# Turkey in FATF Grey List

## Why in news?

The global terror financing watchdog, Financial Action Task Force (FATF), has added Turkey, along with Jordan and Mali, in its revised list of "jurisdictions under increased monitoring".

## What is the FATF?

- Headquartered in Paris, the 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 can 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.

**FATF has 2 types of lists**

**Black List** - Countries known as Non-Cooperative Countries or Territories (NCCTs) are put in the blacklist. These countries support terror funding and money laundering activities.

**Grey List** - Countries that are considered safe haven for supporting terror funding and money laundering are put in the FATF grey list. This inclusion serves as a warning to the country that it may enter the blacklist.

## What does 'increased monitoring' mean?

- Being placed under this means these countries have failed to prevent international money laundering and terrorist financing, and so, are on a global watchlist.
- Such countries are committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and are subject to extra checks.
- They actively work with the FATF to address the gaps.
- This list of jurisdictions is commonly referred to as the **"grey list".**
- There are now 23 countries in the FATF grey list, officially referred to as "**jurisdictions with strategic deficiencies**".

The FATF grey list includes Pakistan, Myanmar and now, Turkey.

Some of the other countries in the updated grey list - Philippines, Syria, Yemen,

Zimbabwe, Uganda, Morocco, Jamaica, Cambodia, Burkina Faso, and South Sudan, and the tax havens of Barbados, Cayman Islands, and Panama.

The FATF also took Botswana and Mauritius out of the grey list, having shown significant progress in addressing the strategic AML/CFT deficiencies.

AML/CFT refers to "Anti-Money Laundering/Combating the Financing of Terrorism".

## What does Turkey's listing mean?

- Turkey needs to address "serious issues of supervision" in its banking and real estate sectors, and with gold and precious stones dealers.
- Turkey needs to show it is -
    1. effectively tackling complex money laundering cases
    2. pursuing terrorist financing prosecutions
    3. prioritising cases of UN- designated terrorist organisations such as ISIL and al Qaeda
- The FATF has given **eight specific tasks** to Turkey, including, in broad terms:
    1. dedicating more resources to the supervision of AML/CFT compliance by high-risk sectors and increasing on-site inspections
    2. applying "dissuasive sanctions" for breaches of AML/CFT, including unregistered money transfers
    3. enhancing use of financial intelligence to support money laundering investigations
    4. undertaking more complex money laundering investigations and prosecutions
    5. fixing responsibilities and measurable performance objectives for anti-terror finance authorities
    6. conducting more financial investigations in terrorism cases
    7. concerning targeted financial sanctions under the UN's anti-terror resolutions, and pursuing actions against UN-designated groups
    8. implementing a risk-based approach to supervision of non-profit organisations to prevent their abuse for terrorist financing
- Notably, FATF had warned Turkey in 2019 about "serious shortcomings" and called for measures to freeze assets linked to terrorism and weapons of mass destruction proliferation.

## What are the likely implications?

- Negatively impacts Turkey's relationship with international funders including banks and financial institutions as well as its investors.
- Cuts capital inflow by an estimated 7.6% of GDP, while FDI and portfolio flows are also hit.
- Could further weigh on Turkey's currency lira, which touched a record low recently.

**Reference**

https://indianexpress.com/article/explained/financial-action-task-force-turkey-7584633/

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