

## **Blacklisting Pakistan under FATF**

### **What is the issue?**

- The Financial Action Task Force (FATF) is to hold its Plenary and Working Group meeting in Orlando, Florida.
- It is likely to take up a proposal to downgrade Pakistan to the blacklist on terrorist financing from its current [greylist status](#).

### **What is the present status?**

- Pakistan has been under the FATF's scanner since June, 2018.
- It was put under the greylist for terror financing and money laundering risks.
- This was done after an assessment of its financial system and law enforcement mechanisms.
- FATF and its partners such as the Asia Pacific Group (APG) review Pakistan's processes, systems, and weaknesses.
- This is done on the basis of a standard matrix for anti-money laundering (AML) and combating the financing of terrorism (CFT) regime.

### **What was Pakistan's subsequent commitment?**

- In June 2018, Pakistan gave a high-level political commitment to work with the FATF and APG.
- It promised to strengthen its AML/CFT regime, and to address its strategic counter-terrorism financing-related deficiencies.
- Based on this commitment, Pakistan and the FATF agreed on the monitoring of 27 indicators under a 10-point action plan, with deadlines.
- Successful implementation of the action plan and its physical verification by the APG will lead the FATF to move Pakistan out of the greylist.
- But failure in implementation and in meeting the deadlines would result in Pakistan's blacklisting by September 2019.

### **What is FATF's current stance?**

- There was only limited progress by Pakistan on action plan items due in January 2019.
- So FATF, in February, 2019, urged Pakistan to swiftly complete its action plan, particularly those with timelines of May 2019.
- Pakistan, recently, presented its progress on the 27 indicators in a meeting

with the Joint Group of the APG.

- It was agreed that there have been improvements in the AML/CFT regime and the integrated database for currency declaration arrangements.
- But the Joint Group informed Pakistan that its compliance on 18 of the 27 indicators was unsatisfactory.
- The other gaps in progress include the following:
  - i. contradictory situations and poor coordination among stakeholders
  - ii. lack of cooperation among law enforcement agencies at various tiers of Pakistan's government
  - iii. insufficient physical action against proscribed organisations to block the flow of funds
- Pakistan was thus asked to do more to demonstrate strict action against 8 terrorist groups, and in combating money laundering.
- It must show that terror financing prosecutions result in effective, proportionate and restrictive sanctions.

### **What if Pakistan is blacklisted?**

- Pakistan faces an estimated annual loss of \$10 billion if it stays in the greylist.
- If blacklisted, its already fragile economy will get even weaker.
- Its \$6 billion loan agreement with the International Monetary Fund (IMF) could be threatened.
- Notably, the IMF has asked Pakistan to show commitment against money laundering and terror financing. Click [here](#) to know more.

### **What is India's role here?**

- India is a voting member of the FATF and APG, and co-chair of the Joint Group.
- [India is represented by the Director General of India's Financial Intelligence Unit (FIU) in the Joint Group.]
- Pakistan had asked for India's removal from the group, citing bias and motivated action, but that demand has been rejected.
- But India was not part of the group that moved the resolution to greylist Pakistan in 2018 in Paris.
- The movers were the US, UK, France, and Germany; China did not oppose it.

**Source: Indian Express**

## Quick Fact

### Financial Action Task Force

- The Financial Action Task Force (FATF) was set up in 1989 by the western G7 countries, with headquarters in Paris.
- It acts as an 'international watchdog' on issues of money-laundering and financing of terrorism.
- FATF has 37 members that include all 5 permanent members of the Security Council, and other countries with economic influence.
- Two regional organisations, the Gulf Cooperation Council (GCC) and the European Commission (EC) are also its members.
- Saudi Arabia and Israel are "observer countries" (partial membership).
- India became a full member in 2010.

### Asia Pacific Group

- In 1995 an Asia-Pacific regional office called the "FATF-Asia Secretariat" was established and funded by the government of Australia.
- It worked with countries in the Asia-Pacific to generate wide regional commitment to implement anti-money laundering policies.
- In 1997, the Asia/Pacific Group on Money Laundering (APG) was officially established as an autonomous regional anti-money laundering body.
- It was set up by unanimous agreement among 13 original founding members.
- A new secretariat was also established to serve as the focal point for APG activities, in Sydney, Australia.