

Pakistan to remain on FATF grey list

March 19, 2022

In news- FATF has retained Pakistan on its terrorism financing “grey list”.

Background-

The FATF had placed Pakistan on the grey list in June 2018, urging Islamabad to implement a **27-point action plan** to curb money laundering and terror financing by the end of 2019. According to FATF, Pakistan had failed to take appropriate action against UN-designated terrorists such as 26/11 accused Hafiz Saeed, Lashkar-e-Taiba founder Saeed, Operational commander of LeT Zakiur Rehman Lakhvi and JeM chief Masood Azhar. The Pakistan government has failed to check the risk of money laundering, leading to corruption and terror financing. Pakistan had completed 26 of the 27 action items in its 2018 action plan of the FATF and of the seven action items of the 2021 action plan of the watchdog’s Asia Pacific Group on Money Laundering (APG).

Consequences of including a country in grey list-

- Economic sanctions from international institutions (IMF, World Bank, ADB etc.) and countries.
- The problem in getting loans from international institutions (IMF, World Bank, ADB etc.) and countries.
- Overall reduction in its international trade.
- International boycott.

About the Financial Action Task Force (FATF)-

- FATF was **established in July 1989 by a Group of Seven (G-7) Summit in Paris**, initially to examine and develop measures to combat money laundering.

- **In October 2001**, the FATF expanded its mandate to incorporate efforts to **combat terrorist financing, in addition to money laundering**.
- The current mandate of the FATF (2012-2020) was adopted at a Ministerial meeting in April 2012.
- **Members:** There are currently 39 members of the FATF; 37 jurisdictions and 2 regional organizations (the Gulf Cooperation Council and the European Commission). India is also a member.
- **Observer members:** 30 countries and international organizations are observer organizations. These include the International Monetary Fund, the UN with six expert groups and the World Bank
- **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.
- It is headquartered in Paris.

What does the FATF do?

- Sets international standards to combat money laundering and terrorist financing.
- Assesses and monitors compliance with the FATF standards.
- Conducts typologies studies of money laundering and terrorist financing methods, trends and techniques.
- Responds to new and emerging threats, such as proliferation financing.

Various lists of FATF-

Non-Cooperative Countries or Territories / The FATF blacklist:

- It has been issued by the FATF since 2000.
- It lists countries which it judges to be non-cooperative in the global fight against money laundering

and terrorist financing, calling them “Non-Cooperative Countries or Territories” (NCCTs).

- As of 2022, **North Korea and Iran** are on the FATF blacklist.

Grey list /Watch list:

- “Increased monitoring list” is another name for the Grey List.
- Those countries which are considered as the **safe haven for supporting terror funding** and money laundering; included in this list.
- Grey list is a **warning given to the country** that it might come in Blacklist.