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ICRG Recommends Continuation of Pakistan in Grey List

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Why in News

The **International Co-operation Review Group (ICRG) of the Financial Action Task Force (FATF)** has recommended that **Pakistan be retained on the “Grey List”**, given the country’s failure to completely implement the 27-point action plan to check terror financing.

- It needs to be noted that a recommendation by the ICRG is a precursor to the final decision at the FATF plenary session, and is usually not overturned. Since **2007**, the the ICRG has analysed high-risk jurisdiction and recommended specific action to address the money laundering/terror financing risks emanating from them.
- The **FATF Plenary is the decision making body of the FATF**. It meets three times per year. The latest meeting will conclude on 21st February, 2020 in which final decision with respect to Pakistan will be taken.
- The FATF meeting is being held a week after an anti-terrorism court in **Pakistan sentenced Hafiz Saeed**, the mastermind of the 2008 Mumbai attack and founder of Lashkar-e-Taiba (LeT), to 11 years in two terror financing cases.

Background

- The **FATF plenary held in October 2019** had noted that Pakistan addressed only five out of the 27 tasks given to it in controlling funding to terror groups like the Lashkar-e-Taiba, Jaish-e-Mohammad (JeM) and Hizbul Mujahideen, responsible for a series of attacks in India.

The FATF, then, strongly urged Pakistan to swiftly complete its full action plan by February, 2020.

- **Pakistan was placed on the grey list by the FATF in June 2018** and was given a plan of action to complete by October 2019, or face the risk of being placed on the black list with Iran and North Korea.

Current Scenario and India's Stand

- In the **FATF Asia Pacific Joint Group** meeting in Beijing in January 2020, **Pakistan was adjudged to have cleared 14 points.**

The Asia Pacific Group on Money Laundering was established in 1997 as an autonomous regional anti-money laundering body by unanimous agreement among 13 original founding members. Presently, it has **41 active members including India.**
- **Pakistan's Current Stand**
 - Since the 2019 meeting, it has taken all possible measures against terror financing.
 - It has convicted an unprecedented number of persons, which includes Lashkar-e-Taiba (LeT) chief Hafiz Saeed.
 - It has also recently informed the FATF that JeM founder Masood Azhar and his family are “missing”.
- **India's Stand**
 - India has been maintaining that Pakistan extends regular support to terror groups and has urged FATF to take action against Pakistan.
 - India counters Pakistan's claims, saying the recent action taken by Islamabad against Saeed and others was an attempt to evade further FATF sanctions.
 - India asserts that the terror funding operations are still on and outfits such as the LeT and Jaish-e-Mohammed, whose chief Masood Azhar's location as per Pakistan is “missing”, are having a free run in Pakistan.
- **Pakistan's Status on Grey List**
 - Pakistan needs 12 votes out of 39 (total members in the FATF) to exit the ‘Grey List’ and move to ‘White List’. To avoid ‘Black List’, it needs the support of three countries.
 - In the Beijing 2020 meeting, Pakistan got support from Malaysia and Turkey besides FATF current chair China.
 - India has lobbied with several countries, from the US to Europe, Australia to West Asian countries, to make the case for blacklisting of Pakistan.
- **Impact on Pakistan**

If Pakistan continues on the grey list, it would be very difficult for the country to get financial aid from the International Monetary Fund (IMF), the World Bank and the European Union, making its financial condition even more unsteady.

The Financial Action Task Force

- **Formation:** The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 during the G7 Summit in Paris.

- **Objectives:** To set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
- **Secretariat:** Its Secretariat is located at the Organisation for Economic Cooperation and Development (OECD) headquarters in Paris.
- **Member Countries:** The FATF currently has 39 members including two regional organisations – the European Commission and Gulf Cooperation Council. India is a member of the FATF.
- **Lists under FATF:**
 - **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.
 - **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. The FATF revises the blacklist regularly, adding or deleting entries.

Source: TH