Government of Pakistan
Financial Monitoring Unit

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Guidelines & Red Flags: Corruption & Money Laundering

Financial Monitoring Unit (FMU),
Government of Pakistan

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Purpose & Objective

These guidelines are intended to enhance the quality and quantity of the proactive reporting of Suspicious Transactions Reports (STRs) to Financial Monitoring Unit (FMU) by the reporting entities (REs) on the matters involving suspicious activity leading to corruption and money laundering including identification of the suspicion proactively, strengthen analysis of STRs and timely reporting.

Legal Framework

These guidelines and instructions are being circulated to the REs within the meaning of clause no.9 of the Suspicious Transaction and Currency Transaction Reporting Regulations, 2025.

Scope

The subject guidelines and instructions are applicable to all REs defined under section 2(xxxiv) of the Anti-Money Laundering Act, 2010 (AMLA).

Background

Corruption and money laundering are closely connected. Like other serious crimes, corruption & bribery related offences such as bribery and embezzlement of public funds are typically carried out to obtain personal benefit. Money laundering involves disguising the illegal proceeds generated from such criminal activities/predicate offences. When the proceeds of corruption & bribery are successfully laundered, criminals can use and enjoy their illicit gains with reduced risk of detection or confiscation. Corrupt officials and their associates make significant efforts to conceal their identities and the true origin of the funds, enabling them to introduce corruption & bribery-derived money into the financial system and acquire assets without raising suspicion. Similarly, those who pay bribes often attempt to hide the financial connection between themselves and the corrupt officials, including masking the movement and ultimate destination of the funds through various money laundering techniques.

National Risk Assessment (NRA)-2023

Pakistan's National Risk Assessment -2023 has categorized the offence of corruption & bribery as one of the ***very high-risk*** crimes. Further, as per Transparency International's Corruption Perception Index of 2025, Pakistan is ranked at 136, which also signifies the issue of corruption & bribery in Pakistan. Hence, the REs are also required to adopt increased measures for identification, analysis and reporting of STRs related to corruption & bribery.

FMU's General Recommendations on REs' Analysis

To strengthen the analysis of the REs for reporting quality STRs on high-risk offense of corruption & money laundering, FMU recommends following best practices;

a) Analysis Techniques: Analysis is the building block for identifying, detecting and reporting unusual activity related to the illicit proceeds generated from corruption & related crimes. The research and analysis should focus on Customer, Product/Service, Channel and Jurisdiction, while detecting unusual activity patterns leading to the suspicion on proceeds generated from possible corruption. The REs may improve the quality of analysis on corruption by applying the following four research techniques: Assess, Explore, Organize, Present:

- First, assess all the information already gathered to identify any gaps based on KYC, CDD, EDD, transactions monitoring, interviews from frontline staff, etc.
- Second, explore the external sources available for research and their relevance i.e. use of close and open-source databases and exhaust information sources to a reasonable level to find the answers needed to understand about underlying case.
- Third, organize information searched in a meaningful way. Decide what is relevant and important.
- The final step is to prepare a report and present findings.

b) Sources of Analysis & Investigation: The sources of internal analysis and investigation provide REs with initial direction on how to craft hypothesis and plan internal investigation. Internal sources of investigation may be driven by the escalations from internal hotlines, KYC and transaction monitoring or referrals from front business staff, etc. While external sources of investigation can arise from adverse media searches, inquiries from the law enforcement agencies, listing on any negative list, etc.

c) Investigative Mindset: The REs need to develop investigative mindsets of the staff working in the area of financial crimes in order to unearth complex financial crimes including corruption & money laundering. There are several traits to an investigative mindset, including but not limited to the abilities to be suspicious, think strategically, trust your instincts, keep open mind, and stay up to date with training and research. The investigative mindset describes the thought process of an investigator who questions what is seen and backs up suspicions with facts, reasoning, etc.

d) Documenting Analysis Research: To demonstrate that RE has undertaken appropriate analysis research to prevent financial crimes including very high-risk crime of Corruption & Bribery, it is important to create an audit trail. This means documenting the steps taken to demonstrate compliance efforts to auditors and the regulators. Include how any inaccuracies or false matches were resolved.

STRs Information Handling in goAML

REs are required to report STRs electronically through goAML to FMU, therefore accurate handling of information and data through goAML is vital for the quality of STRs and building FMU database with valuable information. The REs may undertake following measures while reporting STRs on high-risk crime of corruption & money laundering;

a) Maker & Checker Role: To ensure the data quality and consistency, the REs need to apply four-eye concept by configuring the maker and reviewer role in goAML.

b) Indicators Selection: The selection of correct indicators by the reporting entity in goAML is very important for applying appropriate risk classification by FMU to prioritize the reported STRs. Therefore, the REs are required to select the relevant indicators in an STR being reported on corruption & bribery in coherence with the reason of reporting including observations, findings, suspicions, actions taken, etc.

c) Marking of Check Boxes: The REs need to ensure marking of the relevant suspicious check box built-in goAML at the party (account/person/entity) and transaction level is important feature that FMU utilizes in risk prioritization of the reported STRs on goAML. In case of PEPs, the REs should also check the PEP checkbox while reporting a PEP as a person in a report.

d) Use of Glossary Terms: To enhance the quality of the STRs on corruption & bribery, the REs are recommended to use glossary terms in the reason of suspicion to highlight the corruption & bribery related activity, for example use of such terms "Corruption, Embezzlements, Kickbacks, etc." and professions such as " Politically Exposed Person (PEP), Public Officeholder, Government Contractors, etc.".

e) Capacity Building: The REs may regularly conduct capacity building of the staff on the efficient handling of the STRs through goAML and share the relevant guidelines and instructions issued by FMU from time to time.

Update of goAML Indicators on Corruption & bribery

FMU has updated corruption & bribery related indicators on goAML for reporting STRs. Multiple new indicators have been introduced, and some existing indicators have been segregated to better prioritize STRs and generate improved trends and patterns.

Following are the new indicators which have been created on goAML for STR reporting.

- Government official/officer
- Associate of PEP
- Associate of a government official/officer
- Government procurement related payments to government contractors
- Embezzlement in public procurements
- Misuse of power/authority
- Use of family members
- Use of third parties/intermediaries
- Use of complex ownership structures
- Unusual customer/conductor behavior
- Domestic high-risk jurisdictions
- Foreign high-risk jurisdictions
- Corruption and Bribery
- Unexplained Assets
- Rapid Movement of Funds

Following indicators will no longer be available for reporting of STRs on goAML.

- High risk location/ country
- Corruption and Bribery/ Unexplained Assets
- Use of family members and third parties

The REs are required to check relevant selection of indicators in line with the reason of suspicion and facts/findings/observations of the reported STRs. The REs should incorporate necessary changes in their systems and mechanisms for reporting STRs, wherever needed. Further, the REs are required to communicate the relevant changes to their officers involved in reporting STRs and guide them in selection of indicators.

Application of Best International Practices

The REs may ensure the adoption of international best practices useful for identification, analysis and reporting of STRs related to corruption & bribery. **The FATF guidance report on "Specific Risk Factors in Laundering the Proceeds of Corruption- Assistance to Reporting Institutions"**[1] has highlighted following best practices that could assist the REs in making risk-based analysis for identification, detection and reporting of STRs for the illicit activities related to corruption & bribery. FATF report has suggested below risk factors to be evaluated in assessing risk of corruption & bribery related money laundering;

A. Customer Risk Factors: As per FATF guidance report, there are certain types of customers and economic sectors that carries high risk of corruption & bribery. These are;

I. **Politically Exposed Persons and Other Public Officials**
II. **Legal Persons and Legal Arrangements including;**
   - Corporate Vehicles that are unnecessarily and unjustifiably complex multi-tiered entities
   - The Trust & Company Service Providers (TCSPs) or Designated Non-Financial Businesses and Professions (DNFBPs) and intermediaries with inadequate AML/CFT practices, or from unregulated, poorly regulated or other high-risk jurisdictions

B. Economic Sectors Involved: The economic sector in which a customer or transaction involves also affects the level of risk. Few of the sectors that are more prone to corruption & bribery and related money laundering highlighted in the FATF guidance report are following, however it is not an exhaustive list.

- **Extractive Industries**
- **Government Procurement Activities**
- **Defense Industry**
- **Human Health Activities**
- **Large Infrastructure Projects**
- **Privatization**

[1] https://www.fatf-gafi.org/en/publications/Methodsandtrends/Specificriskfactorsinthelaunderingofproceedsofcorruption-assistancetoreportinginstitutions.html

- **Developmental & Other types of Assistance**

C. Country or Geographic Factors: Some jurisdictions pose different levels of risks compared to others. The REs must consider geographic risk, while assessing the risk of corruption and money laundering i.e. customer's link to the jurisdictions with higher levels of corruption & bribery. The REs during the risk assessment must refer;

- **FATF black and grey listed jurisdictions**[2]
- **The Countries with Low Scoring on the Transparency International – Corruption Perception Index**[3]
- **The Worldwide Governance Indicators- By World Bank Group**[4]

D. Product, Service, and Delivery Channel Risk Factors: FATF guidance has highlighted certain products, services, transactions or delivery channels that may pose a greater risk of corruption and money laundering and can be exploited by the Corrupt Public Officials and Politically Exposed Person (PEPs) and can use similar money laundering techniques as those used by organized criminals. **Example includes;**

- **Private Banking**
- **Wire Transfers**
- **Use of Cash**
- **Non Face to Face Business Relationships**
- **Payment received from unknown or unassociated third parties**
- **Correspondent Banking**

Red Flags: Corruption & Bribery:

In order to assist the analysis of the REs for the identification and detection of suspicions on corruption and related activities, FMU has devised a set of red flag indicators. Please note, these red flags may appear suspicious on their own; however, it may be considered that a single red flag would not be a clear indicator of potential ML activity. The REs must consider these set of indicators to be embedded in their identification mechanisms like transaction monitoring and screening systems including internal risk assessments to improve the reporting of STRs on proactive basis on the offence of corruption & bribery and money laundering.

[2] https://www.fatf-gafi.org/en/countries/black-and-grey-lists.html

[3] https://www.transparency.org/en/cpi/2025

[4] https://www.worldbank.org/en/publication/worldwide-governance-indicators

1. Customer Risk

Determine if the customer is a politically exposed person (domestic/foreign), head of an international organization or any other public official. Following risk indicators have been developed for PEPs and public officials.

1. Transactions involving PEPs/public officials that deviate significantly from the individual's expected financial profile. Examples may include:

- Multiple cash deposits into their accounts.
- Multiple electronic fund transfers from different senders within a short time frame.
- Situations where the politically exposed person/public official is both the ordering and beneficiary for wire transfers or wire transfers are made to the accounts of their family members, associates or frontmen.

2. Transaction involving politically exposed person/public official related to the acquisition of high-value assets, such as real estate, virtual assets, luxury vehicles or goods, that is:

- Inconsistent with the reported source of wealth.
- Outside the normal pattern of activity or lifestyle.

3. A politically exposed person/public official exhibits a significant increase in net worth that cannot be reasonably explained by their reported income, assets, or legitimate sources of wealth.

4. Assets are held in the name of legal entities whose beneficial owners are tied to a politically exposed person/public official, their family members, or close associates.

5. A customer who is a politically exposed person/public official maintains multiple bank accounts, particularly when there is no apparent commercial or legitimate reason for doing so.

6. A customer employs or has business connections with a politically exposed person/public official, or their family members or close associates.

7. Payments are made for the travel and lodging of politically exposed person/public official, or their family members, which may indicate a curry favor or provide undue benefits. This can also include rental payments, school fees, chauffeur fees, fees for private healthcare, funding of private jets, consultancy fees, high commissions, etc.

8. Accounts where politically exposed person/public official is given a mandate to operate the accounts or accounts having same address or contact number or a similar signature as of a politically exposed person/public official or his/her family member.

9. Significant over-valuation or under-valuation related to the purchase or sale of property or a luxury item by a politically exposed person/public official. This can also include purchase of a property on a low value and then sale of the same property within a short time on an inflated value or vice versa.

10. Representative of a politically exposed person/public official (i.e. lawyer, secretary, accountant, etc.) opens account and purchases expensive property or luxury goods with the express intent of bypassing Customer Due Diligence (CDD) process screening for politically exposed person/public official.

11. Use of "Straw men" (especially in the remittance sector) to obfuscate the beneficial ownership of the assets by involving politically exposed person/public official employees i.e. cleaner/ gardener/driver. Usually, the funds received in the accounts of such straw men significantly exceed their legitimate employment income.

12. Politically exposed person/public official receive or purchase shares (or the option to purchase shares):

- In a company in exchange for services; or
- In a company where the purchase is financed by the vendor; or
- In a company where the purchase price is below the net asset value of the company; or
- In a company and receives a dividend from the company which is disproportional to the purchase price; or
- Which gives the right to sell shares at a price which is higher than either the current market value or the price at which the shares were purchased; or
- And profit from a share transaction where the purchase and selling dates of shares are within a short time period.

13. Cheque issued by a public entity being cashed out and subsequently deposited into accounts of politically exposed person/public official or their related entities.

14. Misrepresentation and/or inconsistency between the declared source of wealth of politically exposed person/public official through their sworn asset declarations, and those established during the due diligence process.

15. The stated source of wealth of funds received to an account of a politically exposed person/public official may be inconsistent with his/her stated career history, expertise, or age.

2. Public Procurements

1. Transactions involving long-term government contracts that may have been awarded through an opaque selection process to a legal entity or multiple legal entities with similar beneficial owners.

2. Legal entities with little or limited experience receiving highly complex and technical government contracts/projects (not compatible with the size or experience of the entity) or receiving government contracts/projects that are not related to their field of business.

3. Transactions involving government business being conducted through personal accounts, which may indicate an attempt to divert or misuse public funds.

4. Transactions involving entities, intermediaries, or consultants that:

- Did not take part in the related project.
- Would not typically be related to the industry or line of business of public entity.

5. Public officials or PEPs, especially those who have a role or relation in government contract management or public procurement of high-value assets, receive fund transfers:

- from business and/or personal accounts, where these funds appear to be excessive in value;
- according to in-built distribution methods or contractors or intermediaries;
- from distributors used at the request of the contracting party;
- according to existence of rebate arrangements, particularly if agreed outside the contract;
- under requirements to obtain licenses and other government permits as a pre-requisite of doing business.

6. Cheque issued in favor of public officials or PEPs from accounts of people that benefited from public procurements/funds, without an evident justification.

7. Use of third parties, such as contractors, consultants, vendors, suppliers and advisor/intermediaries, to facilitate procurement contracts fulfilment which do not make sense.

8. A certain legal entity or arrangement, which is a contractor to a state-owned company, usually receives payments of higher amounts for goods or services which normally should cost less (when compared to the normal market prices for equivalent products or services).

9. A public entity transacts with newly established, opaque, or unidentified entities. This includes entities registered at the address of an offshore company service provider, especially when there is no apparent business relationship.

10. Long-term contracts are repeatedly awarded to the same subcontractor, or a certain legal entity or legal arrangement consistently winning a majority of the largest contracting authority tenders/public procurement bids.

11. The issuance of unreasonable specifications for the performance of the contract (including restrictive conditions for the location of the contractor, restrictive conditions for the materials needed for the performance of the contract, particularly tight deadlines, etc.) by the procuring authority.

12. Payments related to procurements which are highlighted as suspicious or dubious in Auditor General of Pakistan's report or any other report or media news.

13. Subcontractors have common director(s), beneficial owner(s) and/or are related with the management of the contractor.

14. Subcontractors/intermediaries brought in on business deals once a contract has already been agreed and for no obvious reason.

15. Contractors, subcontractors or their counterparties (within the timeframe for completion of the state contract) are linked by address, telephone number, IP-address, etc.

16. Funds received by a contractor of public procurements are not spent within a reasonable timeframe to fulfil the contract needs.

17. Payments based on a public procurement contract are conducted at a price higher than originally contracted.

18. Frequent payments conducted according to public procurement contracts by a public entity where there was only a single bid for a government procurement tender, which signals a lack of competition and closed access.

19. Commissions, interest or payments under commercial terms of public procurement contract are increased, reduced or restructured in a manner that is not commercially viable.

20. Use of state funds to purchase shares in private companies or private companies directly or indirectly related to public officials, at prices above market value.

21. Any direct or indirect relation of the employee of a procuring agency or his/her family members, associates, etc. with the bidders/suppliers, subcontractors or intermediaries.

3. Transactional Activity & Behavior

1. Transactions involving official embassy or foreign government business conducted through personal accounts.

2. Public officials or PEPs receive large amounts of money for their attendance in workshops, conferences or as consultants to projects, in order to disguise the origin of the funds from being seen as a payment of corruption / bribery.

3. Public officials or PEPs receive debt forgiveness or repayment requirements are waived by the creditor.

4. Incoming transactions from foreign jurisdictions (specifically from high-risk jurisdictions) on accounts of public officials or PEPs, which are intended for real estate purchases or purchases of high value or luxury goods, typically contain no additional information about the transaction itself, and the necessary remittance information is vague (e.g. refers to 'consultancy fees').

5. The use of hawala type mechanisms (especially through the remittance sector) by public officials or PEPs to move money abroad, which includes transactions with suspected hawaladars.

6. The contracting entity or its associated persons frequently transfer or deposit high value funds into accounts of a political party.

7. Cash withdrawals also be considered which were made by the public officials or his/her associate or family member from the accounts of suppliers, vendors, contractors, subcontractors, etc.

8. Public officials or PEPs have made cash transactions involving large amounts (e.g. currency exchange, use of cash to purchase high value goods or property, etc.).

9. The immediate transfer of funds from a private entity's account to a personal account of a public official and the subsequent movement of the funds to third party accounts. These funds are eventually moved abroad, which indicates the use of the aforementioned accounts as a temporary node. Some of the persons in the described chain may deduct a percentage of the amount before transferring it further, which indicates that these persons have received a commission for their services.

10. Suspicion related to trade related transactions like over or under invoicing related to high value or luxury items like gold, jewelry, watches, etc. including any other irregularities identified in import documents.

11. Transaction payments of unusual amounts or frequency from public officials or PEPs to lawyers, accountants, or other professional intermediaries.

12. International transfer from the Treasury of a foreign country to shell companies, to entities with no public profile, or no physical or online presence.

13. A public official or a PEP, transfer significant amount of funds to/from other public officials or PEPs without any economic sense, including law enforcement officers.

14. Upon initiating CDD/EDD inquiry regarding high turnovers, the financial activity is dried out from the accounts of PEPs, Public Officials, family members and close associates.

28. High value transactions of a person or an account with a public official or PEP subject to enquiry/investigation of a law enforcement agency or has some adverse media related to corruption & bribery.

29. A public official or a PEP questions about reporting / urgency / pressure.

4. Jurisdictional Risk

1. Consider whether the environment and/or industry in which the customer operates is at higher risk of exposure to bribery and corruption. The high-risk jurisdictions may include but not limited to countries that:

- Score low on the Transparency International Corruption Perceptions Index.
- Exhibit known deficiencies in anti-money laundering or anti-terrorist activity financing regimes, including countries identified by the Financial Action Task Force.
- Are known for banking secrecy, which can obscure financial transactions and ownership structures, or is a tax haven or offshore jurisdictions

2. Transactions involving services provided to state-owned companies or public institutions by companies registered in high-risk jurisdictions for corruption or have links to offshore jurisdictions.

3. Services provided to state-owned companies or public institutions by shell companies, offshore companies etc. or by companies registered in high-risk jurisdictions.

5. Economic Sectors

A customer operates in a high-risk industry for bribery, particularly those requiring government authorizations or licenses. Examples of industries with elevated bribery risks include:

- Public works and construction
- Large Infrastructures Projects
- Extractive Industries
- Health, etc.

6. Legal Structures

1. Use of Joint Venture (JV) structures for government contracts in which public officials or a company belonging to them are silent partners. For example, in a JV between a state-owned company and a private company, a third silent shareholder owned or controlled by a public official or PEP is inserted in order to allow to take a share of the profit to public official or PEP involved.

2. Family members or close associates of PEP, Public officials have registered multiple SMCs, Pvt. Ltd companies and were opening accounts in their names to route high volume of transactions.

3. Public officials or PEPs establish legal entities or legal arrangements in offshore jurisdictions, which have purchased land and buildings of significant value (as is evident from their accounting documents), despite the absence of any other commercial activity, or without a justifiable source of funds.

4. Payments by entities to NPOs/NGOs that public officials or PEPs are known to be associated with**.**