

“A STUDY ON BANK’S ROLE TO ENCOUNTER MONEY LAUNDERING IN PAKISTAN”

**(STUDY ON ANTI MONEY LAUNDERING
SYSTEM OF BANKING SECTOR)**

BY

SHAMSA SHAHEEN

30567

A thesis presented to the Department of Management Sciences, Bahria University
Karachi Campus, in partial fulfillment of the requirements
of the MBA degree



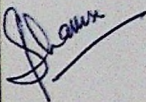
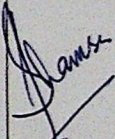
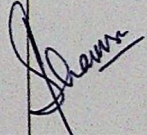
FALL, 2016

Bahria University Karachi Campus

MBA Thesis

2nd Half-semester Progress Report & Thesis Approval

Supervisor-Student Meeting Record

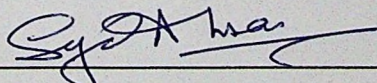
No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	18-Sept-2016	Faculty room 1	Research Methodology	
6	9-Oct-2016	Faculty room 1	Data Analysis and	
7	16-Oct-2016	Faculty room 1	Finalization of Thesis and its formatting	

APPROVAL FOR EXAMINATION

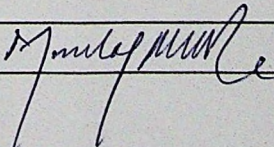
Candidate's Name: _____ Registration No. _____

Thesis Title: _____

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at _____ that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature:  Date: 19/12/2016

Name: S. M. Ahsan Rizvi

Head Of Department Signature:  Date: _____



Acknowledgement

I would like to thank the Almighty, Who blessed me with so many supporting people around me who helped me in every stage of my life. Further I would like to pay my gratitude to my parents and siblings for their consistent support through my studies, without their support i would not be able to complete my studies. Lastly I would like to thank my teachers of Bahria University, especially my thesis supervisor for his assistance and support in completion of studies during my overall MBA sessions. Without their support completion of this research could not be possible. His supervision enables me to complete my research work and convert the same in the form of thesis.

ABSTRACT

Purpose:Major aim of this study was to understand the impact of money laundering on the economy and the sources used to the banking sector in Pakistan to combat against it. Since money laundering is becomes one of the biggest corporate crime and in now a days it badly impact the growth of commercial banks operating all over the world.

Methodology/ Sample:The study was made on the basis of questionnaire filled by 100 respondents who are professional bankers working in Anti MoneyLaundering department of the bank and the people working in branch operation. The research was conducted by asking close ended questions Closed end questions comprises of different variables that support the argument of the thesis which includes tools of customer identification used by the banks, AML policy, reporting of suspicious transactions, internal control system and training and awareness programs. Further recent domestic and international laws/regulations were also taken in to consideration for determining the efficiency of banking sector in combating against money laundering.

Findings:The analysis and comparative results shows that banking sector is adopting more comprehensive tools for combating against money laundering. Further State Bank of Pakistan is also adopting the international regulations in order to strong controls of the bank operating in Pakistan. However the current practices perform by banks and the regulations issued by State Bank of Pakistan could be improvement by adopting the new technologies and strategies that might easier for banks to adopt and implement in their processes.

Significance of the study:The outcomes of this research might help the bankers and the banking regulators to formulate their policies and procedures in such a way so that easy to implement and more customer oriented. Moreover the same could become more effectively use against money laundering.

CONTENTS

1.	CHAPTER 1: INTRODUCTION	1
1.1	BACKGROUND OF PROBLEM	2
1.2	OVERVIEW OF MONEY LAUNDERING CONCEPT AND PRACTICES	2
1.2.1	DEFINITION OF MONEY LAUNDERING	3
1.2.2	PHASES OF MONEY LAUNDERING	4
1.2.3	SOURCE OF MONEY LAUNDERING	6
1.3	PROBLEM STATEMENT	7
1.4	RESEARCH OBJECTIVE	7
1.5	SCOPE OF RESEARCH	7
1.6	CONCEPTUAL FRAMEWORK	8
1.6	DESCRPTION OVERVIEW	8
2.	CHAPTER 2: LITERATURE REVIEW	9
2.1	INTRODUCTION	10
2.2	HISTORICAL VEIW OF MONEY LAUNDERING	10
2.3	INTERNATIONAL REGULATIONS AND AGENCIES ON AML	14
2.3.1	BANK SECRECT ACT, (BSA) 1970	14
2.3.2	MONEY LAUNDERING CONTROL ACT, 1986	14
2.3.3	ANNUNZIO- WYLIE ANTI MONEY LAUNDERING ACT, 1992	14
2.3.4	U.S PATRIOT ACT 2001	15
2.3.5	FINANCIAL ACTION TASK FORCE (FATF)	15
2.3.6	BASEL COMMITTEE ON BANKING SUPERVISION (BCBS)	15
2.3.7	ASIA PACIFIC GROUP ON MONEY LAUNDERING (APG)	16
2.4.1	DOMESTIC AGENCIES & REGULATIONS AGAINST MONEY LAUNDERING	
2.4.2	SBP REGULATION ON AML/ CFT	17
2.4.3	CUSTOMER DUE DILIGENCE (R-1)	18
2.4.4	CORRESPONDENT BANKING (R-2)	18
2.4.5	WIRE FUND TRANSFER (R-3)	18
2.4.6	REPORTING OF TRANSACTIONS (STRs/ CTRs) (R-4)	19
2.4.7	THRESHOLDS OF STR/ CTR REPORTING	19
2.4.8	NATIONAL ACCOUNTIBILITY BUREAU ORDINANCE 1999	20
3	CHAPTER 3 RESEARCH METHODOLOGY	24
3.1	INTRODUCTION	25

3.1.1	TYPE OF RESEARCH.....	25
3.1.2	QUANTITATIVE RESEARCH	25
3.2	TARGET POPULATION	25
3.3	SAMPLE SIZE	26
3.4	SAMPLING TECHNIQUE.....	26
3.5	DATA TYPE.....	26
3.6	DATA COLLECTION.....	26
3.7	RESEARCH QUESTIONS	27
3.8	RESEARCH WORK LIMITATIONS	28
3.9	TIME HORIZON.....	28
3.10	ETHICAL CONSIDERATION	28
4	CHAPTER 4: DATA ANALYSIS.....	29
4.2.1	INTERPRETATION.....	31
4.2.2	GRAPHICAL PRESENTATION:.....	32
4.3.1	INTERPRETATION.....	36
4.3.2	GRAPHICAL PRESENTATION.....	36
4.4.1	INTERPRETATION.....	41
4.4.2	GRAPHICAL PRESENTATION.....	41
4.5.1	INTERPRETATION.....	45
4.5.2	GRAPHICAL PRESENTATION.....	45
4.6.1	INTERPRETATION.....	49
4.6.2	GRAPHICAL PRESENTATION.....	50
4.7.1	INTERPRETATION.....	51
4.7.2	GRAPHICAL PRESENTATION.....	52
4.8.1	INTERPRETATION.....	54
5	CHAPTER 5 CRITICAL DEBATE.....	58
5.2	AML Policy and Procedures Description.....	59
5.3	Appropriate Internal Control System	60
5.4	Review of Customer' Account.....	61
5.5	Transaction Monitoring IT Systems.....	61
5.6	Reporting of Suspicious Activities	62
5.7	Regulatory Outlook.....	63
5.8	Training and Awareness Programs.....	63
6	CHAPTER 6: CONCLUSION & RECOMMENDATION	65

Reference:	69
APPENDIX	70