FATF Advisory on Pakistan

Why in news?

Financial Action Task Force recently decided to continue the 'Grey' listing of Pakistan for its failure to stop funding of terrorist groups.

What is the Financial Action Task Force?

- The Financial Action Task Force (FATF) was set up in 1989 by the western G7 countries, with headquarters in Paris.
- 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.

What is the present status of Pakistan?

- In June 2018, Pakistan was placed in the 'Grey' list and given a 27-point action plan by the FATF.
- This Plan was reviewed as the last Plenary in October 2018 and for the second time recently.
- In the recent plenary, India submitted new information about Pakistan-based terrorist groups, including Jaish-e-Mohammad, responsible for the Pulwama attack.
- The FATF condemned the suicide bombing of the CRPF convoy that left 40 personnel dead.
- The FATF urged Pakistan to show compliance to show compliance with its action plan or face being “black-listed” by the session in October 2019.
- A black-list would mean enhanced financial scrutiny of its government, possible sanctions against its central bank, and a downgrade of its financial and credit institutions.
- Also, FATF issued a 10-point advisory to Pakistan if it wants to be out of the “grey list” of countries posing a “risk to the international system”.
- Further, Pakistan was nominated for a detailed review of its "serious deficiencies" in countering terror financing in February 2018.
- This nomination was supported by the United States, the United Kingdom,

France, Germany and India.

What does the FATF advisory say?

- The FATF has observed that several deficiencies remain in Pakistan's legal regime in dealing with terror financing.
- Since June 2018, Pakistan has made a high-level political commitment to work with and address its strategic counter-terrorist financing-related deficiencies.
- Also, Pakistan has revised its TF (terror financing) risk assessment.
- However, it does not demonstrate a proper understanding of the TF risks posed by Da'esh (ISIS), AL-Qaida, JuD (Jamat-ud-Dawa), FIF (Falah-e-Insaniat Foundation), LeT (Lashkar-e-Taiba), JeM (Jaish-e-Mohammad), HQN (Haqqani Network) and persons affiliated with the Taliban.
- Hence, the FATF urged Pakistan to swiftly complete its action plan, particularly those with timelines of May 2019, the next deadline to show compliance.
- For this, Pakistan should continue to work on implementing its action plan to address its strategic deficiencies.
- The country should adequately demonstrate proper understanding of the terror financing risks posed by the terrorist groups and conduct supervision on a risk-sensitive basis.
- Remedial actions and sanctions should be applied in cases of Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT) violations.
- Also, the country should demonstrate that competent authorities are cooperating and taking action to identify and take enforcement action against illegal money or value transfer services (MVTS).
- Further, it should improve inter-agency coordination between provincial and federal authorities on combating TF risks.
- Thus, with the advisory, Pakistan must visibly demonstrate that it has taken measures to crack down on and shut down the infrastructure and finances of the terrorist groups.

Source: The Hindu

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