

5. Financial Action Task Force (FATF)

Prelims Level: International Institutions – Summits, Working, Organisations

Mains Level: GS-II Important International institutions, agencies and fora- Their Structure, Mandate.

Context:

- Recently the Asia-Pacific Group (APG) of The Financial Action Task Force (FATF) in Beijing cleared Pakistan on 14 out of 27 action plans.

About FATF:

- It is an intergovernmental body established in 1989 by the **Group of Seven (G-7)** countries in Paris, France. It was formed with the intention to examine and develop measures to combat money laundering.

Objectives:

- To set standards and promote effective implementation of legal, regulatory and operational measures for combating: Money laundering; Terrorist financing; and threats to the integrity of the international financial system.
- It has formed 40 recommendations against money laundering and 9 special recommendations against terrorist financing, which forms the commonly known '40+9' FATF Standards.
- It issues a list of 'Non-Cooperative Countries or Territories' (NCCTs), commonly called the (FATF Blacklist).
- These countries or territories are considered to be uncooperative in international efforts against money laundering and terrorism financing.

FATF Grey List:

- It is a list of countries or territories with deficiencies in anti-money laundering and/or countering the financing of terrorism, for which they have developed an action plan with the FATF.

Grey List and Pakistan:

- Pakistan was put on the grey list in 2012 after the completion of an earlier Mutual Evaluation by FATF, and therefore had to follow the action plan suggested by FATF. In 2015, it was taken off the grey list, after the FATF was satisfied with Pakistan's measures undertaken to counter terror financing.

- The US, UK, France and Germany, started a process at the FATF to cosponsor a motion to nominate Pakistan as a country having strategic deficiencies in countering financing of terrorism. This motion was passed in March, 2018.
- FATF in June, 2018 placed Pakistan on the 'grey list' for failing to curb anti-terror financing despite after submitting a 26-point action plan to FATF.
- The other countries on the list **are Ethiopia, Serbia, Sri Lanka, Syria, Trinidad and Tobago, Tunisia and Yemen**

Background:

- The APG of FATF declared that Pakistan had progressed in its efforts to avoid blacklisting.
- Pakistan was placed on the grey list in 2018 by FATF and directed to take 27-point actions with respect to terror funding and money laundering.
- Accordingly FATF directed Pakistan to freeze the funds of 26/11 mastermind LeT, Hafiz Saeed, Jaish-e-Mohammed (JeM) and other Taliban-affiliated groups.
- For Pakistan to come out of grey-list it would need an extra 12 votes in addition to continued support from China, Turkey, Saudi Arabia, Malaysia and West Asian countries that it Already Gets.

