	02	02	02
5.	Multan	09	01	01	01
6.	Faisalabad	04	01	01	01

7.	Hyderabad/Quetta	02	01	01	01
	Total	168	12	12	12

7. It is further proposed that necessary changes as per the structure proposed above may also be incorporated in the SROs of I&I-IR (SRO 115/2015, 116/2015, 117/2015) from which I&I-IR derives its powers and functions. Moreover, it is proposed that powers under the *Benami Transactions (Prohibition) Act 2016* may also be added under the same SRO.

8. In view of the above discussion, it is requested that the subject concept paper may be approved, so that a detailed working paper can be submitted.

(KHAWAJA TANVEER AHMED)
Director General I&I-IR
Islamabad

PROPOSED ORGANOGRAM FOR DEDICATED AML UNIT AT I&I-IR

Dedicated
Director (HQ)
Overall/nationwide incharge of AML cases

Dedicated
Additional Director (AML) – HQ
Focal Person with FMU & Coordinator

Dedicated **Additional**
Director (AML) –
Lahore Directorate

Dedicated **Additional**
Director (AML) –
Karachi Directorate

Dedicated **Additional**
Director (AML) –
Peshawar Directorate

Dedicated
Deputy
Directors
(AML) – 2
Islamabad
Directorate

Dedicated
Deputy
Directors
(AML) – 3
Lahore
Directorate

Dedicated
Deputy
Directors
(AML) – 3
Karachi
Directorate

Dedicated
Deputy
Directors
(AML) – 3
Peshawar
Directorate

Dedicated
Deputy
Directors
(AML) – 1
Faisalabad
Directorate

Dedicated
Deputy
Directors
(AML) – 2
Multan
Directorate

Dedicated
Deputy
Directors
(AML) – 1
Hyderabad
Directorate

Inspectors/Auditors (AML) – 12
one for each Deputy Director