

## Unreal Estate: The Black Money Blocking Sustainable Growth in Pakistan

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### Abstract

Money laundering (ML) stifles and demeans all of an economic system's progressive efforts by siphoning off productivity and undermining the consequences of socioeconomic and regulatory efforts to achieve economic justice and social welfare. It not only usurps the economy's positive yield, but it also feeds and mutates with the socioeconomic structure and the practices that enable it to function. Money laundering is a 'systemic assault' on economic justice since it encourages illegitimate wealth accumulation, distorts markets, and perpetuates structural inequalities. Because of its high-value transactions, subjective valuation methods, and opacity in ownership structures, the real estate sector attracts criminal asset investments worldwide. It is regarded as a safe haven due to its potential to absorb not only the proceeds of corruption, drug trafficking, tax evasion, and market malpractice, but also to yield 'white' and laundered funds. In Pakistan, the real estate sector is among the major contributor to the economy and is regarded as a high-risk sector for money laundering due to its large non-conventional transactional pattern and lack of transparency. The sector's vulnerability to money laundering activities has far-reaching implications for Pakistan's economic justice and stability. Despite being a significant driver of economic expansion, Pakistan's real estate sector faces challenges related to transparency, accountability, and regulatory oversight. Money laundering chances exist due to the industry's lack of transparency and regulation, which can manipulate property values, cause loss to state revenue, inflate prices against the market trends, and jeopardize the sector's integrity and fair competition. Pakistan's real estate sector exemplifies how AML regulatory loopholes directly impair economic justice principles like distributive justice (equitable resource allocation), procedural justice (transparent institutions), and corrective justice (accountability for unlawful wealth). Real estate prices are artificially inflated by this capital distortion, which excludes qualified buyers and makes it possible for the wealthy to hide their money. The ensuing wealth disparity serves as an example of why targeted AML enforcement in the real estate industry is essential to achieving economic justice and goes beyond simple regulatory compliance.

### Keywords

Real Estate, Money Laundering, Economic Justice, Regulatory Enforcement, Sustainable Goals, 2030 Agenda, AML, Global SDGs

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## 1. Introduction

Collective global economic energies and initiatives are primarily concerned for the advancement and promotion of core values, called “the core 5Ps”, including “People, Planet, Prosperity, Peace & Partnership”. Past human experiences make it abundantly clear that these fundamental principles are not only related to one another but also serve as supplements to it. The provision of sustainable livelihood, access to decent work, and a fair salary to promote economic growth enable the well-being of individuals as well as all efforts to reduce poverty, eradicate hunger, enhance human development indices, and guarantee the protection of human rights. An inclusive and comprehensive regulatory and enforcement regime is required for the purpose of promoting thriving and sustainable life on land and enabling the prevalence of economic justice in society.



Conflict prevention and justice in society, including economic justice, are essential for a sustainable and peaceful social system. The problems of poverty, unequal access to opportunities and resources, and the negative impact of economic policy on underprivileged groups are all addressed by a strong and long-lasting economic justice system. It addresses poverty and income inequality by advocating for laws that lessen wealth and income gaps.

Economic justice is based on the ideas of distributive justice, equity, and equality. In addition to guaranteeing access to the same degree of opportunities, equality addresses the issue of differential demands and provides the resources required to meet them by removing all societal and economic barriers to such provisions, including socioeconomic activities related to money laundering. Equity supports and promotes equality and enables targeted remedies for structural inequalities. Conversely, distributive justice ensures that resources and opportunities are allocated in a fair, transparent, and merit-based manner to satisfy the needs of all stakeholders.

## **2. Methodology, Objective and Significance of the Study**

This Doctrinal mode empirical research study is conducted to analyse the global requirements regarding initiatives leading to sustainable development goals (SDGs) for economic justice, particularly with regard to real estate and land management. The study contrasts the performance of Pakistan's Real Estate Sector as a tool for economic governance and human development. It also explores the latent space occupied by money laundering and associated illicit practices which are not only retarding the economic progression but also usurping the dedicated efforts and scarce resources of a struggling economy as of Pakistan, hence the study signifies and emphasise the importance of effective regulation and enforcement of Anti Money Laundering Regime in Pakistan to attain the sustainable development and prosperity by addressing the question that *"why there is the need of effective Anti Money Laundering regime for the promotion of transparency, accountability, and economic justice in real estate sector of Pakistan."*

## **3. Literature Review:**

### **3.1 Global Sustainable Development Goals**

The 2015 Global Development Agenda (UN, 2015) *"The 2030 Agenda"* consisting of 17 SDGs and 169 associated and integrated targets to achieve the standard level of human development and global sustainability. The relevant agenda relating to economic governance and land management are as follows:

#### **3.1.1 Inclusive and Sustainable Economic Growth – Goal 8**

The eighth Sustainable Development Goal (SDG) calls on the state to achieve inclusive and sustainable economic growth by maximizing economic productivity, especially in labour-intensive industries like real estate, by enacting policies that encourage business, formalizing and regulating the financial and economic sectors, and focusing on regulatory measures to prevent environmental degradation, the loss of economic resources like capital and land, and ensuring sustainable consumption and equitable use of limited resources (UN, 2025).

#### **3.1.2 Provision of Resilient Infrastructure and Foster Innovation – Goal 9**

The ninth Sustainable Development Goal (SDG) calls on governments to take all necessary steps for economic growth, fair access, and affordable infrastructure. Incorporating entrepreneurship into

economic sectors to boost GDP and offering financial services and reasonably priced loans in a coordinated way to support value chains and free markets are further objectives.

### **3.1.3 Reduction of Inequalities – Goal 10**

By emphasizing aims related to protecting a sustainable income growth rate for the majority of the people through the promotion of socioeconomic inclusion and wealth distribution, Goal 10 establishes the foundation for economic governance and sustainability. By aligning with global best practices for economic sector regulation, the objective is to create a credible and responsible governance structure. Promoting economic equality and equity through efficient regulation and enforcement, as well as by doing away with discrimination in laws, policies, and procedures to guarantee social protection and economic values and assets, is the main goal of the aforementioned agenda.

### **3.1.4 Inclusive and Sustainable Settlements – Goal 11**

The United Nations declared housing to be a basic human right (United Nations (UN), 1948). Its significance and emergence are demonstrated by the inclusion and repetition of a similar provision after about sixty-seven years. The promotion of affordable, accessible, and liveable settlements that address fundamental human needs and vulnerabilities is the emphasis of Goal 11, one of the seventeen Sustainable Development Goals (SDGs). By effectively regulating real estate and managing relevant resources like cash and land, it also seeks to end homelessness.

### **3.1.5 Promotion of Peaceful Society, Justice for all and Accountable Institutionalization – Goal 16**

By supporting the rule of law and equal access to justice against organized crime in all its manifestations, this Global Sustainable Development Goal encourages countries to combat all types of violence, including economic violence and illicit financial flows throughout the economic system. Through capacity-building programs for global standards for sustainable economic development, it also mandates that countries regulate an inclusive and participatory framework for transparent institutionalization and stakeholder participation (United Nations (UN), 1948).

## **3.2 Real Estate Sector – A Tool for Economic Governance**

### **3.2.1 Land – A Distinct Economic, Financial and Political Resource**

An important challenge for legislatures, economic regulators and governments is to make land markets, land policy, and land taxation work successfully for the general good, acceptable by all and within the perimeters of economic justice (Gaffney, 1994) owing to compulsions including preset and limited though recyclable supply (Victor, 1991), non-dependence of interest rates, and rate of return on rentals. However financial discount rates (Henry George Institute, 2025), societal trends, population density (Ottensmann, 1977), and environment (Zulfiqar, 2025) have a significant impact on land values. Land regulation is economically important because Owning land provides businesses additional bargaining power within that economy (Perez, 2022), Technical and organic market domination are supported by the tendency of financially strong hands to control land (Glass, et al., 2018). In addition to it, access to long-term finance and regulating financial regulations aids in controlling land markets (De Janvry, Sadoulet, & Wolford, 2001).

### **3.2.2 Accessible Housing Preserves of Human Dignity**

Accessible housing and shelter strengthen human integrity, provide a sense of pride and individuality, and serve as a location for nurturing, reflection, and planning for humanity's future (Shapiro, 2019). Sociocultural peace and a dignified existence are the results of a higher level of living and sufficient housing (Sæteren & Nåden, 2021) & (Davy, 2017).

### **3.2.3 Housing Provides Shelter, Security and Personal Autonomy, Hence trust on Governance System**

Access to decent and liveable housing protects against environmental and sociocultural vulnerabilities, helps prevent helplessness and a loss of control over one's lifestyle, lessens stigma and shame, and guards against social isolation as well as sociocultural and economic disconnection (UN, 2025) & (Meteor, 2025). Because of this sense of security and control, the resident can develop an inclusive sense of belonging and thereby harness emotional well-being. This ingrained sense of ownership and passion for accomplishment not only promotes economic stability but also future investment (Rolfe, et al., 2020).

### **3.2.4 Provides Affordable and Liveable Housing**

A regulatory governance regime that intervenes at the statutory, administrative, and strategic levels enables government to take all practical and sustainable measures to prevent homelessness, provide the necessities for a decent and comfortable living environment, and facilitate and regulate the activities of all those involved in housing and land development, even though Article 25 of the UDHR does not require governments to build housing units for every citizen (UN, 2009).

### **3.2.5 Promotes Community Revitalization and Engagement**

Local economies, community development, socioeconomic integration, and communal settlement are all boosted by the real estate sector. These kinds of community-based investments create economic possibilities and promote sustainable development (Center for Community Investment, 2022).

### **3.2.6 Contributes in Microeconomic Economic Opportunity Generation**

Because it includes tens of different industries, the real estate sector stimulates the economy. Building materials, interior design and décor, electronics and appliances, marketing and sales services, architecture and consulting, banking, and insurance are just a few of the industries it supports. Since the economy depends on the real estate industry, every transaction in this area affects a wide range of other industries (Haq, 2023) & (Siniak, Kauko, Shavrov, & Marina, 2020). A fair tax system and a competitive, well-organized real estate market that are open to all interested parties and potential market participants lead to a fair opportunity for investors to make money, for consumers to live well, and for governments to collect taxes (Geuting, 2007).

### **3.2.7 Optimizes Utilization of Scarce Economic Resource**

Land must be used as efficiently as possible to generate a range of strategic, social, economic, and associated benefits because it is a limited economic resource. Based on thorough market research, legal expertise, viability and favourability, environmental considerations, and effective use of this financial resource, the real estate business, the economy's specialized land use sector, offers the best means of consumption (Rafaqat, 2024).

### **3.2.8 Revenue Source and Macroeconomic Growth**

One of the main goals of a government's tax collectorate is to generate revenue and expand the network of revenue sources in order to finance projects related to macroeconomic stability. The real estate industry stimulates economic growth and wealth distribution, which generates income taxes, property taxes, capital gains taxes, corporate taxes, and other forms of state revenue (Swan, 1915).

### **3.3 Economic Potential of Real Estate Sector in Pakistan**

A well governed and highly regulated real estate sector can not only boost economic contribution to Pakistan's GDP, Employment Generation, Attracting domestic and foreign investment, urbanization and community development. An all-encompassing competitive market environment enabling non-restricted access to real estate sector for all local and international investors on equitable grounds can boost the financial inflow and economic transactions in this sector, hence can contribute in the economy (Javed, 2024). The residential real estate market sector of Pakistan, which is anticipated to reach a market volume of \$1.49 trillion, is driving the expansion in real estate sector. From 2024 to 2028, the residential sector is expected to grow at a Compound Annual Growth Rate (CAGR) of 7.04%, with the potential to reach a market volume of \$2.77 trillion by that year. This industry's tremendous potential for developers and investors is highlighted by its quick growth (Khan G. A., 2024). The shortage of affordably priced homes is one of the biggest issues affecting Pakistan's real estate market. There is a lack of affordable housing units, especially for low-income households, despite the rising demand. There are significant social and economic repercussions from this shortage. By denying a sizable section of the population access to safe and permanent housing, it can worsen poverty, cause social unrest, and impede economic advancement (Khawaja, 2024).

### **3.4 Government Initiatives to Supplement Economic Justice**

Economic growth and prosperity stem from fundamental governance ideas, which include providing incentives for individuals to invest, research and innovate. To resolve conflicts and safeguard property rights during a conflict, the state must compel the regulation with such incentives. Norms that were created to cover the stateless gap skew economic incentives and deter economic activity (Acemoglu & Robinson, 2019). According to the government of Pakistan's current economic right-sizing initiative, which involves market liberalization and the privatization of weak or underperforming economic sectors, the goal is to normalize the balance of payments and streamline the country's economy (No strategic SOEs, says finance minister ahead of major privatization push, 2024), The Government of Pakistan is encouraging firms and private investors to get involved in the real estate market. Furthermore, in order to properly regulate and administer this sector of the economy, the government is supporting efforts to implement industry-relevant tax changes and expanding the tax network (Hasnain, 2025).

### **3.5 Ungoverned Real Estate Sector of Pakistan – A Conduit for Money Laundering and a Threat to Economic Justice**

#### **3.5.1 Money Laundering – A threat to Economic Justice**

Money Laundering techniques and activities undermine the moral foundation of society and circumvent the ethical checks and balances that are in place. In terms of the economy, money

laundering disrupts and affects every sphere of society (Claver, El Khoury, & Weeks-Brow, 2023). By undermining the legal and regulatory check and balance and control mechanism, it taints the state apparatus, wastes public funds, deters merit and fair play, and raises doubts about the efficacy of an economic governance system (FATF, 2006). An economy beset by money laundering cannot survive in the modern world, when market competition and technological innovation propel economies around the world. As a result, society is negatively impacted (Financial Crime Academy, 2023). Money laundering holds the potential to defeat provision of economic justice by destabilizing the economy (CompFidus Ltd, 2024), by promoting number of predicate offences (Rana, 2024), by compromising the financial integrity of the system (IMF, 2005), and by Challenging the concerned Financial Regulatory Framework (Biagosch, 2008).

### **3.5.2 Vulnerabilities to Real Estate Sector in Pakistan**

The inability of legal forums to promptly resolve legal disputes, the lack of alternatives for alternative dispute resolution in the real estate sector, the financial constraints and vulnerabilities related to the banking and leasing sector, the adherence to the ease-of-doing business regime with regard to this particular sector, the equity-based progressive taxation policy, the underdevelopment of supporting industrial sector at the local level, investor insecurity, political instability, and the capacity of regulatory and enforcement bodies are some of the major challenges facing Pakistan's real estate regulatory regime (Hamdy, 2025).

### **3.5.3 Real Estate – A Safe Haven for Money Laundering**

The high-value transactions, subjective appraisal techniques, and opaque ownership structures of the real estate industry make it a global magnet for illegal asset investments. Because of its latent capacity to produce "white" and laundered proceeds in addition to absorbing the proceeds of corruption, drug trafficking, tax evasion, and market malfeasance, it is considered a safe haven.

## **3.6 Money Laundering Practices Associated to Real Estate Sector in Pakistan**

Establishing an effective and efficient anti-money laundering regime in Pakistan is hampered by the irregular application of anti-money laundering laws and procedures, non-compliance with international standards, and a lack of institutional cooperation (Channa, Khoso, & Malik, 2025). The following are some irregularities and gaps in Pakistan's anti-money laundering policy concerning the real estate industry.

### **3.6.1 All-Cash Transactions**

When cash considerations are accepted and allowed in real estate transactions, the CDD, EDD, and KYC compliance standards are defeated. It also contravenes money laundering laws by permitting anonymity about buyer and seller information, evading the reporting threshold that would enable authorities to identify the source of funds, inflating real estate values, and simplifying stacking (Arctic Intelligence, 2025) & (Omer, 2023).

### **3.6.2 Usage of Shell Companies, Proxies and Straw Buyers**

Due to capacity and compliance issues with regard to Designated Non-Financial Business and Professions (DNFBPs), the use of shell corporations to conceal illicit funds and cover the genuine ownership of properties is still common in Pakistan's real estate market. Underreporting of real estate industry business volume, state income loss from imposts, and an AML environment that is not compliant are all consequences of this noncompliance (Kiani, 2021) & (Hussain, 2019).

### **3.6.3 Overvaluing Properties**

Speculation in the real estate sector drives up prices and erodes government initiatives to supply low-cost, affordable housing. By compromising the climate of fair-market-based competition, it also enables market intruders to exploit this unregulated sector to obtain access and cause market instability. Property values are arbitrarily and excessively distorted in order to transfer funds covertly (Vostroknutova, Sampi, Jooste, & Araujo, 2025) & (Sarfraz, 2024).

### **3.6.4 Third-Party Purchases**

Purchasing properties through third parties is a popular technique in Pakistan's real estate industry, which makes it difficult to identify the true beneficial owner and gets around the efficient KYC and CDD requirements (Kiani, 2021) & (FactFinders, 2025).

### **3.6.5 Mortgage Fraud**

Using false or misleading information to secure mortgage facilities against overpriced homes in Pakistan's real estate market is a complex money laundering technique and an unlawful source of generating unfair economic benefit (Sarfraz, 2024).

### **3.6.6 Unregulated Renting or Leasing Properties**

Unreported and unchecked revenue streams can enter the mainstream financial system and be illegally laundered due to the lack of a reliable and standardized rental assessment and enforcement regime and the reliance on an unregulated "market demand and supply based" system. By using rental agreements, either written or verbal, to rent or lease properties in order to transfer illegal cash, money laundering techniques are protected from AML enforcement and regulatory requirements (Business Recorder, 2023).

### **3.6.7 Corrupting Real Estate Professionals**

Bribing developers or real estate agents to enable illegal transactions or falsify records, preventing DNFBPs from filing reports, and using unregistered or proxy real estate agents to evade reporting and compliance requirements under the AML Act 2010 are still ways that illicit funds can enter the system undetected (Profit by Pakistan Today, 2021).

## **3.7 Gaps in Pakistan's AML Regulatory Design**

The key components of an efficient and effective AML regime for the real estate sector are documenting the economy, tracing and recording real-time real estate transactions, ensuring an arm's length transaction through the exchange of equal considerations, confirming the legitimacy of the source and target of funds and values involved in the transactions, and detecting any illicit crime proceeds entering the mainstream financial system. The following are some deficiencies in Pakistan's AML regarding the real estate sector that can be filled by implementing FATF (FATF, 2012-2025).

### **3.7.1 Insufficient Customer Due Diligence (CDD), Reporting & Monitoring**

Regarding KYC, customer due diligence, and provisions governing the identification of individuals and sources of funds being introduced in the real estate sector in light of "*FATF Recommendation 10-Customer Due Diligence*" Pakistan's AML regulations in the real estate sector are still in the preliminary stage (Rana S. , 2025). The same fact hinders the implementation of regulations as mandated by "*FATF Recommendation -20 (Reporting of Suspicious Transactions)*" and "*FATF Recommendation 18 (Internal Controls)*" and impacts the lateral stage of reporting and monitoring

of illegal cash flow via the banking system. Furthermore, banking institutions and financial facilitators are not very responsive to exercising CDD on corporate clients and businesses. They also fail to promptly raise concerns about the illegal use of banking channels by delinquent businesses and those involved in money laundering and organized crime, thereby aiding the same (Express Tribune, 2025) & (Ahmed, 2022).

### **3.7.2 Lack of Beneficial Ownership Disclosure**

There is still a great deal of ambiguity surrounding UBO declaration because the real estate sector is not fully covered by the tax regime, even though provisions pertaining to UBO has been added to Pakistan's corporate regulatory regime in accordance with "*FATF Recommendation 24 (Transparency and Beneficial Ownership of Legal Persons)*" and "*FATF Recommendation 25 (Transparency and Beneficial Ownership of Legal Arrangements)*". It is still possible for market participants who are not registered with the regulatory body to pose a threat because they are quite likely to transfer illegal monies within the established financial system (Rana S. , 2025) & (Sarfriz, Taxmen likely to seal unregistered people's co's premises, 2024).

### **3.7.3 Weak Supervision and Enforcement**

The implementation of "*FATF Recommendation 26 (Supervision of Financial Institutions)*" and "*Recommendation 28 (Powers of Supervisors)*" is partially due to a number of regulatory framework inadequacies and shortcomings, such as the LEA's treatment of money laundering as a predicate offence rather than prosecuting it as a separate offence, the lack of a dedicated Money Laundering Court (Ali, 2018), and the regulatory regime's incapacity to broaden the tax-net for economic documentation (Asad, 2023).

### **3.7.4 Inadequate AML/CFT Training, Awareness and Feedback**

"*FATF Recommendations 18 and 34*" are not being properly complied, as evidenced by inadequate training on the adoption and administration of appropriate AML regulations (Internal Controls and Foreign Branches and Subsidiaries) (Anwar, Uz Zaman, Ashraf, Ul Hassan, & Abbas, 2022). The State Bank of Pakistan (SBP), Securities & Exchange Commission of Pakistan (SECP), members of the Institute of Cost and Management Accountants of Pakistan (ICMAP), and the Institute of Chartered Accountants of Pakistan (ICAP) are among the governing bodies that are heavily dependent on reporting entities under Pakistan's AML regulatory regime. Additionally, these entities rely and depends on those who work as gem stone dealers, real estate agents and developers, and bar council members—that is, active attorneys. However, the approved curriculum for business graduates and commercial lawyers (HEC, 2015) does not include any official and mandatory training or academic coursework to sensitize them against socioeconomic money laundering techniques in accordance with FATF recommendations.

### **3.7.5 Lack of Coordination between Agencies**

In order to improve a cooperation and coordination driven AML regulatory and enforcement model in light of "*FATF Recommendation 2 (National Cooperation and Coordination)*", the vertical reporting and compliance model enforced by AMLA 2010 and run by a central body, the Financial Monitoring Unit (FMU), is inefficient to enable real-time horizontal coordination among the peer reporting and compliance entities (Aziz & Iftikhar, 2021).



### **3.7.6 Inconsistent Implementation of AML Regulations**

According to “*FATF Recommendation 1 (Assessing Risks and Taking a Risk-Based Approach)*”, Pakistan's real estate industry is considered a high-risk economic sector with respect to AML regulations, necessitating a strict risk-based approach. However, the main emphasis is on enforcement rather than the regulation of the sector to support an easy-to-do-business regime (Haroon, 2021) & (Profit by Pakistan Today, 2021).

### **3.7.7 Limited Use of Technology**

Pakistan's AML regulatory framework is falling behind in employing cutting edge solutions regarding AML regulation through new technologies to identify real-time transaction operations and structured money laundering practices (Hussain & Aleemi, 2024).

### **3.7.8 Inadequate Protection of Whistleblowers**

In an undocumented economy as of Pakistan, wherein corporate governance environment is not well established and career progression and job protection are still prevalent issues in corporate sectors, implementation of whistleblower's protection regime is still a challenge for the regulators and enforcers (Hussain D. , The loneliness of a whistle-blower, 2020) & (Iqbal Z. , 2018)

## **4. Conclusion**

### **4.1 Misgoverned Real Estate Sector is Overshadowing Other Sectors of Economy**

Investments in residential and commercial real estate lessen the appeal of industrial and agricultural investments, which can generate a large number of work opportunities for the poor and members of underprivileged populations. Similarly, this business increases income inequality and makes it more difficult for middle- and lower-middle-class people to obtain housing (Rehman, 2014). A number of additional economic and non-economic elements, in addition to ongoing demand, contribute to the large discrepancy between the cost of land and construction and the sale price offered in the market for a housing unit. Because there are not many investment options in an economy like Pakistan that guarantee high returns and security, investors look to foreign currencies, equities, gold, term deposits, and real estate as safe places to put their money (Aurangzeb, 2024). An insufficient and unsuitable AML regulatory framework allows illicit funding to penetrate and permeate the mainstream banking system. Non-economic actors and illicit financial components also conceal their wealth in real estate and use land hoarding to launder it with high returns when competent authorities and AML regulators do not provide adequate regulatory coverage (El Khoury, 2024). Unreasonably and unfairly high prices for housing units available to genuine consumers, as well as the waste of limited and scarce economic resources, are possible outcomes of these issues. Unfair market entry made by an unauthorized player with a natural financial advantage to control competition leads to market imbalance, which in turn fuels social discontent and economic anarchy.

### **4.2 Insufficient AML Enforcement is a Threat to Financial Stability**

The state-owned housing finance body's (HBFC) operating effectiveness, lending and recovery efficiency, and market reputation are all being negatively impacted by financial irregularities, lack of funding, and poor management (Hussain K. , 2024). Furthermore, in order to meet the housing demands of a constantly expanding population, these factors are creating space in the market for illicit and unreported financing methods as well as unregulated alternatives. Illegal activities under

the guise of housing and land development enterprises have been made possible by a lack of proper and effective AML enforcement regime in real estate sector and weaknesses in the governance framework for sustainable housing and urban development. “False real estate listings”, “title frauds”, “ghost societies”, “land grabs”, “phony dealerships”, “sham real estate firms”, and unfair business practices are among the unlawful acts (Zahid, 2024). Under the guise of housing projects, temporary and incomplete property ownerships called “plot files” are offered for sale in the market to raise money from the general public in an illicit manner. This practise is unlawfully creating “negotiability” to these malicious “instruments”, as these files are being re-traded for profit as so-called “legal tender money” (Baig M. I., 2022). This type of financial transaction has a negative effect on the precise estimation of the economy's size and costs the state exchequer money due to tax evasion and unreal assessments of people's wealth and financial profiles. Additionally, it encourages the economic policies to operate improperly (Babar, 2023).

## **5. Recommendations**

### **5.1 Regulation and Enforcement of CDD, KYC, EDD Regime & UBO Disclosure by Adopting Digital Technology**

An effective CDD, EDD, and KYC framework is the cornerstone for preventing money laundering related financial disasters and protecting the financial system from organized crime. A thorough KYC and CDD regime based on real-time and continuous customer profiling, a supplemental third-party due diligence, monitoring, and behaviour analysis based on Artificial Intelligence (AI) tools, and an activity-based risk assessment mechanism for both individual and corporate and business clients (especially KYCC for non-individual clients) are required with regard to the real estate industry and the intermediaries that facilitate real estate transactions, such as banks and financial institutions, the Federal Board of Revenue, Property Registration Authorities, and Real Estate Developers and Agents.

### **5.2 Strengthened Regulatory Supervision and Horizontal Coordination for Enforcement**

Exclusive prosecution of Money Laundering offenses, regardless of whether they are considered predicate offenses, through designated AML courts will not only strengthen the framework for AML enforcement and address the social counterculture that opposes AML regulation, but it will also improve AML oversight by the regulator through judicial precedents in accordance with FATF recommendations. In addition to vertical reporting and compliance model being enforced and implemented through AML Act 2010, a horizontal coordination and collaboration model among the reporting and complying tiers is also suggested to effectively counter ML/TF threats in a real-time and effective manner.

### **5.3 Adequate AML/ CFT Training, Awareness and Feedback**

In accordance with the actions already taken by the Institute of Cost and Management Accountants of Pakistan (ICMAP) and the Institute of Chartered Accountants of Pakistan (ICAP), it is recommended that Anti-Money Laundering Laws and Practices be included in academic curricula by Pakistan Bar Council (PBC) through HEC as a prerequisite for personnel eligible to act as DNFBPs under the Pakistan AML regime, such as lawyers, accountants, real estate developers, etc., in order to effectively implement “*FATF Recommendations 18 and 34*” regarding AML/CFT

training, awareness, and feedback. Non-traditional forms of whistleblowing must be given equal importance and be handled on par with conventional ones in an undocumented economic system like Pakistan. Relevant rules must provide enabling elements relating to adequate protection for whistleblowers who reveal and report AML/CFT offenses. A secure web-based channel / patriot reporting e-portal that ensures the whistleblower's anonymity while also providing a verification and follow-up methods must be implemented in reporting entities. Furthermore, a long-term ethical and educational reform-based initiative enabling culture to promote whistleblowing against illegal practices, as well as promoting reward, career protection, and progression-based approach is suggested to harness a multi-layered shield counter-culture against whistleblowing.

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