



FATF retains Pakistan in Grey List

For Prelims: Financial Action Task Force.

For Mains: Money Laundering, India and its neighbourhood, Important international institutions.

Why in News?

The [Financial Action Task Force \(FATF\)](#) has **retained Pakistan on its 'greylist' or 'increased monitoring list'**. The FATF **included the United Arab Emirates (UAE)**, with which [India signed a free trade agreement](#) in February 2021.

- There are 17 countries on the grey list of the FATF.
- Zimbabwe has been excluded from the list after a review found it compliant on all parameters.

What are the Key Points?

▪ About:

- FATF decided against existing Pakistan from the category despite the country meeting 32 out of 34 action points.
- It noted that Pakistan had completed 26 of the 27 action items in its **2018 action plan of the FATF** and of the seven action items of the 2021 action plan of the FATF's [Asia Pacific Group on Money Laundering \(APG\)](#).
- In response to **additional deficiencies later identified in Pakistan's 2019 APG Mutual Evaluation Report** in June 2021, Pakistan provided further high-level commitment to address these strategic deficiencies pursuant to a new action plan that primarily focuses on combating money laundering.
 - The country had two concurrent action plans with a total of 34 action points, of which 30 had either been fully or largely addressed to curb money laundering and terror financing.
- The FATF **encouraged Pakistan to continue making progress to address, as soon as possible, the one remaining item** by continuing to demonstrate that terror financing investigations and prosecutions target senior leaders and commanders of [UN-designated terrorist groups](#).
 - Since June 2018 - when Pakistan made a high-level political commitment to work with the FATF and APG to strengthen its anti-money laundering/combating the financing of terrorism (AML/CFT) regime and to address its strategic counter-terrorist financing-related deficiencies — its continued political commitment had led to significant progress across a comprehensive CFT action plan.

▪ Background:

- 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.
- Pakistan was first put on the list in 2008, removed in 2009 and then again remained under increased monitoring from 2012 to 2015.

- Pakistan's inclusion in the grey list has adversely impacted that country's prospects of obtaining financial assistance from world bodies such as the [International Monetary Fund](#), [World Bank](#), and [Asia Development Bank](#).

What is the Financial Action Task Force?

▪ About:

- An **inter-governmental body** established in 1989 **during the G7 Summit** in Paris.
- Assesses the strength of a country's anti-money laundering and anti-terror financing frameworks, however it does not go by individual cases.

▪ 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.

▪ Headquarters:

- 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.
- Currently, Iran and Democratic People's Republic of Korea (DPRK) are under High-risk Jurisdiction or black list.

▪ Sessions:

- The **FATF Plenary is the decision making body** of the FATF. It meets **three times per year**.

[Source: TH](#)

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