REVIEW OF CRIME, PEACE AND SOCIETY
ISSN (O): 3079-6105, ISSN (P): 3079-6091
Vol. 3, No. 8, 2026, 315-331

Anti-Money Laundering in the Digital Age: A Comparative Legal and Criminological Analysis of Pakistan and Australia

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Abstract

Money laundering is an important component of contemporary financial and organized crime because it enables offenders to conceal, transfer and use proceeds derived from criminal activity. It allows for the concealment, movement and misuse of monies that result from crime perpetrated and in so doing can help maintain the profitability of offences such as corruption, fraud, drug crime, human trafficking, smuggling and organised crime. These new technologies, such as electronic payment systems, online financial services and virtual assets, have significantly changed the ways to move and hide illicit funds. These changes have made it more difficult for law-enforcement agencies because of cross-border transactions, anonymity or pseudonymity, large volumes of financial data and jurisdictional issues, while also creating new sources of financial intelligence.

This paper seeks to explore anti-money laundering (AML) issues from a legal and criminological angle by comparing anti-money laundering experience of Pakistan with Australia. It takes into account Pakistan Anti-Money Laundering Act 2010 and Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Australia) along with important reforms in Australia that took place in 2026. Emphasis is laid on the role of Financial Intelligence in Criminal Investigations by taking a closer look at the Financial Monitoring Unit (FMU) and Federal Investigation Agency (FIA) of Pakistan and the Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Federal Police (AFP) of Australia. The effect of Financial Action Task Force (FATF), Asia/Pacific Group on Money Laundering (APG) and United Nations Office on Drugs and Crime (UNODC) are also discussed.

The concepts of Rational Choice Theory, Routine Activity Theory and Situational Crime Prevention are used as an integrated criminological framework in the analysis. These viewpoints contribute to understanding why criminals will choose specific money-laundering methods and how this can be altered by regulatory requirements. The article argues that the existence of legislation or the volume of suspicious transaction reports alone does not demonstrate AML effectiveness. Rather, effectiveness depends on whether financial information is effectively transformed into financial intelligence, whether that intelligence is used to support investigation, whether investigations lead to prosecution, and whether criminal proceeds can ultimately be recovered. The experience of Pakistan and of Australia shows that continuing dialogue between legislation, financial intelligence, technology, enforcement, prosecution, asset recovery and international cooperation is necessary for effective AML.

Article History
Received 22 September 2026
Accepted 14 October 2026
Published 20 October 2026
Corresponding Author*
OPEN ACCESS
Keywords
Anti-Money Laundering, Financial Crime, Criminology, Financial Intelligence, FATF, UNODC, FIA, AFP, AUSTRAC, Pakistan, Australia, Digital Financial Crime, Organised Crime

1. Introduction

Money laundering facilitates the use and concealment of criminal proceeds and constitutes an important component of contemporary financial crime control. It is often the case that

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criminals obtain benefits—usually financial—in their crime but that these benefits are not easy to use out in the open without others noticing. The laundering process can afford opportunities for hiding, moving, covering or disguising criminal wealth as seemingly legitimate economic transactions. Money laundering can then be defined as not just a by-product of crime, but as a technique that may be used to protect the economy of crime (Levi & Reuter, 2006).

Criminal market–laundering linkages have been and continue to be well discussed by criminological and financial crime studies. Organised groups need to have money available to keep their projects running, to pay participants and provide capital to finance additional crime work. The flow of money and the possibility to hide it, therefore, affect the maintainability of the criminal enterprise (Reuter & Truman, 2004; Unger & van der Linde, 2013). There can thus be a wide variety of predicate offences under which money laundering might be linked, such as drug trafficking, corruption, fraud, trafficking in persons, smuggling and organised crime.

Times are far different for laundering in the financial world. Older techniques based on cash transfers, casual cash-transfer network and physical cash transfer are still valid and are complemented by techniques based on using online banking, electronic payment systems, digital platforms, corporate structures and virtual assets. Variations in data privacy laws, privacy rights and title, and digital currency regulation can make it challenging for investigators to determine the identities of the transactors, trace funds and get evidence in foreign jurisdictions (Manning et al., 2025).

However, the evolution of fintech has given rise to possibilities to confront crimes. Increasingly, various financial institutions and governmental bodies are handling huge volumes of information related to transactions. Analytical systems can identify potentially unusual transaction patterns or changes in customer behaviour which may not be apparent and relate to accounts. This trend from traditional investigation to data-assisted investigation is increasingly reflected in the rise of the importance of financial intelligence (Levi & Reuter, 2006).

National AML structures have significantly been defined by international standards. The recommendations of the FATF offer an international framework relating to customer due diligence, beneficial ownership, suspicious transaction reporting, financial intelligence, law enforcement, confiscation and international cooperation (Financial Action Task Force [FATF], 2026). International AML standards keep evolving, as reflected in the June 2026 update to FATF Recommendation 6 concerning targeted financial sanctions and humanitarian exemptions (FATF, 2026).

As an important recent feature of the FATF framework, it has broken down the concept of compliance into technical compliance and effectiveness. Presence of law and regulatory regime and reporting mandate is a sign that there is an AML system, but not necessarily that it is having an impact in the criminal-justice system. Rather, FATF's effectiveness

methodology focuses on whether or not the national system's various elements work together and deliver real results (FATF, 2025).

This issue can be analysed with the help of Pakistan and Australia. The main legislation against money laundering in Pakistan is the Anti-Money Laundering Act, 2010 which defines the offence and has inbuilt systems for financial reporting, investigation, attachment and forfeiture (Financial Monitoring Unit [FMU], 2020). The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 is Australia's main anti-money laundering and counter-terrorism legislation. In 2026, Australia's anti-money laundering (AML) and counter-terrorist financing (CTF) regime has experienced significant changes, such as new and updated obligations starting on 31 March 2026 and other sectors joining the AML/CTF regime on 1 July 2026 (Australian Transaction Reports and Analysis Centre [AUSTRAC], 2026).

The legal regime and the institutional systems differ by the two countries. There is, however, a striking level of overlap in the functions of their AML frameworks, namely: detecting suspicious financial activity, creating financial intelligence, investigation and disruption of the financial advantage.

The crux of this article is that the effectiveness of AMLs is to be assessed not so much on the individual level of legislation, but rather as a process. The article proposes the following analytical framework:

Research gap and contribution: Existing AML literature and international standards provide substantial discussion of legal compliance, financial intelligence and enforcement, but there remains a need for a functional comparison of how financial reporting is converted into intelligence, investigation, disruption, prosecution and asset recovery in the digital environment. This article addresses this gap by comparing Pakistan and Australia through an integrated legal and criminological framework and by linking Rational Choice Theory, Routine Activity Theory and Situational Crime Prevention to the effectiveness of AML controls.

Legal obligations → Financial reporting → Financial intelligence → Investigation → Disruption → Prosecution → Asset recovery.

2. Money Laundering: Legal and Criminological Perspectives

There are two intertwined angles to consider in tackling money laundering. A legal analysis looks at what behaviour can be regarded as an offence and what duties are placed on financial institutions and financial and other regulated parties. The criminological explanation asks the question of why criminal proceeds are laundered, what factors help for crime money to be laundered and why crime money laundering opportunities can be minimized.

From a legal point of view, money laundering normally involves the processing of property or assets having sources, ownership, possession, movement and use disguised in order to obscure its origin and/or to facilitate the possession and use of illegal property or assets. This

is in line with the principle and Pakistan's Anti-Money Laundering Act, 2010. Section 3 of the Anti-Money Laundering Act, 2010 addresses the proceeds of crime, including the concealment or disguise of the nature, origin, location or disposition, movement or ownership of such property (FMU, 2020).

The laundering of criminal proceeds is an economic issue which is reflected in the criminalisation of laundering. The profit is a key factor in ensuring the activities of criminal enterprises. However, if it is possible to channel the money raised from these crimes into the 'real' economy, then the lure of making money through crime still exists. On the other hand, proper tracing, freezing and confiscation will decrease the economic gains from crime (Ryder, 2012).

This relationship is one which can serve as a solid foundation for Rational Choice Theory. Rational Choice Theory does not make any assumption of offender possessing perfect information or perfect economic rationality. Instead it is concerned with the manner in which offenders' decisions are made in specific situations and the factors that affect these decisions—such as the perceived risk and the effort and rewards of offenders (Cornish & Clarke, 1986).

A case in point is money laundering. An offender can assess the chance of detection as well as the difficulty levels of various laundering techniques, costs of intermediaries and their chances of getting the money into their pocket. Various studies that have focused on money laundering have been successful in applying RCT to understand the choices of money launderers in laundering the proceeds of crime (Soudijn & Reuter, 2016). These calculations may be influenced by AML controls. Anonymity is lost through identifying customer. There can be a risk of investigating a transaction as being suspect. Beneficial-ownership rules can be more complex to use to conceal behind companies and legal structures. Reporting may be one more way for authorities to learn of misbehaviours.

One more helpful framework that can be utilized is that of Routine Activity Theory. Cohen and Felson (1979) suggested that with the presence of a tempting target, unwatched and the lack of capable guardianship, criminal activity increases. It is especially pertinent to financial crime since banks, payment systems, businesses and professional services may be suitable environments for financial crime, if their monitoring and protective measures are inadequate. This is the truth and can be thus viewed as AML controls, a form of capable guardianship. They do not logically have to work for the eradication of criminal motivation. Rather, they work to eliminating the avenues for criminals to utilize the accepted monetary markets.

In recent years, the concept of Routine Activity Theory has been adapted to use directly for money laundering as it relates to banking activity. Money laundering can continue to exist when there are accessible financial targets and institutional protection gaps that are met by an interested criminal element. Situational Crime Prevention explains. Clarke (1995) suggests that situational prevention is an approach which aims to protect against specific types of crime, by making them riskier, harder and less rewarding to commit to the criminal.

In applying this to AML, this methodology indicates that regulation may indeed work to make laundering more complex—while it may not be the objective to try to alter the intent of the offender in the first place. Customer due diligence, transaction monitoring, and reporting requirements and restrictions on anonymous financial transactions can all be taken to be opportunity-reduction measures. Situational Crime Prevention has been specifically targeted at money laundering. Gilmour (2016), for instance, studied vulnerabilities to laundering with high value portable commodities and confirmed that opportunities for laundering could be decreased through situational interventions where specific environmental weaknesses identified.

Kleemans et al. (2012) also prove that organised crime in particular is relevant for the application of Routine Activity Theory and Situational Crime Prevention as organised criminal activity is dependent on opportunities created in the regular environment. This is especially true in the case of digital financial crime. When a method of money laundering proves tough for criminals, it can shift to an easier one. More police activity at the conventional banks can help to promote other payment systems and corporate bodies, as well as informal mechanisms (virtual assets) for transferring value. When choosing treatment for AML, it is important to consider the short- and long-term side effects of any treatment, and to choose the most effective options when weighing the pros and cons of treatment. Consider this AML to be a process of adapting to the disease, and not a lifelong treatment.

3. International AML Framework: FATF, APG and UNODC

The AML framework is internationalized, in part, due to the growing movement of criminal proceeds across national boundaries. A criminal organisation could earn money by purchasing or renting property or other businesses in one country, fund these assets via financial channels in another country, and subsequently deploy them in another country. Without international cooperation, the national enforcement mechanisms are thus restricted.

FATF is the world's leading standard setting entity for AML/CFT. Its Recommendations are principles relating to risk assessment, preventive measures, customer due diligence, beneficial ownership, financial intelligence, international cooperation (FATF), law enforcement, and confiscation. The significance of the FATF goes beyond the standards in development. It has a mutual-evaluation system which evaluates both technical compliance and effectiveness. FATF's methodology clearly considers that it is necessary for operational, law-enforcement and judicial elements to step in to make it happen with legislation alone (FATF, 2025).

This is significant when comparing varieties important for research. The fact that a country has in place broad legislation that mandates reporting of any suspicious transactions does not mean that there is sufficient generation of useful intelligence. The information has to be analysed, disseminated and used in criminal investigations. The FATF and APG process has been a big factor in Pakistan's development of AML. The technical compliance and effectiveness were evaluated during the APG's mutual evaluation of the Pakistani and the

areas that need to be improved were identified (Asia/Pacific Group on Money Laundering [APG], 2019).

Australia has also been assessed using the international framework for AML. The country's biggest strengths and areas for improvement identified through international assessment have informed the AML/CTF framework, including weaknesses relating to designated non-financial businesses and professions (FATF, 2024). The Asia/Pacific Group on Money Laundering (APG) has particular relevance to Pakistan as the Asia-Pacific regional FATF-style body. It helps to build the legal framework and carries out mutual evaluations on money laundering, terrorist financing and proliferation financing.

The criminal-justice aspect is put forward by UNODC as a complementary perspective. In contrast to FATF, which is focussed on standards, the effectiveness of laws and regulations, as well as on international aspects of money laundering, UNODC sees money laundering in the broader perspective of trans-organised and transnational crime. It also focuses on investigation via virtual currencies and challenges of practical implementation in the tracing of digital assets (UNODC, 2024).

The international standards and mechanism can then be interpreted therefore as both standards and a way for co-operation to happen. FATF sets the global standard, APG assesses the compliance of its member countries, and UNODC contributes to the global approach to combat transnational financial crime through the criminal-justice system.

4. Pakistan: AML Legislation, Financial Intelligence and Federal Investigation Agency (FIA)

The main legislation on money laundering is the Anti-Money Laundering Act, 2010 (AMLA) in Pakistan. The legislation makes money laundering a crime and sets its mechanisms concerned to reporting entities, financial intelligence, investigation, attachment and forfeiture (FMU, 2020).

The Financial Monitoring Unit (FMU) serves as Pakistan's financial intelligence unit. It gathers and processes financial data with regard to AML/CFT (FMU, n.d.). Suspicious transaction reporting (STR) is an important bridge from financial institutions to public authorities. A financial institution can detect a transaction that doesn't seem to fit with a customer's profile or ordinary transactions. But all on its own it may be a limited indicator. It, in conjunction with other financial information, ownership and intelligence can provide a broader criminal relationship.

It may then be represented by a process as follows:

Financial information → FMU analysis → financial intelligence → FIA investigation → evidence → prosecution

The Federal Investigation Agency (FIA) has an important federal investigative role in Pakistan. It has relevant responsibilities concerning financial crimes such as money laundering, hawala/hundi and money or value-transfer services. Given its role in facilitating the operation of financial intelligence, the FIA is an important link between financial intelligence and criminal investigation. In many ways, the connection between the FMU and FIA is particularly aligned with the scope of the criminological aspects. The two could use financial intelligence to, in turn, break patterns that would otherwise go unnoticed in policing pursuits. Financial relationships may result in links being uncovered between persons, firms, accounts and criminal activity.

Forfeiture and attachment of property in money-laundering cases are available in Pakistan under the AML law. The significance of asset recovery is due to the fact that one of the factors contributing to criminal activity is the profitability thereof. Displacing of criminal proceeds could also in turn impact the resource incentives connected with crime. The disappearance of proceeds from criminal activity can therefore impact the economic incentives underlying crime (Ryder, 2012).

The APG's evaluation still shows that there is no automatic relationship between the existence of legal mechanisms and their effectiveness. The 2019 mutual evaluation Report concluded gaps in AML/CFT knowledge across Pakistan including in the areas of risk, investigation and prosecution of AML/CFT (APG, 2019). This is important to consider when assessing the role of the FIA. The investigative agency might have the legal authority to investigate money laundering, however there are specific elements that are necessary in a successful investigation, which include financial investigators, capabilities for fixing digital forensics, access to financial intelligence, international cooperation and prosecutors who can present complicated financial proof.

The financial-intelligence infrastructure in Pakistan also has become increasingly enhanced with a digital system. Reporting entities' capacity to report information concerning any suspicious transactions to the FMU has been boosted through electronic reporting systems, like goAML. This shows how technology has evolved over time in this world in which financial intelligence is fed. Technological systems don't remove the need to analyse; however. A significant amount of financial data can generate potentially false positives and mean that investigators have to determine which is which when they do spot suspicious activity in search of activity actually reflecting the criminal act. Extension of reporting requirements would not per se guarantee the effectiveness of Pakistan's AML system, though, but true improvement in the linkage between financial intelligence and criminal investigations.

5. Australia: AML/CTF Legislation, Financial Intelligence and the AFP.

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AMLCFT Act) is the main legislation that applies to AML in Australia. The law sets out the reporting requirements and sets a legal basis for the AML/CTF activities of AUSTRAC. Australia has

made a number of changes to AML/CTF in 2026. Existing obligations began to change from 31 March 2026 whilst new sectors joined the AML/CTF framework from 1 July 2026 (AUSTRAC, 2026).

The size of the expansion is notable because money laundering can occur not just in banks or other longstanding financial institutions. These are some of the areas in which professionals and businesses can enable criminals to cover, pass-through or store illegal monies. The addition of the extra sectors is, therefore, indicative of a wider awareness of the contexts where laundering can happen.

The framework approach used in Australia is a risk-based approach. In particular, reporting entities should assess and control risk exposures to money laundering and the financing of terrorism rather than take a "one size fits all" approach. This system is captured in the key components of customer due diligence, continual monitoring and suspicious matter reporting. Suspicious matter reporting does not require a reporting entity to prove that a criminal offence has occurred. Instead, when the relevant thresholds are triggered, the reporting entity reports to AUSTRAC.

It's important to differentiate between reporting and investigation. Financial-based information is shared and financial institutions conduct monitoring, which is undertaken by law-enforcement agencies to decide whether financial-based information can help in criminal investigations. AUSTRAC’s duties have a financial intelligence aspect and a regulatory oversight aspect. In its location, it aids the linkage of private-sector reporting with public-sector investigation.

The AFP plays a key role with regards to the federal government's operations in law enforcement. The AFP should not, however, be considered, as an institution, a direct counterpart of Pakistan's FIA. They have different functions and settings as institutions. It is more helpful to compare the two at a functional level, in terms of the investigative powers they have at their disposal to tackle serious, organised and transnational financial crime at the Federal level. Financial intelligence is a very useful tool in the investigations of large scale laundering in LFAs. On an annual basis, investigations have been reported which have relied on financial intelligence and connection, between different agencies, to help identify alleged money-laundering networks (Australian Federal Police [AFP], 2024).

The AFP has also investigated cases of money laundering/strawmen fund transfers and interstate transfers of proceeds of crime. The money-laundering operation ability is witnessed in earlier cases where money flows were made between Australian and other countries like Pakistan (AFP, 2016). The emerging financial technologies are also of relevance to Australia's 2026 reforms. The use of virtual assets or related services can have unique problems as trading can happen quickly and generate transactions with other countries. Virtual assets are not of themselves illegal goods, but can facilitate the concealment and facilitates the speed with how value is transacted.

Future research on money laundering, however, finds that criminal opportunities might persist in this technology, namely through crypto-assets (Manning et al., 2025). So a regulatory response must be balanced – not just criminal abuse – and technology innovation. The Australian experience is a lesson in the importance of adapting AML regimes to changes in the type of financial crime. Traditional financial institutions can't always be assailed by a regulatory perimeter.

6. Comparative Analysis and Effectiveness in the Digital Age

The AML institutional arrangements of Pakistan and Australia are very different but there are a number of similar functions being carried out in the AML systems. In both jurisdictions, there is a ban on money laundering, mandates suspicious transaction reporting, financial-intelligence systems and systems for investigation and asset recovery. The organizational arrangements, however, differ.

The organizational set-up is however, other.

The Financial Monitoring Unit (FMU) performs the financial-intelligence function and the Federal Investigation Agency (FIA) performs important federal investigative functions in Pakistan.

In Australia the assignment of financial-intelligence and regulatory duties are a single entity called AUSTRAC, whereas AFP and other agencies carry out criminal investigation based on their jurisdictions.

It should thus not become a question of which is the best institutional framework. The more important question is, are the functions relevant for doing these things performed effectively?

1. The first function is the detection. All financial institutions and other transactors and/or reporting entities are required to detect, prevent and report crime.
2. The second one is intelligence analysis. Financial data needs to be used in a broader context by integrating customers, businesses, ownership and transaction flow data.
3. The third one is investigation! The Intelligence has to offer some leads which are useful and facilitate the evidence-collection.
4. The fourth one is disruption. The authorities have to be able to break the chain of criminal proceeds and stop criminal gangs from continuing to gain from their operations.
5. The fifth one is prosecution. At the end of the day, financial intelligence must add to that evidence that will meet charges the criminal-justice system has already met.
6. Recovery of assets is the sixth. Criminal property may be subject to attachment, forfeiture, confiscation or recovery in accordance with applicable law.

This series is in line with the FATF's approach to effectiveness. It is important to note that FATF points out compliance with legislation is not enough, and regulatory, operational, law enforcement and judicial aspects are to be complementary (FATF, 2025).

This too poses a challenge around how to measure the success of AML. Financial institutions' filings of suspicious transaction reports should not be used as an absolute yardstick of the effectiveness of enforcement. A high level of reporting can mean there is good compliance, but may also lead to significant analytical requirements.

Rather, what will follow the report is more relevant.

- Is the report intelligence that is useful?
- Is any crime detected by the intelligence?
- Will it allow for an investigation?
- Is the investigation assisting with prosecuting the case?
- Is the property from crime used to compensate for wrongdoing?
- The issue of information vs intelligence is then key.

Digitalisation has created more information and information flows that can increase the analytical burden for investigators. Troubles with automated systems include the possibility that they may return false positives when looking for patterns across millions of transactions. Financial analysts/ investigators are still needed to extract the meaning of financial transactions in their social, commercial and criminal context.

Thus, technology complements the aspect of human investigation. Patterns and connections can be discovered using technology, and their meaning established by investigators.

An example of this challenge is with the development of virtual assets. Permitting value transfer without the need for full-fledged banking arrangements can provide novel avenues to committing crime. Meanwhile, blockchain transactions could also generate records that have a possibility to be analysed and traced. The question of whether transactions are observable, however, is not the only challenge for investigators: whether the information available can be traced to specific people and criminal activity matters, too (UNODC, 2024).

Known from the criminological angle, all of these developments justify an ongoing validity of Rational Choice Theory. In the literature, some studies suggest that types of financial channels available could lead to changes in the offending strategies used by criminals depending on the perceived risk/reward of that channel (Soudijn & Reuter, 2016).

They also contribute to Routine Activity theory, as financial technology keeps changing, then the link between the potential offender, suitable target and capable guardianship (Cohen & Felson, 1979;) is being affected as well.

This is explained in more detail in Situational Crime Prevention. AML controls can make laundering and crime more difficult and challenging for criminals and can make it harder for criminals to get the return from even the most successful and lucrative criminal transactions (Clarke, 1995; Gilmour, 2016).

Thus, Pakistan and Australia can be compared because effectiveness of AML is not only through the sophistication in the regulations. Pakistan has significantly worked on its legal

and financial intelligence framework, especially relating to interaction with the FATF/APG system. There has been a steady building-up of the AML/CTF regime in Australia, with additional measures identified in mitigation based on observed vulnerabilities. Additionally, Australia's AML/CTF framework has been expanded following observed vulnerabilities.

Both have the ever daunting challenge of implementation.

- Financial intelligence should be able to trickle down to investigators.
- Linkage between investigators and financial and technological skills is critical.
- Prosecutor needs to be able to present complicated finances.
- The courts need to be capable of conducting trials with digital and financial evidence.Judges need to have the ability to evaluate electronic or financial evidence in court.
- The effectiveness of asset-recovery measures must be ensured.
- The information in evidence and intelligence should be freely cross-bred on an international level.

The need for these requirements comes especially because money laundering does not take place along national borders. The money can pass through multiple countries on the way to being converted into seemingly legitimate assets.

Therefore, cooperation between countries is vital to the operation of both systems. Addressing the transnational nature of financial crime is done by FATF standards, APG mechanisms and UNODC financial crime programmes as well as bilateral cooperation amongst financial-intelligence and law-enforcement bodies.

One aspect in which special attention should be given to asset recovery. Most of crime activities of organised criminals are for earning money. The economic system of a criminal enterprise might not be destroyed if individual offenders are prosecuted, but the economic benefits of crime gone to the criminal organisations. Following the trail of the money should always be carried out with financial investigation, not only to determine where the money went, but also to discover who controlled the money and if the money was retrieved in a lawful manner, assets are legally able to be recovered.

The comparison also poses issues about privacy and due process. Besides the information aggregated and processed, other crucial information is collected and processed for AML systems. Increasing monitoring and sharing of data can enhance surveillance, but at the same time pose the risk of over-monitoring.

Intelligence-led, proportionate AML systems should thus be effective. The access to financial information should not be limited to an objective of merely unrestricted access, but rather a legitimate crime prevention and the criminal justice purposes, supported by the use of relevant information.

As a result, six questions can serve as a measure of the effectiveness of AML:

1. Is there any suspicious financial behaviour that could be spotted?
2. Is there any way to turn money (financial information) into good intelligence?
3. Do investigators have the ability to use that information to find criminal networks?
4. Are there ways for competent authorities to disrupt and prosecute criminal activity?
5. Is it possible to recover money from criminal asset?
6. Does the implementation of AML measures add to the risks of laundering and/or diminish the benefits?

These questions offer more substance or content to what the worth of AML is, than going with only the number of laws, regulations or suspicious transaction reports.

7.Recommendations

1. Embrace the risk based regulatory approach and move away from primarily compliance driven reporting.

The 2026 AML/CTF reforms in Australia will focus more on identifying and addressing real money-laundering risks than ensure customers and transactions are all treated equally. The same model can be applied for Pakistan with the help of the following framework for risk classification of the customers and transactions of the banks, beneficiary of the banks, exchange companies etc. bankers need to classify the people and transactions based upon the following parameters: beneficial owners of the transaction, nature of transactions, geographical exposure, intermediary used in transacting, relationship with one or more high risk sector. FMU might then be able to save investigative resources for the highest risk cases submitted by FIA, and FIA could focus efforts towards intelligence on the reports that were flagged as suspicious by the FMU. This would mean shifting the focus from the number of AML reports to whether or not the reporting identifies criminal financial networks, in Pakistan.

2. Follow Australia's example in moving AML controls from traditional financial institutions.

AML/CTF requirements have been made more extensive for Australia's real estate, legal and accounting services, conveyancing, precious metals and stones dealers among other sectors, as criminals can use professional and commercial services to launder money through the sector. An analogous Pakistani system might launch sector-specific AML duties for high-risk non-financial companies, instead of the same set of duties for each profession. This may be implemented starting with real estate agents, property dealers or professionals and dealers of precious metals and selected company service providers. They may need to conduct ‘due diligence' relating to customers and beneficial owners, keep records and report any ‘suspicious' transactions and activities to FMU. A staged implementation would enable regulators to test compliance capacity and only move onto other sectors once they are sure they can do so.

3. Establish an intelligence-to-investigation mechanism between Pakistan’s FMU and FIA as per the AUSTRAC model.

It points to a lack of converting financial data into intelligence that can be used and then translated into investigation as a main problem, which shapes the effectiveness of AML legislation to achieve criminal-justice goals. Australia offers a useful institutional model as both financial intelligence and regulatory aspects are carried out by the same agency (AUSTRAC) and financial intelligence can help with investigations by law enforcement. This may be realised through FMU-funded financial-intelligence cells being established in collaboration with the FIA, in the case of large-scale money-laundering offences, in Pakistan. Instead of only sending suspicious transaction report messages, analysts could build financial "profiles" that would display account connections, transaction links, beneficial owner and funds flow information. The packages of intelligence could then be sent to the FIA investigators and with known investigative leads. The effectiveness of the implementation of the system can then be evaluated by measuring the number of high-value intelligence reports creating investigations, prosecutions and asset recovery.

4. Adapt Australia's 2026 virtual-asset controls to create a specialised digital-asset AML framework in Pakistan.

Reforms presently taking place specifically target additional virtual-asset services, and feature particular requirements regarding details that will adhere to some transactions of value. To achieve the same, Pakistan might be able to create a similar framework by introducing a registration and monitoring system for virtual-asset service providers, definition of customers, record of transactions, and providing appropriate information along with transfers of virtual assets. FIA and financial-intelligence analysts should also build capability to investigate blockchain, enabling cryptocurrency address to be traced (where legally feasible) to identified persons, exchange, bank accounts and criminal proceeds. This would help answer the article's fears, that criminals might also move to the new, more disruptive financial technologies if the old banking methods are more efficient at stopping criminals.

5. Shift from looking at the effectiveness of AML measured by volumes to an outcomes-based framework based on the Australian/FATF effectiveness framework.

The number of suspicious transactions reported, or the presence of legislation alone does not equate to an effective AML system, which is a key concern of the article. Australia's current risk-based approach also focuses on the effectiveness of reporting entity to manage risk, and the effectiveness of regulatory requirements in achieving desirable results. Pakistan may then set up an effectiveness scorecard for AML which accounts for all stages of the AML enforcement process starting from suspicious activity notice filing to the issuance of financial intelligence, investigation commenced, assets traced/frozen, prosecution initiated, Conviction obtained and the recovery of assets. Data from FMU, FIA, prosecutors and relevant judges could be uploaded to the same system. This type of outcome-oriented mechanism would enable Pakistan to pinpoint where cases are dropping out such as at the competence of intelligence analysis, investigation, prosecution or asset retrieval in each case to design initiatives and allocate resources accordingly.

8.Conclusion

Money laundering is an important linkage between criminal activity and financial systems and mechanisms that assist in combating money laundering. It makes it easier for criminals to move and conceal evidence of their crime and for criminals to get the proceeds to invest in other crimes. Therefore, a crucial component of effective criminal justice is focusing not only on the crimes that create revenues from illegal activity, but also on the financial processes that help to maintain such revenues.

In the era of digital transformation of financial services, this has become an even more complex challenge. New opportunities for legitimate economic activity have emerged due to electronic payments, online banking, cross-border transfers and virtual assets, while new trends in how financial crimes are committed have emerged as the financial environment has changed. Concurrently, digital systems have opened up new avenues to financial intelligence and data-based investigations.

The institutional solution to the same issue of the problem in Pakistan and Australia are different. The following are the main features of the Constitutionally established bodies: Pakistan's Anti-Money Laundering Act 2010, which gives the basic legislature; the FMU, which does the financial-intelligence work; and the FIA, which has an important investigative role in the Federal government. The AML/CTF structures are focused on AUSTRAC and investigations are conducted by the AFP (and other law enforcement agencies) within their jurisdictions.

The Australian reforms of 2026 show that regulation of AML is continually being adapted to the changing risks. Stringent, comprehensive, and evolving regulations are in place in other professions and commercial activities as well, because criminal proceeds can be hidden in many types of legitimate economic activities.

Comparing the AML frameworks does not imply that these are necessarily better in one country compared to the other. Such a conclusion would be inappropriate in the light of the differences of the two systems of law and institutions. The comparison is, however, illustrative of how institutions can work together and be effective.

One possibility that can be explained using Rational Choice Theory is why the offender chooses a method to launder based on the perceived risk, effort and rewards (Cornish & Clarke, 1986; Soudijn & Reuter, 2016). Routine Activity Theory stresses the need for capability of guardianship and vulnerabilities in financial surroundings (Cohen and Felson, 1979,). Financial controls can be used to change opportunities through increasing the risks and decreasing the rewards to those launder money, as demonstrated in Situational Crime Prevention (Clarke, 1995; Gilmour, 2016).

This is also due to the nature of AML; these theories account for why AML cannot stay stagnant. When enforcement controls increase the risk of detection, criminals may shift to other channels. New financial technologies open new possibilities. Regulatory controls can

cause laundering to go through other channels. There has to be a continued adaptation to the response, therefore.

Technical compliance/performance is therefore significant. FATF's framework overarchingly highlights that legislative and regulatory measures are the core building blocks of an AML system, but that they alone are not enough to create a successful AML system (FATF, 2025). The ultimate question: Is there useful intelligence provided by financial information, does the intelligence become a useful tool in investigations, do investigations ultimately result in prosecution and are criminal proceeds ultimately recovered?

This needs to be strengthened in terms of ongoing financial-investigation (FI) skills development, digital-forensics (DF) capacity building, multi-agency collaboration, prosecution, asset recovery and so on, particularly for Pakistan. Australia's reform for 2026 highlights the continued need to discover and manage new vulnerabilities and effective interagency cooperation between AUSTRAC and the AFP – and other relevant agencies – in Australia. However, the role of law, FI institutions, law enforcement and technology and international cooperation will be vital to the future of AML in both jurisdictions, as a connected system of pillars.

The number of regulations or reports is not necessarily an indicator of effective AML. Its success should be measured in terms of its ability to mitigate the capacity of criminal elements to use profits of crime for economic advantage. In this regard AML cannot even be considered as just a case of financial regulation. It is an active part of modern-day crime-fighting.

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