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Pakistan Faces FATF Scrutiny Over Digital Wallet Terror Funding

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— Categories: Breaking News

A recent report by the Financial Action Task Force (FATF) has raised concerns about the use of digital wallets in terror financing, with references to activities linked to Pakistan-based group Jaish-e-Mohammed (JeM). The findings highlight what FATF describes as “serious and evolving terrorist financing risks” in the digital age.

According to FATF’s July 2025 report, extremist groups facing funding constraints have increasingly turned to digital wallets to move money outside traditional banking systems. These wallets, in some cases reportedly linked to family members of JeM leaders, allow transfers that are difficult for regulators to trace. This development poses a growing challenge for international financial watchdogs seeking to monitor suspicious cross-border flows.

For Pakistan, the revelations arrive at a sensitive time. The country is keen to avoid being placed back on the FATF grey list, a move that in the past harmed foreign investment and international financial credibility. Officials in Islamabad have emphasized their commitment to improving oversight and compliance with global counter-terror financing standards.

However, the use of decentralized and anonymous payment methods by banned groups complicates enforcement efforts. Security analysts note that digital wallets and similar platforms offer extremist networks a means to bypass traditional monitoring, making it harder for authorities to disrupt financing channels.

India has also expressed concern about these methods, pointing to investigations that suggest JeM is adopting digital strategies to sustain its operations. While Indian security

agencies continue to track these financial networks, Pakistan faces increasing pressure to demonstrate stronger action against groups operating within its borders.

Experts caution that the issue is not unique to Pakistan, with terror organizations worldwide experimenting with new financial technologies. Nonetheless, FATF's report underscores the importance of states maintaining strict oversight to prevent misuse of emerging digital platforms.

As Pakistan works to balance economic stability with its counter-terror obligations, the challenge of monitoring digital transactions is expected to remain a central issue in its engagement with global financial regulators.