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.

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