# FATF's Latest Report on Terrorist Financing Risks

***Prelims**: Current Events of National and International Importance*

## Why in the news?

*The Financial Action Task Force (FATF) has undertaken a project to compile the "Comprehensive Update on Terrorist Financing Risks" report, which was recently released.*

| Financial Action Task Force (FATF) |
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| • **FATF** – It is an intergovernmental body established in 1989 by the G7 nations to develop policies to combat money laundering.<br>• Its core mandate is to issue and update international standards that countries should adopt to prevent and address financial crimes.<br>• One of FATF's most impactful tools is its listing system, the grey list and blacklist.<br>- **Grey list** is those with strategic deficiencies in anti-money laundering (AML) and counter-terror financing (CTF) frameworks, but which have committed to resolving them within agreed timelines.<br>- **Blacklist** includes nations that show no meaningful commitment to improvement.<br>• Being listed can lead to reduced foreign investment, tougher borrowing conditions, and increased scrutiny from global financial institutions.<br>• **India and FATF** - India is an active member. |

- **Global Collaboration** - The report was co-led by the UN Security Council Counter-Terrorism Committee and France, with India making a significant contribution.
- **Spotlight** - For the first time, state sponsorship of terrorism was officially acknowledged in an FATF report.
- **Highlights** - India's 2022 National Risk Assessment (NRA) flagged Pakistan as a primary source of state-sponsored terrorism.
- Based on NRA findings, Indian financial institutions are required to conduct enhanced due diligence on transactions involving Pakistan.
- It is also expected that the report may also reflect the findings of the NRA's of all other countries.
- It is indicated that certain terror outfits had been and continued to receive financial and other forms of support from several national governments.
- **Wider Evidence** - The FATF report used data from delegations and open sources, showing ongoing support for terror outfits by some governments.
- **Legal Framework** - FATF explicitly stated that state funding of terrorism contradicts its standards, international conventions, UNSC Resolution 1373 (2001).
- **Security Threat** - State-sponsored terrorism is described as a long-standing threat to international peace and regional financial stability.
- **Some Illicit Channels** - One tactic includes oil smuggling from Iran to Pakistan,

suspected of funding terrorism.

- **NGO Misuse** - Terror outfits like Jaish-e-Mohammed and Lashkar-e-Taiba use fake charities to raise and move funds.
    - These organizations are disrupting aid operations and causing Humanitarian Abuse.
- **Global Impact** - The FATF report, having higher precedence than national assessments, will pressure countries to recognize and respond to state-linked threats.
- **Financial Isolation** - Due to international scrutiny, Pakistan's transactions face increased costs, making it less attractive for global banking.

**Reference**

[The Hindu| FATF's Latest Report on Terrorist Financing Risks]

