

Literature Review of Pakistan's AML and CFT Framework in Global and Regional Governance: A Doctrinal Analysis Perspective

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HOW TO CITE: ABSTRACT:

Hyder Ali Memon, Ramesh Kumar, Ghulam Mujtaba Malik, Nusrat Aijaz (2026). Literature Review of Pakistan's AML and CFT Framework in Global and Regional Governance: A Doctrinal Analysis Perspective. International Journal of Special Education, 41(18s), 200-216	The study of anti-money laundering (AML) and counter-terrorist financing (CFT) phenomenon has grown significantly in the past decade, but this is a field that is divided into doctrinal analyses of money laundering and criminalisation, policy reports on FATF compliance, financial sector analysis of risk-based supervision, and country-specific narratives of reform. This article combines doctrinal legal analysis in addition to qualitative narrative review and thematic coding to map the intellectual structure of AML and CFT regulation from 2014 to 2024. It questions the development of the research body, the thematic clusters that dominate the discipline and the relation between these clusters and a changing regulatory landscape characterized by FATF mutual evaluations, EU harmonisation, beneficial ownership (BO) transparency, virtual assets, grey-listing and the reception of transnational standards in the national sphere. The review draws on existing literature and primary sources at three interconnected levels: conceptual/definitional discussions about money laundering, terrorist financing and transnational organised crime; the regime
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architecture of the United Nations conventions, Security Council resolutions, FATF standards and EU law; and the disparate implementation of AML and CFT norms at the domestic level in Pakistan. The central argument is that AML and CFT law has moved through a process of doctrinal hardening, such as treaty obligations and Security Council duties generated baseline legal commitments, FATF translated those commitments into operational soft-law standards and peer-review metrics, and domestic systems such as Pakistan's transformed those standards

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into statutory and regulatory forms under conditions of external pressure. The article contributes a refined framework for analysing AML and CFT governance as a multi-level process of norm diffusion, compliance pressure and legal transplantation, and it identifies the literature gaps that a Pakistan-focused doctrinal review can fill.

Keywords: FATF; AML/CFT governance; Pakistan; EU AML regulation; legal transplantation

1. Introduction

Anti-money laundering (AML) and counter-terrorist financing (CFT) regulation has become one of the visible sets of contemporary global financial governance. These regulations are “key to the integrity and stability of the international financial system”.¹ Money laundering (ML) and terrorist financing (TF) constitute serious transnational threats because they weaken the integrity of financial systems, erode public revenue, facilitate organised criminal and terrorist activities, and may destabilise economies within an increasingly interconnected global financial order.² The regulatory response has thus evolved from a mere criminal law. It now encompasses preventive responsibilities of the financial institutions and professional gatekeepers, suspicious transaction reporting (STR), risk-based supervision, targeted financial sanctions, beneficial ownership (BO) transparency and comprehensive international cooperation. This system is based on the Recommendations of the Financial Action Task Force (FATF) and a comprehensive international regime has been implemented by countries. Since its founding in 1989, FATF has promulgated the 40 Recommendations (1990, revised 2003, 2012, 2023,

2025) and 9 Special Recommendations on TF (2001)³. More than 200 jurisdictions are now subject to these standards, resulting in the world's regulatory framework for AML/CFT rules.

The scholarly discussion went in two directions. The criminological literature questions the effectiveness of AML and CFT controls to suppress predicate crime or to create compliance rituals. Legal scholarship includes examination of the legal aspects of criminalisation, due process, evidentiary burdens, and confiscation. Research on governance looks at the way a formally soft-law body can affect states in the realms of peer review and market discipline. More recent research has focused on digital assets, data protection and BO and the politics of de-risking⁴. Pakistan is a country that is caught in the

¹ International Monetary Fund, ‘Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)’ (IMF) <https://www.imf.org/en/topics/financial-integrity/amlcft>.

² *ibid*

³ Xiyan Zhu and Jianye Tang, ‘The Interplay between Soft Law and Hard Law and Its Implications for Global Marine Fisheries Governance: A Case Study of IUU Fishing’ (2024) 9(4) *Aquaculture and Fisheries* 511 <https://doi.org/10.1016/j.aaf.2023.04.004>.

⁴ Georgios Pavlidis, ‘International Regulation of Virtual Assets under FATF’s New Standards’ (2020) 21 *Journal of Investment Compliance* 1; Iwona Karasek-Wojciechowicz, ‘Reconciliation of Anti-Money Laundering Instruments and European Data Protection Requirements in Permissionless Blockchain Spaces’ (2021) 7 *Journal of Cybersecurity* tyab004; Vijaya Ramachandran, Matthew Collin and Matt Juden, ‘De-risking: An

middle of these debates as it's been under the intense scrutiny of the FATF and has pushed for hasty yet necessary legislative changes and an effort to transform technical efficiencies into operational effectiveness. It constructs a doctrinal story of the transformation of key concepts and obligations in international treaty law, through soft-law standard-setting and peer-review processes, and into domestic legislation and regulatory practice.

The article is therefore not just about the failure or success of compliance in Pakistan. It is an analytical approach that sees Pakistan as a site of fusion between global standards, regional expectations and domestic legal capacity. The state has been forced to meet evaluations by FATF and FATF-style regional bodies (FSRBs) (Pakistan is part of the Asia/Pacific Group on Money Laundering (APG)), alongside correspondent banking, remittance flows, development finance and foreign investment. Its informal economy and security environment, on the other hand, can be a major hurdle in moving from written to real-world law enforcement, as is its federal institutional framework and its unequal prosecutorial power.

The aim of this paper is twofold. First, it takes an approach to mapping AML and CFT research from 2014 to 2024 that is based on a narrative thematic coding instead of a bibliometric approach. Secondly, it maps the doctrinal journey that led to the development of AML and CFT obligations under treaties and Security Council resolutions, which were translated by FATF and the EU, and domesticated in Pakistan. This study addresses that How has AML and CFT regulation research advanced over the years, and what themes and trends have emerged? We combine a narrative approach with thematic qualitative analysis. The goal is to synthesize a coherent picture of the field's intellectual evolution that identifying dominant research groups, topic clusters, and knowledge gaps. By doing so, we illuminate the "interaction between global regulatory standards and local enforcement" and assess whether scholarly discourse is keeping pace with the changing face of financial crime. This interdisciplinary review will set the stage for targeted policy recommendations and future research directions.

It also foregrounds the paper's comparative constraint because Pakistan is assessed not only against the global baseline articulated by FATF but also against the legally binding and increasingly

supervisory European Union (EU) AML and CFT frameworks and directions⁵. The doctrinal significance of that comparative thread is that the approach of FATF's standards is essentially "voluntary" (in the sense that adherence is advised, but not mandatory) but the EU's standards are increasingly being framed as a "single rulebook" integrated into each other with an EU-level authority and thus directly applicable obligations⁶. The paper in this context also helps the AML and CFT scholarship by linking doctrinal analysis and narration with thematic coding literature review and comparative analysis of governance in the context of Pakistan's study on the financial regulation in the global and regional context.

2. Method and Research design

The methodology is a blend of the doctrinal method and qualitative narrative review. Doctrinal analysis is suitable because AML and CFT obligations exist and are interpreted in legal documents, including conventions, Security Council resolutions, FATF Recommendations, EU directives and regulations, and domestic legislation. The method focuses on the discovery of legal concepts, the institutional requirements, the normative hierarchies, and the normative conflicts between criminal law, preventive regulation and administrative supervision. Not only does a jurisdiction have to be "compliant," but doctrinal analysis asks how a jurisdiction has to be in order to be compliant and what the implementation of the law requires, as well as whether its institutional design is conducive to the purpose of the law. Narrative review and thematic coding are used because AML and CFT scholarships are interdisciplinary. The field cuts across criminal law, financial regulation, international relations, security studies, political economy, data governance and development policy. A narrow doctrinal method would miss how concepts such as de-risking, grey listing, BO, informal finance and virtual assets move between law and governance. The coding therefore examines the focus of each study or institutional text and groups it within recurring legal-policy themes. The categories are derived both deductively from AML and CFT policy architecture and inductively from repeated concerns in the literature.

⁵ Regulation (EU) 2024/1624; Regulation (EU) 2024/1620; Oldřich Bureš, 'A Paradigm Shift in EU Efforts to Combat Terrorist Financing?' (2025) *Studies in Conflict & Terrorism* 1-31.

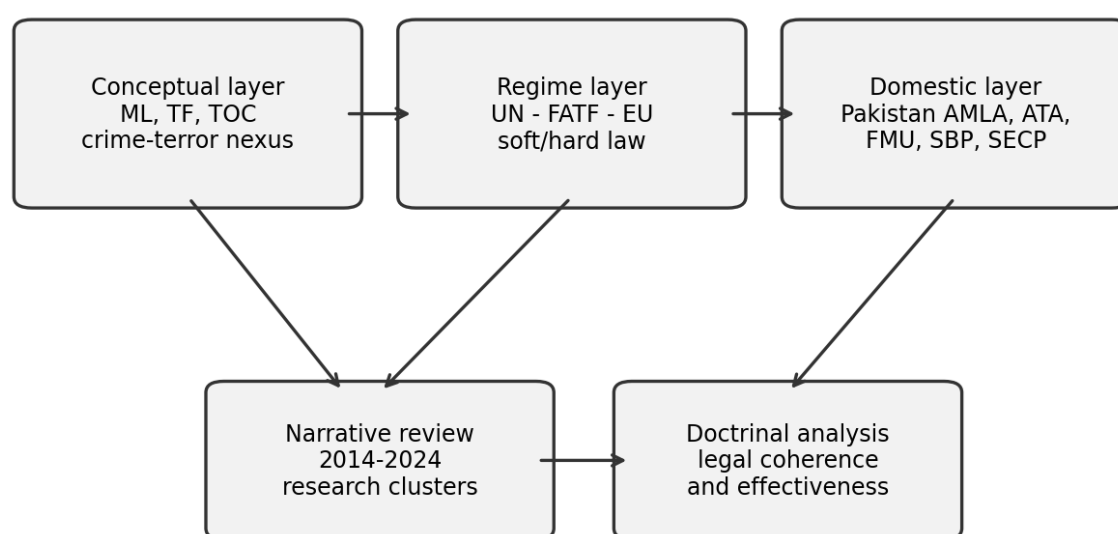
⁶ Abbott, Kenneth W., and Duncan Snidal. "Hard and soft law in international governance." *International organization* 54, no. 3 (2000) 421-456.

Unintended Negative Consequence of AML/CFT Regulation' in Colin King, Clive Walker and Jimmy Gurulé (eds), *The Palgrave Handbook of Criminal and Terrorism Financing Law* (Palgrave Macmillan 2018).

Table 1. Review design and source architecture

Component	Source materials	Purpose in the article
Doctrinal corpus	UN conventions, Security Council resolutions, FATF Recommendations, EU AML directives/regulations, Pakistan AMLA/ATA and sectoral regulations	Identifies binding and non-binding obligations, institutional mandates and doctrinal tensions.
Institutional evaluation material	FATF/APG mutual evaluations and follow-up reports, FATF typologies, IMF/World Bank/Basel materials	Assesses the difference between technical compliance, effectiveness and market consequences.
Narrative literature review	Peer-reviewed articles, scholarly monographs, law reviews and policy research from 2014-2025	Maps research clusters and show how scholarship responded to regulatory change.
Thematic coding	Deductive codes from AML/CFT architecture and inductive codes from the literature	Links legal development to themes such as beneficial ownership, informal finance, digital assets and legitimacy.
Pakistan case analysis	AMLA, FMU/State Bank/SECP materials, APG reports and Pakistan-focused scholarship	Tests how transnational standards are received and operationalised in a developing-state legal system.

Core analytical design: from concepts to governance to domestic reception

**Figure 1. Core analytical design of the doctrinal and narrative review.**

3. Literature Review

3.1 Conceptual and Definitional Scholarship on ML, TF and TOC

Conceptually, money laundering (ML) is an unstable term that can refer to a narrow transaction of "coverting" the provenience of criminal funds or a much wider legal definition of "handling" funds after a crime. The traditional idea of placement-layering-

integration is still valid and informative, but not as a full empirical description. Modern laundering is a process that doesn't involve cash receipts, interweaves laundering steps or is facilitated by trade, corporate vehicles, professional services and digital assets. Levi and Reuter illustrate the evolution of the definition of "money laundering" together with the global compliance framework, but also how this expansion hinders measurement and evaluation of the actual "target activity" is often hidden by design

and is often indistinguishable from the total proceeds of crime.⁷⁷

The doctrinal difficulty of the concept is relevant. A wide definition enhances the prosecution's ability to secure, may help prevent, and can facilitate the confiscation; however, it also may make criminal liability more diffuse. When there is a predicate offence, and most of the subsequent transactions are ML (or recent offences), courts need to be wary of double punishment and insufficient evidence of knowledge. If the definition is too broad, then professional laundering and enterprise concealment may also occur. Literature therefore highlights not so much a semantic problem with definitions as a choice that affects the evidentiary load, the scope of predicate offences, the interaction between criminal law and regulatory supervision, and an avoidance of cash placement in modern laundering, via trade misinvoicing, corporate vehicles, professional facilitation, and digitally mediated value movement. The critique is doctrinal because even today, many compliance programs still rely on a linear laundering imagination, as defined by the typologies of suspicion and supervisory expectations, and the risks are more and more "enabling" and "structural".⁸

Another aspect that the literature also concurs on is that laundering can only be interpreted as a governance issue that is inherent in legitimate markets and not a solitary criminal method. As Sharman notes in his political-economy analysis of AML, global policy has frequently responded to the phenomenon of laundering as a transnational regulatory object whose containment promises the security and integrity objectives, despite the fact that the impact on the system is in most cases hard to prove. Empirical and methodological critiques reinforce this, such as Levi, Reuter, and Halliday argue that evaluation of AML and CFT effectiveness is constrained by weak, inconsistent, and strategically curated data, creating space for legitimacy challenges to peer-review judgments.⁹

Terrorist financing (TF) presents a sharper doctrinal distinction. ML is usually origin-oriented because criminality lies in the illicit provenance of the funds and their concealment. TF is purpose-oriented, as the

funds may be clean, but their intended use is unlawful. The International Convention for the Suppression of the Financing of Terrorism requires criminalisation focused on provision/collection with the relevant mental element rather than proof that the funds are criminal proceeds.¹⁰ This distinction is also reflected in FATF's approach to TF criminalisation and typologies, which treat the adaptability of TF channels as a primary risk feature. This distinction exposes the limits of importing ML tools into TF contexts. Source tracing alone will not detect lawful donations, business income or small-value transfers used for violent ends.

Debates within TF scholarship centre on funding sources, such as legal versus illegal, organisational models related to state-supported versus decentralised or self-financed, and the regulatory consequences of small-value, diffuse, and networked transactions. Napoleoni's work alongside broader TF risk literature has been used to illustrate how donations, legitimate businesses, diasporic support, and community-based infrastructures can sustain terrorism, producing what some describe as a "reverse" flow problem because clean funds mobilised for illicit ends. The doctrinal implication is that evidential pathways and the design of preventive controls, such as CDD, monitoring, and sanctions screening cannot be imported from ML without adjustment.¹¹

Transnational organised crime adds a third conceptual layer. Literature increasingly rejects a clean separation between profit-driven organised crime and ideology-driven terrorism. Smuggling, fraud, narcotics, extortion and informal settlement systems may serve both criminal and terrorist networks. FATF's work on professional ML also shows that specialised facilitators can serve multiple criminal clients, making enforcement against professional enablers strategically important.¹² For Pakistan, the crime-terror nexus is especially relevant because TF risks intersect with border economies, cash-based trade and informal value transfer.

Informal value transfer systems notably describe as hawala/hundi sit at the centre of this adjustment

⁷ Levi, Michael, and Peter Reuter. "Money laundering." *Crime and justice* 34, no. 1 (2006) 289-375

⁸ Ibid 314-315

⁹ J C Sharman, *The Money Laundry: Regulating Criminal Finance in the Global Economy* (Cornell University Press 2011, online edn, Cornell Scholarship Online 18 August 2016) <https://doi.org/10.7591/cornell/9780801450181.001.0001>

¹⁰ International Convention for the Suppression of the Financing of Terrorism (adopted 9 December 1999, entered into force 10 April 2002) 2178 UNTS 197.

¹¹ Loretta Napoleoni, *Terror Inc: Tracing the Money Behind Global Terrorism* (Penguin Books 2004)

¹² FATF, *Professional Money Laundering* (FATF/OECD 2018) <https://www.fatf-gafi.org/content/dam/fatf/documents/Professional-Money-Laundering.pdf>

problem. The literature recognises the legitimacy and social utility of such systems, particularly for migrant remittances and financial inclusion, while also documenting risk typologies related to opacity, settlement methods, and enforcement constraints. FATF's typology work on hawala-like service providers highlights differentiated risk, and IMF/World Bank-linked analyses underline that aggressive regulation can be counterproductive if it pushes flow further into informality and reduces traceability. For Pakistan, this is not a marginal conceptual issue because it is integral to TF risk governance and to the political economy of compliance.¹³

3.2 Evolution of the Global AML/CFT Architecture

The global AML and CFT legal architecture are anchored in treaty obligations that progressively expanded both the substantive scope of offences and the procedural toolkit for international cooperation. The Vienna Convention (1988) is widely treated as the starting point for modern ML criminalisation in international law, particularly in the context of narcotics trafficking,¹⁴ while the Palermo Convention (2000) generalised core obligations across organised crime, including ML offences and mutual legal assistance (MLA). The financing of terrorism convention (1999) moved TF into a dedicated treaty form, reinforcing the doctrinal separation between illicit origin and illicit purpose.¹⁵

The Security Council added a more coercive layer through binding obligations addressing terrorism-related sanctions and asset freezing. Resolution 1373 (2001) adopted in the post-9/11 context,¹⁶ these obligations changed the legal character of parts of the AML and CFT system, such as targeted financial sanctions and asset freezing may operate without criminal conviction, and domestic agencies must act

quickly to implement designations. This Security Council layer matters for compliance analysis because it creates "hard law" obligations that interact with FATF's standard-setting and with regional systems such as the EU.¹⁷

¹³ FATF, *The Role of Hawala and Other Similar Service Providers in Money Laundering and Terrorist Financing* (FATF/OECD 2013) <https://www.fatf-gafi.org/content/dam/fatf-gafi/reports/Role-of-hawala-and-similar-in-ml-tf.pdf>

¹⁴ United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (adopted 20 December 1988, entered into force 11 November 1990) 1582 UNTS 95.

¹⁵ United Nations Convention against Transnational Organized Crime (adopted 15 November 2000, entered into force 29 September 2003) 2225 UNTS 209.

¹⁶ United Nations Security Council Resolution 1373 (28 September 2001) UN Doc S/RES/1373

¹⁷ Valsamis Mitsilegas, 'The Global Governance of Transnational Crime: Implications for Justice and the Rule of Law' in Valsamis Mitsilegas and others (eds), *Transnational Crime: European and Chinese Perspectives* (Routledge 2019) 5, 5–26.



Treaty and Security Council obligations are translated into FATF standards, EU law and domestic reform.

Figure 2. Evolution of the Global AML/CFT obligations, 1988-2024.

This history explains why AML and CFT governance has become process oriented. Measuring the amount of ML and TF disrupted is notoriously difficult; illicit finance is hidden, estimates are uncertain and displacement effects are hard to trace.¹⁸ Global estimates of laundering scale often expressed as a share of world GDP that remain widely cited but contested, and UN-linked analyses have also highlighted the low proportion of illicit flows seized or frozen relative to estimated totals. The point is less precision of any single estimate than the structural implication because the system is designed for deterrence, disruption, and financial integrity, yet it often struggles to produce convincing macro-level evidence of impact, which in turn shapes legitimacy debates around peer-review compliance judgments.¹⁹ This shift from outcome certainty to system performance is understandable, but it also makes peer-review judgments vulnerable to critique when technical compliance substitutes for demonstrable impact.

This contested evidence base helps explain why AML and CFT governance evolved toward process-oriented standards, such as CDD, reporting, supervision, risk assessments and peer-evaluated “system performance” rather than outcome claims about reduced crime volumes. In the doctrinal sense, it also makes the institutional design raise the question of the production of financial intelligence,

the operationalisation of sanctions, the routinisation of cooperation, as these are the places where international obligations can be administered²⁰. The literature thus places the FATF and regional regimes in the role of the intermediaries of governance that translate the objectives of the treaty into the work expected.

3.3 FATF Standards and Compliance Mechanisms in Global Governance

The Financial Action Task Force (FATF) is generally examined as the main hub in the modern AML and CFT governance due to the generation of globally dispersed standards and reviewing the execution by peer review. The history of FATF by itself documents its creation in 1989 by the G7 with an initial emphasis on ML, followed by further expansions, including the introduction of TF to the standards framework, codification of the risk-based approach, and more recent focus on BO, virtual assets, and proliferation financing controls²¹. In 1990, FATF published its Forty Recommendations on ML which was subsequently broadened in 9/11 with Special Recommendations on TF. The 2003 and 2004 amendments led to the 40 + 9 framework that was then further simplified in 2012 into an expanded AML and CFT and proliferation-financing standard. New risks such as virtual assets (2019), and stricter BO transparency requirements in 2022²² have been covered by subsequent updates.

The general consensus of the literature is that FATF should be regarded as a soft-law standard-setter, the impact of which is based on recursive evaluation and

¹⁸ UNODC, *Estimating Illicit Financial Flows Resulting from Drug Trafficking and Other Transnational Organized Crimes* (United Nations, 2011).

¹⁹ Michael Levi, Peter Reuter and Terence Halliday, ‘Can the AML System Be Evaluated without Better Data?’ (2018) 69 *Crime, Law and Social Change* 307 <https://doi.org/10.1007/s10611-017-9757-4>

²⁰ *ibid* 307–10, 322–24.

²¹ FATE, ‘History of the FATF’ (FATF) <https://www.fatf-gafi.org/en/the-fatf/history-of-the-fatf.html>

²² *Ibid*

market transmission. Its Recommendations set a comprehensive framework for criminal justice²³. The risk-based approach (RBA) is doctrinally important, in that it denies formal uniformity in that countries are supposed to determine their own risks and tune the measures to them. However, the same strategy leads to the problem of evaluation, as proportionality is based on the quality of national risk assessment and supervisory judgement. IMF studies estimates of massive falls in capital inflows linked to FATF greylisting empirically support this dynamic. The IMF working paper by Kida and Paetzold indicates that on average, the IMF finds that grey listing is linked to a significant decline in capital inflows in terms of FDI, portfolio flows, and other investment²⁴. That observation supports a rationalist compliance story since even without coercion states react to the expected economic damage.

The public listing system at FATF forms a strong incentive system. Morse refers to the process as market enforcement that involves global performance indicators send risk information, and banks and investors take action by cutting off relationships with non-compliant jurisdictions²⁵. In a similar vein, SWIFT-based studies indicate that the pressure of AML and CFT can cause a decrease in flows of cross-border payments to jurisdictions listed²⁶. These results justify the reason why states consider FATF recommendations as policy emergencies. The latest methodology and procedures of FATF regulate mutual assessments, follow-up, and ICRG procedure. The present structure is also indicative of an institutionalisation of the evaluation

cycles and preeminence of national risk assessment practices, despite the fact that scholars remain doubtful of the data basis and comparability of effectiveness judgments²⁷. Critical scholarship also highlights power asymmetries embedded in global financial governance tools, raising questions about whose risk priorities are privileged and how “compliance” can redirect domestic institutional agendas. These critiques do not negate the security and integrity rationales of AML and CFT; they sharpen the analytical need to connect external compliance pressure to domestic reception conditions precisely the territory where legal transplantation theory becomes explanatory.²⁸

From a doctrinal perspective, the most salient recent evolution is the tightening of BO standards and the extension of AML and CFT expectations to crypto-asset contexts. To further reinforce positive ownership-related criteria, see Recommendation 24 and 25, and as a way of facilitating the implementation and verification procedures, FATF has further provided guidance which is expected to be put to test during next evaluation rounds. The interaction of FATF with TF risk has also been ongoing with periodic typologies and risk updates, which is more a reflection of adaptation to evolving modalities than a consistent threat model.²⁹

3.4 EU AML/CFT Context and the Shift toward Supranational Supervision

The EU’s AML and CFT framework is often described as a transformation from minimum-harmonisation directives focused on financial-system gatekeepers into an increasingly unified regulatory

²³ Anja P Jakobi, ‘The FATF as the Central Promoter of the Anti-Money Laundering Regime’ in Karin Svedberg Helgesson and Ulrika Mörth (eds), *Securitization, Accountability and Risk Management: Transforming the Public Security Domain* (Routledge 2012) 16.

²⁴ Mizuho Kida and Simon Paetzold, *The Impact of Gray-Listing on Capital Flows: An Analysis Using Machine Learning* (IMF Working Paper No WP/21/153, International Monetary Fund 2021) <https://www.imf.org/-/media/files/publications/wp/2021/english/wpica2021153-print-pdf.pdf>

²⁵ Julia C Morse, ‘Blacklists, Market Enforcement, and the Global Regime to Combat Terrorist Financing’ (2019) 73 *International Organization* 511 <https://doi.org/10.1017/S0020818319000166>

²⁶ Matthew Collin, Samantha Cook and Kimmo Soramäki, *The Impact of Anti-Money Laundering Regulation on Payment Flows: Evidence from SWIFT Data* (Center for Global Development Working Paper No 445, 2016) <https://www.cgdev.org/sites/default/files/impact-anti-money-laundering-SWIFT-data.pdf>

²⁷ FATF, *Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT/CPF Systems* (FATF 2022, updated December 2025) <https://www.fatf-gafi.org/content/dam/fatf-gafi/methodology/FATF-Assessment-Methodology-2022.pdf.coredownload.inline.pdf>

²⁸ Terence C Halliday, Michael Levi and Peter Reuter, *Global Surveillance of Dirty Money: Assessing Assessments of Regimes to Control Money-Laundering and Combat the Financing of Terrorism* (Center on Law and Globalization 2014) https://globalinitiative.net/wp-content/uploads/2017/12/Centre-on-Law-and-Globalisation-Report_Global-Surveillance-of-Dirty-Money-Jan-2014.pdf

²⁹ FATF, *Guidance on Beneficial Ownership and Transparency of Legal Arrangements* (FATF 2024) <https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-Beneficial-Ownership-Transparency-Legal-Arrangements.html>

and supervisory regime. The first EU AML Directive (1991) established prevention obligations to protect the financial system,³⁰ and subsequent legislative waves expanded scope, tightened CDD duties, the Fourth and Fifth AML Directives broadened the regime by expanding BO transparency and responded to emerging risk and technologies.³¹ The European Parliament's policy briefings situate the 2021 AML package as the culmination of long-running concerns about fragmented implementation, cross-border risk spillovers, and uneven supervision within the internal market.

The post-2021 reform trajectory is particularly important to this study because it produces a governance model that structurally differs from FATF. Regulation (EU) 2024/1624 establishes a directly applicable single rulebook for AML and CFT, including explicit accommodation of crypto-asset service providers and traceability requirements that interact with the EU's crypto transfer and market regulations.³² The Regulation forms part of a package that includes Directive 2024/1640 and Regulation 2024/1620 establishing AMLA.³³ The Regulation specifies its entry into force and staged application timetable, underscoring that the EU is not merely "transposing FATF," but constituting enforceable internal-market governance with harmonised obligations and EU-level guideline production.

The creation of the Anti-Money Laundering Authority (AMLA) is the clearest expression of this supervisory turn. Regulation (EU) 2024/1620 establishes AMLA and situates it within the EU's

supervisory architecture, reflecting an institutional decision that AML and CFT risks require both rule-making coordination and more direct supervisory capacity at EU level.³⁴ For comparative purposes, AMLA matters not only internally but externally since third-country financial institutions and compliance programmes increasingly calibrate to EU expectations because access to EU financial markets and counterparties is conditioned by EU risk assessments, supervision, and enforcement signals. Tosza and Olivier's analysis is useful here, as AMLA introduces direct decision-making and sanctioning powers into an area that previously depended heavily on national supervisors.³⁵ The EU therefore hardens AML and CFT norms through legal form and institutional design, whereas FATF hardens them through peer evaluation and market pressure.

The EU's doctrinal competence bases are also central to how the literature frames EU AML and CFT. Article 114 TFEU supports approximation of laws for internal-market functioning, while Article 83 TFEU supports minimum rules on serious cross-border crime. AML and CFT therefore sit at an intersection of market integration and criminal-law coordination, with concrete consequences for legislative technique, such as regulations versus directives, supervisory organisation, and the EU's justification narratives for harmonisation. This legal basis hybridity is analytically important when comparing the EU to FATF because the EU has the constitutional machinery to legislate and supervise, not merely to recommend and evaluate.³⁶

Another tension related to the EU is related to BO transparency and core rights. The Fifth AML Directive provided access to beneficial ownership information more broadly, but the Court of Justice (Grand Chamber) ruled in Joined Cases C-37/20 and C-601/20 that access under the term general public was invalid considering the rights to privacy of life and data protection. This jurisprudence is not an EU domestic issue; it demonstrates the doctrinal

³⁰ Council Directive 91/308/EEC of 10 June 1991 on prevention of the use of the financial system for the purpose of money laundering [1991] OJ L166/77 <https://eur-lex.europa.eu/eli/dir/1991/308/oj/eng>

³¹ Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 [2015] OJ L 141/73; Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 [2018] OJ L 156/43.

³² Regulation (EU) 2024/1624 of the European Parliament and of the Council of 31 May 2024 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing [2024] OJ L 2024/1624.

³³ Directive (EU) 2024/1640 of the European Parliament and of the Council of 31 May 2024 on mechanisms to be put in place by Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing [2024] OJ L 2024/1640.

³⁴ Regulation (EU) 2024/1620 of the European Parliament and of the Council of 31 May 2024 establishing the Authority for Anti-Money Laundering and Countering the Financing of Terrorism [2024] OJ L 2024/1620.

³⁵ Stanisław Tosza and Olivier Voordeckers, 'An Anti-Money Laundering Authority for the European Union: A New Center of Gravity in AML Enforcement' (2024) 25 *ERA Forum* 405 <https://doi.org/10.1007/s12027-024-00805-9>

³⁶ Consolidated Version of the Treaty on the Functioning of the European Union [2012] OJ C326/47, art 114 https://eur-lex.europa.eu/eli/treaty/tfeu_2012/art_114/oj/eng

balancing exercise between transparency as an AML instrument and rights-based limitations, how the measures that are beyond FATF need to be legally designed and reasoned.³⁷ This case also matters for Pakistan because it shows that transparency reforms must be institutionally credible and rights-sensitive. BO data must be accurate and accessible to authorities and legitimate users, but the design of access rules cannot ignore privacy, security and proportionality.

3.5 Pakistan's AML/CFT Framework as Compliance dynamics

Pakistan's AML and CFT regime is best analysed as a case of externally pressured legal development interacting with complex domestic reception conditions. In FATF/APG assessments, Pakistan's reform trajectory shows substantial movement in technical compliance but enduring challenges in effectiveness, especially in investigations, prosecutions, supervision of DNFBPs, and BO transparency. The APG's Mutual Evaluation Report, which is based on the 2018 on-site visit provides a baseline diagnosis of legal and institutional weaknesses, while subsequent follow-up reports evidence rapid legislative change and re-rating strategies.³⁸

The APG MER's reported enforcement outcomes have been widely used to illustrate the "formal-functional" gap because large numbers of investigations and prosecutions with very low conviction yield at the time of assessment. However, whatever the exact doctrinal meaning of those figures, which also have to cover the question of the size of the prosecutorial apparatus, interagency coordination, avenues of evidence, and institutional motivation, the larger argument is strong, e.g. system performance requires prosecutorial capacity, interagency coordination, evidentiary pathways, and institutional incentives, not just statutory alignment. This aligns with the broader literature on effectiveness-and-data that cautions against using law-abiding behavior as a measure of operational competence.³⁹

The action plans that Pakistan completed in October 2022 are at the heart of compliance story as Pakistan withdrew FATF. The status change and the framing of progress documented by FATF support a rationalist and reputational explanation of why the growth of reforms increases when subjected to listing pressure. But the literature and practice of assessment also accentuate that sustainability in the post-exit situation is still a separate challenge as the systems constructed quickly to make compliance milestones are to be maintained, routinised and legitimated internally to prevent a relapse.⁴⁰

On the institutional level, the public reporting by the Financial Monitoring Unit (FMU) in Pakistan offers uncharacterized administrative transparency on the volumes of reporting, distribution by sector, as well as hawala/hundi and virtual assets. In disseminated intelligence, the FMU quarterly report on the same period (Oct to Dec 2022), e.g., reports receipt volumes of STR and CTR, as well as priority offence categories. Such data cannot, on their own, establish system effectiveness, but they are crucial for doctrinally grounded analysis of whether legal obligations, such as reporting, analysis, dissemination are functioning as designed and whether they align with Pakistan's risk profile.⁴¹

Regulatory enforcement actions against banks by the State Bank of Pakistan (SBP) also show that preventive compliance is not purely formal because supervisory bodies impose monetary penalties and issue significant enforcement actions for CDD/KYC and AML/CFT breaches. This supports a more granular account of "compliance" as multi-layered not simply treaty alignment or FATF rating improvement, but also routine supervisory discipline and institutional learning across regulated sectors.⁴²

Pakistan's domestic reception conditions especially informality and remittance dynamics are a recurring explanatory variable in implementation literature. The informal economy of Pakistan has been reported by IMF as large with an estimated range of estimates clustering around a wide range with a widely cited mid point of 40 of the official GDP in the relevant

³⁷ Joined Cases C-37/20 and C-601/20 *WM and Sovim SA v Luxembourg Business Registers* ECLI:EU:C:2022:912. *EUR-Lex* - 62020CJ0037 - EN - EUR-Lex

³⁸ Asia/Pacific Group on Money Laundering, *Anti-Money Laundering and Counter-Terrorist Financing Measures: Pakistan Mutual Evaluation Report* (APG 2019) 9 <http://www.apgml.org/includes/handlers/get-document.ashx?d=389ff465-24a1-41cf-9ab9-27edc2e4c836>

³⁹ *ibid*

⁴⁰ FATF, 'Jurisdictions under Increased Monitoring – 21 October 2022' (FATF, 21 October 2022) <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2022.html>

⁴¹ Financial Monitoring Unit, *Quarterly Report October–December 2022* (FMU Pakistan 2023) <https://www.fmu.gov.pk/docs/2023/Quarterly-Report-Oct-Dec%2022.pdf>

⁴² State Bank of Pakistan, *Performance Review – January to March 2024* (SBP 2024) <https://www.sbp.org.pk/BS/2024/Jan-Mar.pdf>

analysis which directly relates to the scope of CDD, transaction monitoring and enforcement of tax-related predicate offence. AML and CFT systems in these situations face an inclusion-integrity trade-off, since formal controls can be extended to enhance traceability, but it is also possible that it will create more exclusion pressures, inducing activity to be diverted to informal systems.⁴³

The compliance theory and legal transplantation theory must be analytically necessary, and not ornamental, at this point. Rationalist theories anticipate economic and reputational benefits especially when listed under FATF, constructivist theories describe why norms are diffused and institutionalised as global financial integrity expectations, and managerial strategies revolve around capacity limits and interpretation issues. Simultaneously, transplantation scholarship cautions about whether legal form has the same functionality across situations; it can only be received when it fits, can be interpreted, is embedded in an institution, and the political economy of enforcement. The framework of transplant effect proposed by Berkowitz, Pistor, and Richard, and traditional criticism of transplantation metaphors, offer a conceptual vocabulary to not only determine whether the reforms in Pakistan are indicative of deep adaptation or strategic conformity.⁴⁴

Pakistan is a country of revelation in three senses. To begin with, it is placed at the cross-section of security-related and development-related AML and CFT demands since CFT requirements are coupled with a developmental need to remain able to access correspondent banking and capital markets⁴⁵. Second, Pakistan is supervised by the FATF/APG peer-review structure, but is not an agenda-setting core member of FATF⁴⁶. Third, the Pakistan AML act of 2010 alone mentions FATF-related countermeasures and integrates instantiated that reflect FATF templates, which makes legible the soft-to-hard translation in statutory form⁴⁷. This

leads to a pure illustration of soft-law norms being codified into national statutory framework: FATF expectations are not just external, but are mirrored in the institutional framework, reporting obligations and national coordination arrangements.

In June 2018, the FATF placed Pakistan under the 'jurisdictions under increased monitoring' process (grey-listing), thereby subjecting it to time-bound commitments and intensified follow-up. The APG Mutual Evaluation Report became the baseline for Pakistan's compliance narrative. It identified weaknesses in national risk understanding, DNFBP regulation, BO transparency, asset confiscation and MLA.⁴⁸ The result was a reform cycle driven by FATF/APG action plans. Pakistan amended more than ten laws, created the National FATF Secretariat, improved supervisory coordination, introduced rules for DNFBPs and enhanced the FMU's role. The 2022 follow-up process recorded major technical compliance improvements, with Pakistan reaching compliant or largely compliant status on 38 of the 40 Recommendations.⁴⁹

Pakistan's statutory and regulatory reforms accelerated within this peer-review cycle. By September 2020, AML Act had been amended and expanded definitions, supervisory powers, and institutional mandates relevant to FATF compliance. In May 2021, the APG adopted Pakistan's second follow-up report, which recorded changes in technical compliance ratings and reflected ongoing implementation commitments.⁵⁰ In October 2022, FATF announced that Pakistan was no longer subject to increased monitoring, formally ending the grey-listing episode.⁵¹

⁴³ International Monetary Fund, *Pakistan: Selected Issues* (IMF Country Report No 17/213, July 2017) <https://www.imf.org/-/media/files/publications/cr/2017/cr17213.pdf>

⁴⁴ Daniel Berkowitz, Katharina Pistor and Jean-Francois Richard, 'The Transplant Effect' (2003) 51 *American Journal of Comparative Law* 163.

⁴⁵ Kida and Paetzold, *The Impact of Gray-Listing on Capital Flows* (n 23).

⁴⁶ FATF, 'Pakistan' (FATF) <https://www.fatf-gafi.org/en/countries/detail/Pakistan.html>

⁴⁷ Anti-Money Laundering Act 2010, s 5(2)(c) <https://www.fmu.gov.pk/docs/Anti-Money-Laundering-Act-2010-amended-upto-Sep.%202020.pdf>

⁴⁸ APG, *Pakistan Mutual Evaluation Report* (n 37).

⁴⁹ Asia/Pacific Group on Money Laundering, *Pakistan: 4th Enhanced Follow-Up Report* (APG, February 2022, adopted July 2022) <https://www.fatf-gafi.org/content/dam/fatf-gafi/fsrb-fur/APG-Pakistan-FUR-2022.pdf.coredownload.inline.pdf>

⁵⁰ Asia/Pacific Group on Money Laundering, *Mutual Evaluation of Pakistan: 2nd Follow-Up Report* (APG, May 2021) <https://www.fatf-gafi.org/content/dam/fatf-gafi/fsrb-fur/APG-2nd-Follow-Up-Report-Pakistan-2021.pdf>

⁵¹ FATF, 'Jurisdictions under Increased Monitoring — 21 October 2022' (FATF, 21 October 2022) <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2022.html>

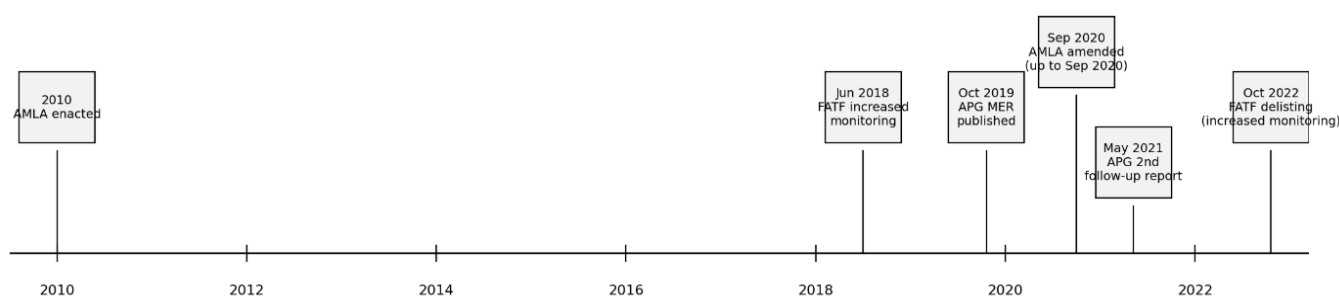


Figure 3. Pakistan AML/CFT compliance timeline (selected milestones).

AML Act of 2010 identifies a set of 'competent authorities' that includes regulators, oversight bodies for self-regulatory bodies, the FMU, and investigating/prosecuting agencies. The FMU is mandated to receive and analyse STRs and currency transaction reports (CTRs), disseminate intelligence, cooperate with foreign FIUs, and represent Pakistan in international FIU groupings. Regulatory authorities are specified in Schedule IV and are empowered to issue AML and CFT regulations and guidelines for reporting entities.⁵²

Two governance design features are notable. First, the statute embeds a coordination hierarchy, such as National Executive Committee (NEC) and General Committee (GC) that centralises policy oversight and requests periodic reporting and statistics from competent authorities. Second, AML Act of 2010 explicitly links domestic governance to the FATF system by assigning functions concerning 'countermeasures as called for by the FATF',⁵³ illustrating direct statutory internalisation of a soft-law signalling device.

Finally, the comparative FATF–EU dimension matters for Pakistan even without EU membership. Regulatory consolidation of the EU, including AMLR and AMLA and crypto transfer traceability are increasingly establishing requirements, which travel via correspondent banking, trade relationship and compliance benchmarking. Trying to mediate between the FATF global standards and EU facing market restrictions, Pakistan is confronted with a multi-audience governance issue as the domestic performance should be readable by international appraisers, foreign counterparties, and local institutions at the same time. The dynamic is under-theorised in Pakistan-specific literature and lies at the heart of the thesis contribution.

We imagine the future of Pakistan along the lines of a process of globalisation as a model of glocalization because global norms are not merely enacted, but are first interpreted into domestic law and institutional capabilities, and then subjected to review by outside forces in cycles. In the meaning of Robertson, glocalization is the process of embedding and reconstituting global structures at local levels, instead of imposing them.⁵⁴ Global demands were expressed in the language of the FATF Recommendations and Methodology, including criminalisation, preventive measures, supervisory allocation, FIU functionality, and effectiveness outcomes.⁵⁵ Local constraints included legal tradition, capacity limitations across law enforcement and courts, and the political economy of regulating informal and cash-intensive sectors. Under grey-list pressure, Pakistan's response primarily took the form of rapid legislative borrowing and institutional reinforcement, such as statutory amendments expanded definitions, clarified supervisory powers, and strengthened the FMU and committee mandates that coordinate implementation and generate performance reporting.

The glocalization dynamic aids in understanding why the change in the law is usually front-loaded and the effectiveness lagged. The incentives of peer-review render the enacted text and formal powers instantly valuable since they can be read by evaluators. But efficiency requires practices which cannot be completely guided by statutory amendment. This incongruity is a structural characteristic of soft-law-based governance because it favors what is easily measurable and is transnational in comparison.⁵⁶

⁵² Anti-Money Laundering Act 2010 (Act VII of 2010) (Pakistan), as amended up to September 2020 <https://www.fmu.gov.pk/docs/Anti-Money-Laundering-Act-2010-amended-upto-Sep.%202020.pdf>

⁵³ Ibid ss 5(2)(c)–(e)–(f), 5(4)–(8)

⁵⁴ Roland Robertson, 'Glocalization: Time-Space and Homogeneity-Heterogeneity' in Mike Featherstone, Scott Lash and Roland Robertson (eds), *Global Modernities* (Sage 1995) 25.

⁵⁵ FATF, *Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems* (FATF, adopted February 2013, updated June 2023) 5–7 <https://www.fatf-gafi.org/content/dam/fatf-gafi/methodology/FATF%20Methodology%2022%20Feb%202013.pdf>

⁵⁶ Leonardo Borlini, 'Monitoring Compliance in Intern

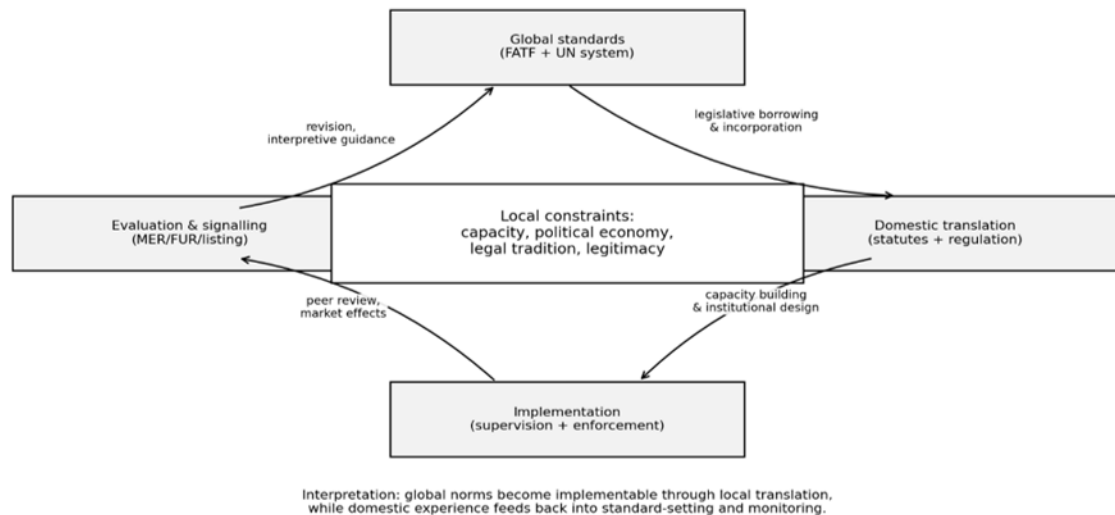


Figure 4. The 'glocalization' model: iterative translation of AML/CFT Norms.

This should not be overemphasised but rather realised. Technical compliance is good as it offers legal power, institutional framework and global trust. But it is not like effectiveness. The AML and CTF system of Pakistan continues to experience the limitation of its capacity in terms of investigation, prosecution, judicial process, recovery and supervision of risk sectors. The challenge does not lie in law not having all the tools; it is that they have to be utilised in a consistent, strategic and legal manner. In the absence of specialised prosecutors, trained judges, trustworthy statistics, inter-agency trust and a long-lasting political commitment, compliance gains may be weak.

Another way in which soft law turns into domestic hard law is observed in the case of Pakistan. The FATF Recommendations are not laws in Pakistan, but the greylisting establishes incentives to Parliament and regulators to change statutes and regulations. Global standards are then internalised in domestic law, and they are enforceable in national institutions. It is coercive transplantation where the law of the land is not blindly followed but it is filtered out in the legislative process, capacity of the bureaucracy, security requirements and economic susceptibility.⁵⁷

4. Narrative Analysis with Thematic Coding: Research Clusters, 2014-2024

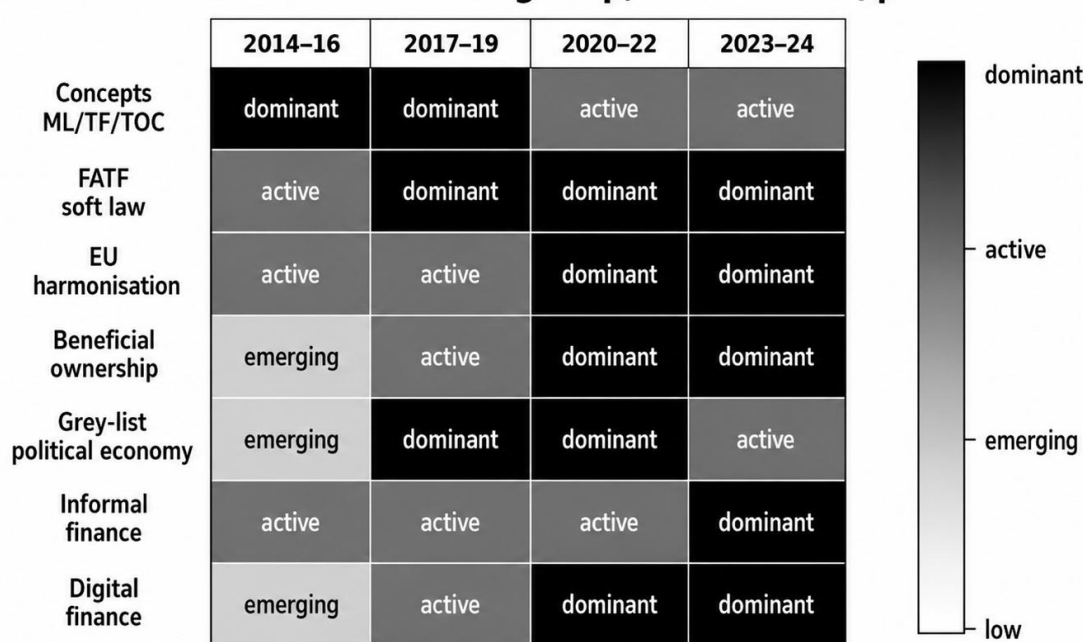
The narrative review identifies seven major clusters. These clusters do not represent closed categories. They overlap and evolve with regulatory events. For example, BO became more prominent after the Panama Papers and the EU's transparency reforms; virtual assets became more visible after FATF's guidance on VASPs; and Pakistan-specific scholarship intensified during and after the 2018-2022 grey-listing cycle. The key finding is not only that scholarship grew, but that it moved from defining AML and CFT problems toward evaluating governance, legitimacy and implementation.

Criminal Law' in Patrycja Grzebyk and others (eds), *International Courts versus Non-Compliance Mechanisms: Comparative Advantages and Shortcomings* (Cambridge University Press 2024) ch 17 <https://www.cambridge.org/core/books/international-courts-versus-noncompliance-mechanisms/monitoring-compliance-in-international-criminal-law/501E63162356C8F672F04C933070F807>

⁵⁷ Alan Watson, *Legal Transplants: An Approach to Comparative Law* (2nd edn, University of Georgia Press 1993).

Table 2. Thematic coding framework for AML/CFT scholarship, 2014-2024

Theme	Core legal-policy question	Dominant analytical tension
Conceptual boundaries	How should ML, TF and TOC be legally distinguished?	Broad criminalisation improves reach but can weaken evidentiary precision.
FATF governance	How does soft law generate compliance?	Peer review and market pressure create hard effects without formal legal compulsion.
EU harmonisation	How does regional hard law reshape AML/CFT?	Uniformity improves supervision but raises subsidiarity and rights questions.
Beneficial ownership	How can ownership transparency be made accurate and rights-compatible?	Transparency assists detection but may conflict with privacy and data protection.
Grey-listing and political economy	What are the economic and distributive effects of listing?	Listing incentivises reform but can punish capacity-constrained states.
Informal value transfer	How should hawala/hundi and cash economies be regulated?	Aggressive control may displace flows and harm financial inclusion.
Digital finance	How do virtual assets and fintech reshape AML/CFT risks?	Innovation supports inclusion and analytics but creates anonymity and cross-border enforcement problems.

Figure 3. Narrative thematic coding map, 2014-2024 (qualitative intensity)

Note: This is a qualitative coding map, not a bibliometric count.

Figure 5. Narrative thematic coding map, 2014-2024.

The conceptual cluster remains foundational. Scholarship continues to debate whether AML and CFT law is over-expansive, under-enforced or poorly measured. The FATF governance cluster became more sophisticated as scholars began to analyse grey listing as market enforcement rather than simple diplomatic persuasion. EU scholarship has shifted

from directive implementation to supranational supervision and balancing rights. Pakistan-focused writing has moved from policy commentary toward doctrinal and institutional analysis but still needs deeper engagement with implementation capacity and legal transplantation.

It is also coded that digital finance and BO are not peripheral topics. They have taken center stage, as they put the existing structures into test. BO reform tests on the question whether corporate transparency is possible to be made correct and legal. Digital finance is an experiment to determine AML and CFT to control movement of value without stifling innovation or pushing activity into the informal sector. Value transfer through informal channels continues to be quite crucial to Pakistan, where hawala and hundi are both beneficial to society and prone to exploitation.⁵⁸

methodologically based on narrative thematic coding but does not exaggerate bibliometric accuracy. Normatively, it supports reforms which bridge compliance and effectiveness, financial inclusions and rule-of-law legitimacy.

5. Knowledge Gap and Policy Implications

5.1 Knowledge Gap

The literature confirms that the governance of AML and CFT is multi-level governance. Legal bases are treaty obligations and Security Council resolutions, operational bases are FATF, evaluative pressure, hardening and supervision of rules within a regional legal order, and conversion of norms to statutes, regulations and institutional routines. There are economic impacts of FATF grey listing and technical compliance is less difficult to prove than effectiveness. The reforms in Pakistan affirm the idea that external pressure can lead to quick changes in law, but also demonstrate the constraints of legal amendment without institutional elaboration.

Three gaps remain. To start with, the specific literature on Pakistan has lacked a satisfactory impact on the doctrinal coherence in AML Act, ATA, sectoral regulations, functions and judicial processes of the FIU. Second, comparative scholarship does not focus on FATF and the EU as separate systems of governance with varied types of legal forms that generate varied demands on third states. Third, the compliance-effectiveness gap is not well theorised. Scholarship recognizes the gap but fails to account it via legal transplantation, institutionalism, capacity and legitimacy.

The contribution is five times. The article elucidates the role of ML, TF and TOC concepts in influencing the design of the law, doctrinally. It contrasts the soft-law/market-enforcement model developed by FATF with the hard-law/supranational-supervision model developed by the EU, comparatively. The Pakistan-specific review reveals the process of the global standards being turned into domestic law in case of grey-list pressure. The article is

⁵⁸ FATEF, *The Role of Hawala and Other Similar Service Providers* (n X)

Table 3. Knowledge gap and contribution matrix

Literature limitation	Why it matters	Article contribution
Policy-descriptive Pakistan studies	They explain what changed but not whether legal design coheres or works.	Provides doctrinal analysis of Pakistan's AML/CFT framework and implementation tensions.
Separated FATF and EU scholarship	Third countries face both FATF and EU expectations, but the regimes operate differently.	Compares soft-law peer review with regional hard-law supervision.
Technical compliance treated as success	Legal alignment may not translate into investigations, convictions or confiscation.	Centres the compliance-effectiveness distinction as the main analytical problem.
Limited legitimacy analysis	Soft law can generate serious economic consequences without ordinary legal accountability.	Links FATF grey-listing to procedural fairness, capacity asymmetry and domestic legitimacy.
Weak integration of informal finance	Pakistan cannot regulate TF risks without understanding hawala/hundi and cash economies.	Frames informal value transfer as both risk and inclusion infrastructure.

5.2 Policy Implications

First, Pakistan needs to shift legislative accumulation to institutional performance. The next reforms ought to focus on the case-quality indicators: the rate of conversion of STRs to intelligence disseminations, investigations, prosecutions, convictions and confiscations. These signals should be taken very seriously since raw figures may be misleading; quality, proportion and risk alignment are the key factors than volume.

Second, Pakistan needs to invest in specialised AML and CFT capacity. The FMU, which examines the agencies, prosecutors and judges require long-term training on issues of financial evidence, beneficial ownership, sanctions, digital assets and asset recovery. Specialised prosecution teams are able to minimise weak charge decisions and enhance judicial confidence. There should be a development of consistent reasoning around mens rea, predicate offences, confiscation and evidentiary standards in courts.

Third, the supervision of DNFBP needs to be made risk-based and enforceable. Abuse can be perpetrated by lawyers, accountants, real-estate agents, jewellers and other professional intermediaries to mask beneficial ownership and transfer value. However, legal professional privilege and due process should be observed in supervision. Professional bodies should be prepared to monitor, discipline and train their members instead of playing the role of token regulators.

Fourth, BO reform must be an information-quality project. Registers should be checked, revised and compatible. Access to competent authorities should

be timely, and the high-risk entities should undergo a more thorough verification. Privacy considerations and legitimate-interest restrictions should be implemented in the design of public access regulations, as the EU has learned.

Fifth, transfer of value informally ought to be controlled by inclusion rather than enforcement. Risk can be mitigated via simplified licensing, proportional reporting, onboarding provided digitally, reduced remittance costs and collaboration with community providers, without resulting in transactions going underground. The financial inclusion strategy should be part of the AML and CTF framework of Pakistan and not be viewed as an external security policy measure.

6. Conclusion

The article has redefined the AML and CFT system in Pakistan as a whole as a narrative of doctrine and governance. The obligations of AML and CFT started at the level of the treaty law and Security Council requirements, and were operationalised by FATF and regionalised by the EU and its progressively supranational structure, and then transferred to domestic legal order of Pakistan by statutes, regulations and institutional reforms. The point is that AML and CFT governance does not consist of a strict set of rules of the world, down to the compliance of the domestic space. It is a norm translation, norm evaluation, norm pressure and norm adaptation which is recursive.

The development that has been experienced in Pakistan cannot be either dismissed or romanticised. The fact that the country was taken off the FATF greylist meant that the country was undertaking a lot

of reform and enhanced technical compliance. However, the more important question is whether the reforms have resulted in sustainable institutional efficacies. The response is conditional. The institutional frameworks and legal authorities are established in Pakistan, but durable performance requires the capacity of specialists, the quality of the prosecutors, judicial integrity, BO testing, DNFBP regulation, and a risk-sensitive policy towards informal finance.

A definite research agenda is found in the article. The literature on AML and CFT needs to shift away from descriptive compliance stories to comparative doctrinal analysis, theory of legitimacy critique and implementation. Both FATF and EU models are to be studied as they interact with each other and determine the behaviour of the third country. Pakistan as a site of transnational financial governance facing domestic law, development constraint and institutional reality should be analysed as a compliance case. The lesson is the simplest but the most powerful since technical compliance can lead to the credibility, but only effectiveness can be used to maintain legitimacy.