

# FATF's 27 action plan

January 15, 2021

**In news :** Recently, Indian External Affairs Minister Pakistan's actions related to FATF. Pakistan has failed in 6 of 27 obligations set by FATF

## **What did the External Affairs Minister say?**

Pakistan's recent actions, including the sudden arrests and quick convictions of most wanted figures Zaki Ur Rehman Lakhvi and Hafiz Saeed, and the warrant for JeM chief Masood Azhar, all in cases of terror financing, indicate that Islamabad is aware of the importance of these decisions for its economic future; for the moment, the government is appearing to fall in line with the FATF's 27-point action plan

Pakistan was placed on the grey list by the FATF in June 2018 and was given a plan of action to complete it by October 2019. Since then, the country continues to be on that list due to its failure to comply with the FATF mandates.

## **What is the Financial Action Task Force (FATF) 27 action plan?**

27 action plan are the obligations set by FATF to be met by Pakistan, failing to meet these obligations will lead to Pakistan remaining on grey list of the Global money laundering and terrorist financing watchdog

## **Current status:**

The FATF had given Pakistan a total of 27 action plan obligations for completely checking terror financing of which so far it has cleared 21 but has failed in some of the key tasks, hence FATF has decided to keep the country on its 'grey list' until February 2021

## **Where did Pakistan fail?**

- The mandates which Pakistan has failed include action against all UN-designated terrorists like Jaish-e-Mohammed (JeM) chief Azhar, Lashker-e-Taiba (LeT) founder Seed and the outfit's operational commander Zakiur Rehman Lakhvi.
- Besides, FATF has strongly noted the fact that there was sudden disappearance of the names of more than 4,000 terrorists from its original list of 7,600 under Schedule IV of its Anti Terrorism Act.

**According to FATF needed to to work on four areas to “address its strategic deficiencies”. These include:**

- Demonstrating that law enforcement agencies (LEAs) are identifying and investigating the widest range of terror financing activity, which target designated persons and entities, and those who act on the behalf/direction of the designated persons or entities
- Demonstrating that terror financing prosecutions result in effective, proportionate and dissuasive sanctions
- Demonstrating effective implementation of targeted financial sanctions against all 1267 and 1373 designated terrorists and those acting for or on their behalf; preventing the raising and moving of funds including in relation to non-profit organisations; identifying and freezing assets; and prohibiting access to funds and financial services
- Demonstrating enforcement against violation of terror financing sanctions, including in relation to NPOs, of administrative and criminal penalties and provincial and federal authorities cooperating on enforcement cases

**Impact of Pakistan remaining on FATF grey list:**

It will be difficult for Pakistan to get financial aid from the International Monetary Fund (IMF), World Bank, Asian Development Bank (ADB) and the European Union

## About the Financial Action Task Force (FATF)

- FATF is the global money laundering and terrorist financing watchdog.
- The intergovernmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society.
- As a policy-making body, the FATF works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.
- The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

## FATF Grey List

- Countries that are considered safe haven for supporting terror funding and money laundering are put in the FATF grey list.
- The FATF places those countries on its grey list which are not taking measures to combat terror funding and money laundering.
- Placement on the grey list is a warning for a country that it may be put on the blacklist in case of its failure to take effective measures against money laundering and terror financing.
- After being placed on the grey list, a country is directly scrutinised by the financial watchdog until it is satisfied by the measures taken to curb terror financing and money laundering.
- If the watchdog does not deem progress by countries on the list as satisfactory, they may be relegated to the blacklist, a list of the countries branded as uncooperative and tax havens for terror funding. These countries may face global sanctions as well.
- **Countries on the blacklist or 'high-risk jurisdictions'**

have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation.

### **FATF Black list**

- Countries known as Non-Cooperative Countries or Territories (NCCTs) are put in the blacklist.
- These countries support terror funding and money laundering activities. The FATF revises the blacklist regularly, adding or deleting entries.
- **Currently, North Korea and Iran are on the FATF blacklist.**