

# MONEY LAUNDERING vs INTERNATIONAL FINANCIAL REGIME

*Syed Azhar Hussain Shah*

Money laundering is the process of converting cash, or other property which is derived from criminal activity, so as to give it the appearance of having been obtained from a legitimate source.

## The origin of Money Laundering:

Jews suffered persecution in Christian Austria, Czechoslovakia, France, Germany, Hungary, Italy and Poland during the past 300 years.

- It had less to do with religion than with the bad business practices of jews, especially in lending money (remember Shakespeare's Merchant of Venice?)
- Fearing that their wealth could be confiscated by the state anytime, they routinely used to deposit it in banks in secular Switzerland.

## The origin of Money Laundering:S

- At the time, Switzerland was not resource-rich. Its mainstay was supplying mercenaries to feuding European governments.
- Swiss found this (cost-free and voluntary) flow of wealth a God-given opportunity.
- To protect Jewish wealth, Swiss bankers evolved the numbered accounts, Walking Account, Fictitious Account, Shell account etc.
- Later, the facility was offered to shady characters all over the world.

## **What does the activity constitute / cover?**

- Unfortunately, financial institutions, mostly banks, are used by criminals to move dirty money back and forth to hide its:
  - ✓ Origin
  - ✓ Ownership and
  - ✓ Character

## ACTIVITIES THAT GENERATE ILLICIT WEALTH

- Illegal arm sales
- Tax evasion
- Under/over invoicing foreign trade deals to accumulate wealth abroad or change black money into white money.
- Bogus trade transactions to launder money.
- Gun running
- Terrorism
- Drug trafficking
- Smuggling
- Facilitating illegal immigration
- Embezzlement
- Counterfeiting
- Benefiting from insider trading
- Bribery
- cyber crimes

## CHARACTERISTICS OF MONEY LAUNDERING

Following are few characteristics of money Laundering .

- ML is a group activity.
- ML is a criminal activity and once began, normally there is no end to it.
- ML recognizes no boundaries. It has been internationalized.
- ML activities do not end on one transaction. These involve a chain of transactions, and are undertaken at a large scale
- ML activities involve very sophisticated and complex process.

## **PRINCIPAL MONEY LAUNDERING METHODS**

The principal money laundering methods detected or suspected in Pakistan are as follows:

- (a) Hawala/Hundi.
- (b) Bearer Investment Schemes.
- (c) Investment and Speculation in Real Estate.
- (d) Expenditure on Luxury Goods.
- (e) Over/Under Invoicing of Imports and Exports.
- (f) Bogus Imports/Exports.
- (g) Loan Back Methods.
- (h) Prize Bond Racketeering.
- (i) Smuggling of Currency
- (j) Money Shown as Proceeds of Agriculture or Poultry.



## **EFFORTS MADE BY INTERNATIONAL ORGANIZATIONS**

### **The United Nations**

The UN was the first international organization to initiate global action to combat ML. Concerned by the increased drug trafficking that resulted in the laundering of vast sums of criminal proceeds through the banking system, the UN adopted the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention) in 1988. The convention included a provision calling for the criminalization of ML. In June 1998, the UN adopted the Political Declaration and Action Plan Against Money Laundering, seeking acceleration of international efforts for AML. In December 2000, the United Nations Convention Against Transnational Organized Crime was also adopted. This convention also called on states to outlaw the most common offenses, including ML, and for closer international cooperation in extradition, mutual legal assistance, transfer of proceedings, and joint investigations. Under Resolution 1373, the Security Council also established the Counter Terrorism Committee to closely monitor the compliance by member states with the resolution.

## **The Bretton Woods Institutions**

IMF and the World Bank have assumed a major role in supporting the efforts of FATF and the UN to combat ML and FT, and have intensified their efforts in recent years.

### **International Monetary Fund**

In recent years IMF has intensified its efforts to assess and strengthen international financial systems. This has been facilitated in part by the development of the Financial Sector Assessment Program (FSAP) and its Offshore Centre Assessment Program.

## **World Bank**

The World Bank has substantially expanded its programs in the areas of anticorruption, governance, and public financial management; and assisted countries in carrying out financial sector reforms focusing on legal, regulatory, and supervisory issues—particularly in the aftermath of the Asian financial crisis. Its financial sector lending and TA activities rapidly increased, through programs to strengthen legal, regulatory, supervisory, and judicial reforms and institutions, corporate governance, accounting and auditing, and market transparency. Among other measures knowledge sharing, awareness raising, and information exchange initiatives such as the Global Dialogue Series and AML/CFT conferences held in different countries.

## **Joint International Monetary Fund and World Bank Initiatives**

In May 1999, IMF, along with the World Bank, introduced the FSAP providing for joint IMF-World Bank assessments of the financial sectors of their common member countries. This voluntary program was designed to identify strengths, risks, and vulnerabilities in national financial systems and help promote the soundness of such systems. The FSAP assesses, among other things, members' adherence to internationally accepted financial standards, codes, and best practices. Work undertaken in this regard has led to the development of a number of reports on observance of standards and codes focusing on financial sector standards, including those for the banking, insurance, and securities sectors.

In 2001, IMF and World Bank staff began working closely in consultation with

FATF and other international standard-setting agencies to develop a methodology document that would provide a framework for AML/CFT assessments. The methodology is based largely on the FATF recommendations but also draws on relevant UN Conventions and Security Council Resolutions and international standards established for the financial sector.

## **PAKISTAN'S MEASURES AGAINST MONEY LAUNDERING**

- **National Accountability Ordinance, 1999**
- **Control of Narcotics Substance Act 1997**
- **Anti-Terrorism Act 1997.**
- **Prudential regulations by SBP**
- **SECP AML UNIT PROJECT**
- **AML law in process(passed by cabinet and to be presented in parliament)**

## National Accountability Ordinance, 1999

NAO 1999 deals mainly with the detection, investigation, prosecution and speedy disposal of cases involving corruption and corrupt practices.

The following offences under NAO covers the offence of money laundering :

- Acquisition of any property / pecuniary advantage through corrupt, dishonest or *illegal means*
- Having assets beyond known sources of income which can not be reasonably accounted for.

Pursuant to Section 20, financial institutions are bound to report suspicious financial transactions to NAB.

NAB has set up” money tracing & asset recovery consultancy (MTRAC - first-ever in Pakistan)”.

## **Anti-Terrorism Act 1997**

This act Deals comprehensively with the offences of terrorism and financing of terrorism. Makes compulsory for the proscribed organizations to submit all accounts for it's political and social welfare activities and disclose all funding sources. Freezing, Seizure and Forfeiture of assets

## **AML/CFT Measures by SBP**

The SBP has taken a number of steps to overcome AML

### **1. Institutional Arrangements.**

#### **Setting up of dedicated AML/ CFT Units.**

- **Primary Responsibilities of the Units**
- **Issuance of regulations and directions to banks and DFIs in accordance with FATF Recommendations and international best practices**
- **Receive STRs and process them for suitable action**
- **Coordination and liaison with relevant Government departments.**
- **Issue directives for freezing of accounts**



**1. Monitoring & Enforcement**

- **On-site inspection and off-site surveillance**

**3 International Obligations**

- **UNSC Resolutions- Freezing of accounts**

**4 Curbing of Informal Value Transfers**

- **Formation of Exchange Companies**

**5 Documentation of Economy**

- **Restriction on RTCs – Bearer Instruments**

There is restriction on physical transportation of cash exceeding US \$ 10,000/-

The steps were successful as workers remittances increased gradually

- 1999-00 \$ 913 M
- 2000-01 \$ 1,022 M
- 2001-02 \$ 2,341 M
- 2002-03 \$ 4,191 M
- 2003-04 \$ 3,826 M
- 2004-2005 \$ 4.11B

## **Regulatory Framework**

- **Issuance of Prudential Regulations**

State bank has issued following prudential regulations for banks to overcome money laundering

## **REGULATION M-1**

### **KNOW YOUR CUSTOMER (KYC)**

In view of recent heightened global efforts to prevent the possible use of the banking sector for money laundering, terrorist financing, transfer of illegal/ill-gotten

monies, and as conduit for white collar crime etc., the importance of 'Know Your

Customer (KYC) / customer due diligence' has increased.

## **REGULATION M-2**

### **ANTI-MONEY LAUNDERING MEASURES**

## **REGULATION M-3**

### **RECORD RETENTION**

## **REGULATION M-4**

### **CORRESPONDENT BANKING**

## **REGULATION M-5**

### **SUSPICIOUS TRANSACTIONS**

# **ANTI-MONEY LAUNDERING STEPS**

## **Activities that generate illicit wealth?**

- Illegal arms sales
- Gun running
- Smuggling
- Organized crime including:
  - ✓ drug trafficking and
  - ✓ prostitution
- Facilitating illegal immigration
- Embezzlement

## **ANTI-MONEY LAUNDERING STEPS**

### **Activities that generate illicit wealth?**

- Benefiting from insider trading
- Bribery
- Fraud especially computer fraud schemes
- Tax evasion
- Under/over-invoicing foreign trade deals to accumulate wealth abroad or change black money into white money.
- Bogus trade transactions to launder money.

## **ANTI-MONEY LAUNDERING STEPS**

### **What is the scale of the problems?**

- IMF estimates that US\$ 1.5 to 3 Trillion is laundered every year; it may be even high.
- Part of this money keeps moving back and forth disguised as remittances between countries while its owners keep collecting a premium over official exchange rates.

## **ANTI-MONEY LAUNDERING STEPS**

### **What is the scale of the problems?**

- Pakistanis now own between *US\$ 70 to 100 billion* stashed away in banks abroad.
- Such environment encourages illegal activities because it only proves that dishonesty pays.
- Unless the trend is reversed, it would become *unbelievable* for people that honesty also pays.



## **ANTI-MONEY LAUNDERING STEPS**

### **Why does money laundering go on?**

- Criminal activities flourished in the last three decades because of rise of poverty, illiteracy, unemployment and pressures / incentives that emanated from the following:
  - ✓ *Instability caused by support for criminals.*
  - ✓ *Regional conflicts.*
  - ✓ *Trade barriers that prevent legal business.*
  - ✓ *Sustained economic inequalities.*

## **ANTI-MONEY LAUNDERING STEPS**

### **Why does money laundering go on?**

- These encouraged gun running, drug trafficking, smuggling, counterfeiting, prostitution, embezzlement, bribery, tax evasion and insider trading.
- Illicit wealth generated by these activities is laundered through major financial centres, especially offshore centres.
- *Now all countries, being part of the integrated international financial system, are at risk.*

## **ANTI-MONEY LAUNDERING STEPS**

### **Why does money laundering go on?**

#### *The problems of the emerging markets – 1*

- Increased vigilance by authorities in the *major* financial centres to combat this activity provides an incentive for launderers to shift their activities to *emerging markets*.
- As ill-prepared emerging economies open up their financial markets, they become increasingly *attractive targets* for money laundering activity.

## **ANTI-MONEY LAUNDERING STEPS**

### **Why does money laundering go on?**

#### *The problems of the emerging markets – 2*

- Absence of *reporting requirements* on deposit / withdrawals attracts inflow of criminal funds.
- This is evidenced by rising funds movement to centres with loose detecting / recording systems because it welcomes their profitable investment.
- In emerging markets, *investment by criminals in real estate and other business* is on the rise.

## **ANTI-MONEY LAUNDERING STEPS**

### **Why does money laundering go on?**

#### *The problems of the emerging markets – 3*

- Indeed, developing states can't be too selective about the sources of capital they attract.
- But postponing action on vigilance steps may allow organized crime to become entrenched.
- Emerging markets remain vulnerable to financial crime taking deep roots unless they implement comprehensive anti-money laundering regimes.

# **ANTI-MONEY LAUNDERING STEPS**

## **Harmful effects of Money laundering**

### *What banks should worry about – 1*

- Integrity of a country's banking and financial services sector depends on the perception that it functions within a *framework of high legal, professional and ethical standards*.
- Reputation for integrity is the most valuable assets of any financial institution and collectively of the financial systems as a whole.

# **ANTI-MONEY LAUNDERING STEPS**

## **Harmful effects of Money laundering**

### ***What banks should worry about – 2***

- If tainted funds can be *processed* by a bank because its employees or directors were bribed or it turns a blind eye to the nature of the funds, *it could be accused of complicity in crime and treated as part of that criminal network.*
- Even perceived (*not real*) complicity in crime may adversely change attitudes of other financial institutions, regulators and ordinary customers.

# **ANTI-MONEY LAUNDERING STEPS**

## **Harmful effects of Money laundering**

### ***Macroeconomic impact – 1***

- *Contamination* of legal financial transactions.
- Negative macroeconomic consequences of money laundering are manifested by inexplicable changes in money supply requiring frequent Center Bank Intervention.
- The changes are caused by increased volatility of *external capital flows* and *exchange rates* due to unexpected cross-border asset transfers.



# **ANTI-MONEY LAUNDERING STEPS**

## **Harmful effects of Money laundering**

### ***Macroeconomic impact – 2***

- These trends indicate a *casual* institutional approach to controlling organized crime and money laundering.
- Suspect *integrity* of the financial system slows down foreign direct investment flow if financial / commercial sectors are perceived to be in control or under influence of *organized crime*.
- *Capital flows stop – bad for indebted countries.*

# **ANTI-MONEY LAUNDERING STEPS**

## **Harmful effects of Money laundering**

### ***Sociopolitical impact***

- Organized crime *infiltrates* financial institutions, acquires control of large economic sectors by bribing bureaucrats, *indeed governments*.
- Criminal ownership of organization corrupts business practices, *ethics* and *social fabric*.
- Ultimately they influence the *democratic process*.
- They finance corrupt political groups to de-stabilize governments that try to check crime.

# ANTI-MONEY LAUNDERING STEPS

## How is money laundered?

### *3 Stages*

#### *Stage 1: Placement*

Injection into the financial system.

- Funds are laundered close to the under-lying criminal activity.
- Large amounts are split into small sums and:
  - deposited into bank accounts, or
  - used to buy instruments (*cheques, instruments*) in the names of front men.
  - Collected through accounts at other locations.

# **ANTI-MONEY LAUNDERING STEPS**

## **How is money laundered?**

### ***Stage 2: Layering***

Conversions / transfer to distance funds from source by:

- Purchase of assets (*often real estate*) in the names of launderer's front men or
- A series of quick purchases / sales of investment paper in the names of launderer's front men or
- A series of telegraphic transfers through accounts at various banks across the globe.

# **ANTI-MONEY LAUNDERING STEPS**

## **How is money laundered?**

### ***Stage 2: Layering (cont'd....)***

- Use of scattered bank accounts for money laundering is prevalent in jurisdictions that don't help anti-money laundering investigations.
- Disguising fund transfers as payments for goods or services, giving them a legitimate appearance.
- These forms of money laundering are common among launderers using businesses as fronts.

# **ANTI-MONEY LAUNDERING STEPS**

## **How is money laundered?**

### ***Stage 3: Integration***

*Re-entry of laundered funds into white economy.*

- Having laundered the funds, the launderers then move them back into the white economy as their legitimate owners by investing then in:
  - Real estate.
  - Luxury assets.
  - Businesses.

# **ANTI-MONEY LAUNDERING STEPS**

## **How is money laundered?**

### ***Stage 3: Integration (cont'd....)***

- During 1978-88, Pakistan saw the fastest rise in the number of millionaires, though the white economy was not booming at the same pace.

## **ANTI-MONEY LAUNDERING STEPS**

### **Failure in checking money laundering?**

- A basic error is made while opening a customer's account without adequate inquiry / investigation about the correctness of:
  - The declared identity of the customer.
  - The declared nature of customer's business or occupational interests from where funds are generated that the bank will be handling.
  - The declared destination(s) and beneficiaries to whom funds will go from customer's account.



## **ANTI-MONEY LAUNDERING STEPS**

### **Failure in checking money laundering?**

- Independent research shows that in majority of cases unearthed, money laundering emanated from High Net Worth Accounts that were:
  - solicited
  - negotiated, and
  - servicedby Personal and Private Banker units in banks.
- Operating level staff knew very little about these customers..

# **ANTI-MONEY LAUNDERING STEPS**

## **Failure in checking money laundering?**

### ***Problems in “identifying” customers – I:***

- By checking / referring to:
  1. National Identity Card
  2. Driving License
  3. Passport
  4. Existing banker’s reference (*is quality of bank references satisfactory? Shouldn’t the banking industry formalize these arrangements?*)

# **ANTI-MONEY LAUNDERING STEPS**

## **Failure in checking money laundering?**

### ***Problems in “Identifying” customers – 2:***

5. National Tax number
6. Copies of latest Tax Returns.
7. Title of business and its Registration Number
8. Reports of External Auditors.
9. References from customer’s buyers
10. References from customer’s suppliers
11. Opinion of customer’s competitors
12. Press reports
13. On-going cases in courts of law.

# **ANTI-MONEY LAUNDERING STEPS**

## **Failure in checking money laundering?**

### ***Problems in “identifying” customers – 3:***

- First four items listed in the earlier two slide could either be fake or bogus.
- Do all banks have the expertise to distinguish between fakes and real documents?
- Can staff of every branch verify the authenticity of foreign identification documents?

## **ANTI-MONEY LAUNDERING STEPS**

### **Who are High Net Worth Individuals?**

- People with *enormous wealth* but often *without credible explanation* of how it was earned.
- They are served by “*Private*” or “*Personal*” Banking Unites.
- Inquiries about origin of their wealth are discouraged, which creates problems later on.
- Full facts relating to origin of wealth are not recorded, nor internal auditors told to monitor these accounts. This is a recipe for disaster.

# **ANTI-MONEY LAUNDERING STEPS**

## **Who are High Net Worth Individuals?**

- Following recently unearthed cases of large scale money laundering placed top US, British, Greek, Nigerian and Filipino banks in an embarrassing position.
- Russia's Boris Yeltsin & relatives; US\$ 20 billion.
- Nigeria's Gen. Sani Abacha: US\$ 1.3 billion
- Philippines Joseph Estrada: unknown amount.
- Regulators are now looking into these cases.

## ANTI-MONEY LAUNDERING STEPS

### **Mysterious business entities.**

- Companies that apparently deal in legally traded goods but in *reality* in illegal activities.
- Clandestinely dealing in *smuggled goods*.
- *Imports as a means of transferring tainted money abroad..*
- Importing under false declarations *banned goods* for sale to criminals.
- Export of *rubbish* to receive black money from abroad as legally earned.

# **ANTI-MONEY LAUNDERING STEPS**

## **Bogus trade transactions:**

### **Role of Customers Authorities**

- Banks technically don't deal in goods underlying transaction. It is Customs who ensure that:
  - ✓ Only goods declared in documents are cleared.
  - ✓ Contraband items are not imported
  - ✓ Declarations by importers do not cover-up goods quantities, qualities, values etc.
- If customs Authorities do their job well, money laundering through trade would be minimized.



## **ANTI-MONEY LAUNDERING STEPS**

**Beware of parties to large fund transfers:**

**Beware of parties to large fund transfers:**

- Central Banks, SWIFT, CHIPS and CHAPS now require remittances to include following data in the text of every payment order:
  - ✓ Name, address and account number of person who initiated the remittance.
  - ✓ Beneficiary name, address and A/c. number
  - ✓ Identity of first bank that accepted payment instructions from remitter.
- *Banks must retain this data for five years for investigative purposes. (In Pakistan 10 years)*

## ANTI-MONEY LAUNDERING STEPS

### **Fund transfers for Money Changers:**

- Given the large networks of Pakistani banks, why do people need their services other than *changing currency notes*?
- Why money changers *engage in fund transfers*?
- Money Changers survive for two reasons:
  - ✓ Banks are *inefficient* in providing fund transfer service and
  - ✓ To facilitate transfers for laundering *tainted wealth*.

# **ANTI-MONEY LAUNDERING STEPS**

## **Fund transfers for Money Changers:**

- These transfers are essentially for illegal purposes because they are intended to:
  - ✓ Get a premium over official exchange rate.
  - ✓ Escape the tax net.
  - ✓ Transfer illicit wealth.
  - ✓ Shift funds raised through criminal activity.
- As you go down this list, transactions become more and more illegal.
- The activity goes on even after strengthening of the Rupee because of above stated reasons..

# **ANTI-MONEY LAUNDERING STEPS**

## **Institutional Preventive Arrangements:**

### ***What bankers can do to help – 1:***

- Set up a Suspicious Transactions Reporting Cell (*STRC*) at Head Office staffed by officers experienced in detecting transactions of criminal nature.
- Conduct “Know your customer” courses for branch staff to help them focus on what they must know about their customers and their business to verify status of transactions..

# **ANTI-MONEY LAUNDERING STEPS**

## **Institutional Preventive Arrangements:**

### *What bankers can do to help – 2:*

- Train branch staff in identification, verification and reporting of suspicious transactions beginning with:
  - ✓ Monitoring movements in customer accounts.
  - ✓ Highlighting suspicious account movements.
  - ✓ Timely reporting of suspicious account movements to the STRC at the Head Office..

# **ANTI-MONEY LAUNDERING STEPS**

## **Institutional Preventive Arrangements:**

### ***Policy guideline – 1:***

- Banks should never establish a relationship with a customer until they know customers' true identity in terms of:
  - ✓ Sources of customer's wealth.
  - ✓ Nature of business.
  - ✓ Level of business activity.
  - ✓ Evidence that level of business activity is credibly supported by business infrastructure.

# **ANTI-MONEY LAUNDERING STEPS**

## **Institutional Preventive Arrangements:**

### ***Policy guideline: Correspondent Banks – 1:***

- Weaknesses in establishing Correspondent Banking relationships land banks in problems.
- Once the account of a bank is established, all kinds of money can pass through it.
- Ignoring criminal nature of funds moving through the account is dangerous.
- By having such accounts, your bank could be drawn into complicity in criminal activity.

# **ANTI-MONEY LAUNDERING STEPS**

## **Institutional Preventive Arrangements:**

### ***Policy guideline: Correspondent Banks – 2:***

- Correspondents banks should be chosen carefully to ensure that they have customers with legitimate businesses and they ensure that only legitimate transactions of their customers are passed on to you for handling.
- This is possible only if that bank itself has good internal controls in these areas.



# **ANTI-MONEY LAUNDERING STEPS**

## **Institutional Preventive Arrangements:**

### *Financial Action Task Force (FATF): Objects*

- Defines policy, enforces countermeasures
- Set up by G-7, it includes OECD, Hong Kong, Singapore, GCC and EC representatives of:
  - ✓ Financial regulatory agencies
  - ✓ Law enforcement agencies
  - ✓ Ministries of finance, justice, external affairs
  - ✓ International and regional organizations for combating money laundering.

# **ANTI-MONEY LAUNDERING STEPS**

## **Institutional Preventive Arrangements:**

### ***Main Task of FATF – Monitor/review/force***

- Members adopting 40 FATF Recommendations
- New laundering techniques, countermeasures
- Non-members' adoption of countermeasures
- Ratification of 1989 Vienna Convention
- Adoption of legal framework making various modes of money laundering criminal acts.
- Encourage international cooperation on exchanging of info on launders' activities.

## ***Banking Laws:***

### **☐ Statutes Establishing Banking / Institutions:**

- SBP Act 1956
- Acts / Ordinances Establishing a Particular Bank / Financial Institutions.
- Companies Ordinance 1984

### **☐ Statutes Governing Banking:**

- Banking Companies Ordinance 1962
- Banks Nationalization Act 1974.

### **☐ Other Banking Laws:**

- Negotiable Instruments Act. 1881.
- Banks and Financial Institutions Recovery of Loans Ordinance 2001.
- Foreign Exchange Regulations Act 1948.
- Banker's Books Evidence Act. 1891.

❑ **Related Laws:**

- Contract Act 1832.
- Companies Ordinance 1984
- Partnership Act. 1932.
- Transfer of Property Act. 1882.
- Registration Act. 1908.
- Offences in Respect of Banks (Special Courts) Ordinance 1984).
- NAB Ordinance 1999.

## ❑ **Nab Ordinance 1999**

### *Power to call for information:*

“Require any bank or financial institution, notwithstanding anything contained in any other law for the time being in force, to provide any information relating to any person whosoever, including copies of entries made in a bank's or a financial institution's books such as ledgers, day books, cash books and all other books including record of information and transactions saved in electronic or digital form and the keepers of such books or records shall be obliged to certify the copies in accordance with law”.

“Where there is reasonable suspicion that any person is involved in or is privy to an offence under this Ordinance, the Chairman NAB may, with the prior approval in writing of the High Court concerned, direct that surveillance of that person may be carried out through such means as may be necessary in the facts and circumstances of the case and the Chairman NAB, may in this regard seek the aid and assistance of any Governmental agency and the information so collected may be used as evidence in the trial under this Ordinance”. S.19(e)

Provided that the copies obtained or information received or evidence collected under clauses (d) and (e) kept confidential and shall not be used for any purpose other than for legal proceeding under this Ordinance.

### ***Reporting of suspicious Financial Transactions:***

“Notwithstanding anything contained in any law for the time being in force, it shall be the duty of all banks and financial institutions to take prompt and immediate notice of all unusual or large transactions in an account, which have no apparently genuine economic or lawful purpose and upon bonafide professional judgment of the Bank or financial institution that such transactions could constitute or be related to an offence under this ordinance, the manager or director of such Bank or financial institution shall report all such transactions to the Chairman NAB forthwith by the quickest possible mode of communication to be confirmed in writing”. S.20(a)

***Inquiry, investigation proceedings in respect of imprudent bank loans etc. etc.***

“Notwithstanding anything contained in this Ordinance or any other law for the time being in force, no inquiry, investigation or proceedings in respect of imprudent loans, defaulted loans or rescheduled loans shall be initiated or conducted by the National Accountability Bureau against any person, company or financial institution without reference from Governor, State Bank of Pakistan”.

Provided that cases pending before any Accountability Court before coming into force of the National Accountability Bureau (Second Amendment) Ordinance, 2000, shall continue to be prosecuted and conduct without reference from the Governor, State Bank of Pakistan.  
S.31(d)