FATF and Pakistan

Why in news?

The Financial Action Task Force has decided to retain Pakistan on its greylist.

What is FATF?

- Headquartered in Paris, the Financial Action Task Force (FATF) was set up in 1989 by the G7 countries.
- **Objective** - FATF acts as an international watchdog on issues of money laundering and financing of terrorism.
- It is empowered to curtail financing of UN-designated terrorist groups.
- It is to limit the concerned countries from sourcing financial flows internationally and thereby constraining them economically.
- **Members** - FATF has 39 members, which comprise 37 member jurisdictions and 2 regional organisations.
- India became a full member in 2010.

What does the FATF's decision mean?

- The decision of the FATF has disappointed the Imran Khan government.
- His cabinet had projected confidence that the country would be taken off the greylist.
- For this, Pakistan government had monitored jurisdictions on terror financing and money laundering activities.
- It had cleared on 21 of the 27 mandated action points.

What will be the implications of this decision?

- Pakistan will face international strictures on its markets and on its ability to procure loans until the next FATF plenary in February 2021.
- By this time, Pakistan is expected to complete the six pending issues.
- A bigger problem for Pakistan was that Turkey was the only other country in the FATF to push for Pakistan to be let off.
- It suggested that the last six points be cleared by an "on-site" visit by an FATF team.
- The proposal was dropped when even other traditional backers of Pakistan such as China, Saudi Arabia and Malaysia did not support it.

What options does Pakistan have?

- It has little option but to complete its tasks in the next four months.
- The tasks that it needs to complete include:
    1. More action against UNSC-banned terrorists and terror groups,
    2. Action against charitable organisations (Non-Profits) linked to these banned entities,
    3. Tracing fugitive terrorists and pursuing convictions against them,
    4. Revising the list of banned entities under the Anti-Terrorism Act to reflect all those banned by the UNSC, and
    5. Cracking down on other channels of terror financing through narcotics and smuggling.

What is there for India in this?

- For those in India watching the outcome of the FATF decision, there are some broader dividends to consider from this process.
- To begin with, Pakistan's deadline for action ended in September 2019.
- But, the FATF has retained Pakistan on the greylist for the third time this year and was not automatically downgraded it to the blacklist.
- This has ensured that the pressure has continued to make Pakistan accountable on terror.
- The Khan government has been forced to make a real legislative push to bring Pakistani anti-terror laws in line with international standards.
- At least for now, it will ensure sufficient pressure on groups such as the LeT that target India, to refrain from publicly raising funds.

What is crucial?

- Pakistan's support to the U.S.-led Afghan process and talks with the Taliban are crucial to the peace process.
- FATF process has made Pakistan more amenable to help Afghanistan.
- It remains to be seen if the actions it takes will permanently change Pakistan's course in supporting cross-border terror groups.

What does India want?

- India's goal is for Pakistan to fully dismantle the infrastructure of terror in the understanding that it is in Pakistan's own interests to do so.
- It is hoped that the prolonged FATF process will enable this realisation in Islamabad.

Source: The Hindu

