FATF Action Plan for Pakistan

Why in news?

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Pakistan has been formally put on the grey list by the Financial Action Task Force (FATF).

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What is the Financial Action Task Force?

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- The FATF was set up in 1989 by the G7 countries.
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- **Members** - With headquarters in Paris, FATF has 37 members.
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- They include all 5 permanent members of the Security Council and other countries with economic influence.
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- Two regional organisations, the Gulf Cooperation Council (GCC) and the European Commission (EC) are also its members.
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- Saudi Arabia and Israel are “observer countries” (partial membership).
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- India became a full member in 2010.
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- **Objective** - FATF acts as an ‘international watchdog’ on issues of money-laundering and financing of terrorism.
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- It is empowered to curtail financing of UN-designated terrorist groups.
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- It can publicly sensor countries that are not abiding by its norms.
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- It is to limit the concerned countries from sourcing financial flows internationally and thereby constraining them economically.
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What is the recent decision?

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- FATF earlier decided to place Pakistan in the grey list for inaction against terror funding.
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- It has now unanimously agreed to put into effect the above decision.
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- The move comes as a response for Pakistan's inaction against terror funding.
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- The Financial Action Task Force (FATF) has laid out a 10-point action plan for compliance with its guidelines.
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- Pakistan has been instructed to take measures and to demonstrate the action on guidelines given.
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- UN-designated terrorists and banned terror outfits should be deprived of their resources.
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- Also, their sources of funding are to be choked.
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- The designated ones include Hafiz Saeed and Masood Azhar, Taliban and Haqqani Network, Jaish-e-Mohammad, Lashkar-e-Taiba, and their affiliates.
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- If Pakistan fails to implement the action plan, it could be included in the black list the next year.
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What are the guidelines?

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- Pakistan will have to take steps to ensure that **terror funding risks** are properly identified and assessed.
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- Also, it will have to ensure that **supervision** is applied on a risk-sensitive basis.
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- Measures are to be taken to prevent **financial institutions** from indulging in money laundering and terror funding.
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- It should take action against illegal financial operations, identify cash

couriers and enforce controls on illicit movement of currency.
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- It has been told to improve **coordination** between the provincial and federal authorities on combating terror funding.
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- Enforcing effective **prosecution and conviction** of the designated persons, entities and their affiliates are specified.
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- The FATF has also sought actions demonstrating effective implementation of **targeted financial sanctions**.
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What is Pakistan's response?

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- After 2012-15, this is the second time it has been grey-listed and is facing sanctions.
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- The placement on the ‘grey list’ could hurt Pakistan’s economy as well as its international standing.
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- Pakistan had this time round made a high-level political commitment.
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- It has agreed to work with the global watchdog and the Asia Pacific Group, of which it is a member.
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- It would perceivably strengthen its anti-money laundering and counter terror-financing regime.
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Source: The Hindu

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