



Pakistan Removed from FATF Grey List

For Prelims: FATF, Grey List, Black List, G7, OECD, European Commission, Gulf Cooperation Council

For Mains: FATF - Grey List and Black List, Efficiency of FATF in combatting terrorism and money laundering, Pakistan's removal from FATF Grey List and its implications on India

Why in News?

Recently, the [Financial Action Task Force \(FATF\)](#), the international watchdog on terror financing and money laundering, has **removed Pakistan from the list of countries under “increased monitoring” (Grey List)**.

- India's other neighbour on the grey list, **Myanmar, was moved to the “black list”** due to actions by the military leadership after the [2021 coup](#).

What is the FATF?

▪ About:

- FATF is the **global [money laundering](#) and terrorist financing watchdog**. It also aims to counter the financing of proliferation of **[weapons of mass destruction](#)**.
- It was set up in 1989 out of a **G-7** meeting of developed nations in Paris.
- Its **Secretariat** is located at the [Organisation for Economic Cooperation and Development \(OECD\)](#) headquarters in Paris.

▪ Members:

- As of today, it is a 39-member body with 37 countries and two regional organisations: the [European Commission](#), and the [Gulf Cooperation Council](#).
 - Indonesia is the only observer country of FATF.
- India joined with '**observer**' status in **2006** and **became a full member of FATF in 2010**.
 - India is also a member of its regional partners, the [Asia Pacific Group \(APG\)](#) and the **Eurasian Group (EAG)**.

▪ Greylisting and Blacklisting Countries:

- The **FATF Plenary** (decision-making body of the FATF) meets tri-annually - in February, June and October, to take stock of **“Mutual Evaluation Reports” (MERs)** of the countries it reviews.
- If a country appears to have major deficiencies in its **AML/CFT regime**, it is put on a list of “jurisdictions under increased monitoring” - **“grey list”** and if it fails to address FATF concerns, it is put on a “high-risk jurisdictions” list - **“black list”**.
 - AML/CFT refers to **“Anti-Money Laundering/Combating the Financing of Terrorism”**.
- The Grey List includes countries that are considered safe haven for supporting terror funding and money laundering. It **serves as a warning that the country may enter the blacklist**.
 - The Black List includes **Non-Cooperative Countries or Territories (NCCTs)** that

support terror funding and money laundering activities. As of now, **Iran, North Korea and Myanmar** are the three black listed countries.

- The enlisted countries are subjected to **increased financial structures**, thus making it **difficult for them to procure loans** from the financial institutions affiliated to FATF (as observers) such as the [IMF](#), [World Bank](#) etc.

What are the Key Points about Pak's Removal from the Grey List?

- **FATF's Stand:** The FATF lauded **"Pakistan's significant progress"** saying that the country had completed two action plans comprising a 34-point tasklist in the period since 2018.
 - Pakistan has been **removed from the list after four years**. It was first put on the list in **2008**, removed in 2009 and before adding it again in **2018**, it remained under increased monitoring from **2012 to 2015**.
- **India's Response:** India has protested Pakistan's lack of action against cross-border terror groups responsible for attacks on India, however, it **agreed to the decision to take Pakistan off the list**, as the latter had submitted **"documentary evidence"** of its actions against designated terrorists.
 - India believes that Pakistan must continue to take **"credible, verifiable, irreversible and sustainable"** action against terror groups emanating from territories under its control.

What are the Implications of Removing Pakistan from the List?

- **For Pakistan:** Being removed from the grey list, **Pakistan has essentially received a reputational boost** and a clean bill of health from the international community on terrorist financing.
 - Considering the current situation of the country's economy, it is essentially in **desperate need of investments** from other countries. Removal from the grey list will definitely do the deed in this context.
- **For India:** While four years of greylisting has scaled-down the cross-border terror, the occasional incidents of terrorists infiltration and the regular sightings of drones bearing weapon-payloads along the border suggest that Pakistan's **terrorism infrastructure directed against India is presently in a recessed mode but far from being dismantled comprehensively**.
 - India will have to continue mustering all available instruments and options to **deny Pakistan operating space to wield the terror-weapon**.
 - India's interests lie in playing the long game in these diplomatic battles with the goal of making the region more stable and secure.

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