Pakistan on FATF Grey List

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Why in News

The **Financial Action Task Force (FATF)** has **decided to keep Pakistan on the "greylist"** till the next review of its compliance to the recommendations in February 2021.

The decision was taken after a **three-day virtual plenary session.**

Key Points

- **Pakistan Remains on Grey List:**
  - The FATF had issued the **27-point action plan** after placing **Pakistan on the 'Grey List' in June 2018.** The action plan **pertains to curbing money laundering and terror financing.**
  - Recently, the task force's **International Cooperation Review Group (ICRG)** noted that Pakistan had complied with 21 points.
    - **Since 2007,** the ICRG has analysed high-risk jurisdictions and recommended specific action to address the money laundering/terror financing risks emanating from them.
  - At the **recent plenary session,** the FATF observed that Pakistan has made progress across all action plan items and has **largely addressed 21 of 27 action items.**
  - Keeping Pakistan on the 'Grey List', the **FATF strongly urged Pakistan to swiftly complete its full action plan by February 2021.**
  - The **points on which Pakistan failed to deliver** included its lack of action against the non-profit organisations linked to the terror groups banned by the **UN Security Council (UNSC)**; and **delays in the prosecution of banned individuals and entities** like Lashkar-e-Taiba (LeT) chief Hafiz Saeed and LeT operations chief, Zaki Ur Rahman Lakhvi, as well as Jaish-e- Mohammad chief **Masood Azhar.**
    - While Saeed was sentenced in February 2020 to 11 years in prison for terror financing, the **Pakistan government claims that others are "untraceable".**
  - Further, Pakistan was found **non-compliant in cracking down on terror financing** through narcotics and smuggling of mining products including precious stones.
  - The FATF process also **showed concern about the 4,000 names** that were on Pakistan's Schedule-IV list under the Anti-Terrorism Act up to January, but went missing in September 2020.
- **Consequences for Pakistan:**
  - The FATF listing **makes it extremely difficult for Pakistan to get financial aid** from the **International Monetary Fund (IMF)**, the **World Bank** and the **European Union.**

- **Response of Different Countries:**
  - **Turkey** proposed that the **members should consider Pakistan's good work** and instead of waiting for completion of the remaining six of the 27 parameters, **an FATF on-site team should visit Pakistan** to finalise its assessment.

    On-site teams are **permitted only after jurisdictions complete their action plans.** Normally such a visit is a **signal for exit from the grey or black list.**
  - When the proposal was placed before the Plenary, **no other member seconded the move.** It was **not supported by even China, Malaysia and Saudi Arabia.**
- **India's Stand:**

  Pakistan continues to provide **safe havens** to terrorist entities and individuals and has also **not yet taken any action against several terrorist entities and individuals** including those **proscribed by the UNSC,** such as Masood Azhar, Dawood Ibrahim, Zakir-ur-Rahman Lakhvi.

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.
- **Decision Making Body:** The **FATF Plenary** is the decision making body of the FATF. It **meets three times per year.**
- **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 (or 'Jurisdictions under increased monitoring'). 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. As of this year, there are only two countries on the FATF's black list - **North Korea** and **Iran.**

Source: TH