



UAE's Exit from FATF Grey List

[Source: BL](#)

Why in News?

The recent removal of the **United Arab Emirates (UAE)** from the [Financial Action Task Force \(FATF\) grey list](#) has sparked optimism for investment landscapes, particularly in India's [Non-Banking Financial Companies \(NBFCs\)](#).

How does the UAE's Exit from Grey List Impact Investments in Indian NBFCs?

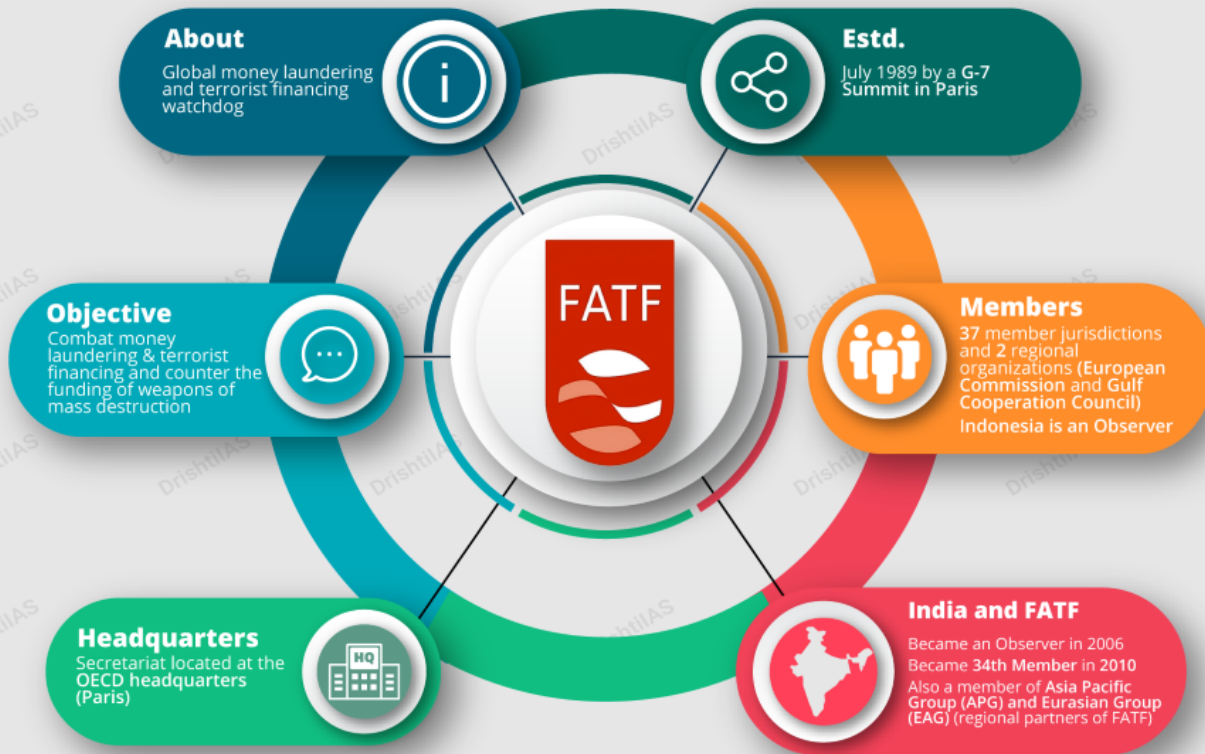
- **Investment Policies:** A [Reserve Bank of India \(RBI\)](#) circular in 2021 outlined investment regulations for NBFCs, distinguishing between investments from compliant and non-compliant FATF jurisdictions.
 - Investments from non-compliant jurisdictions faced restrictions on acquiring significant influence in Indian NBFCs.
- **Impact on UAE Investors:** The UAE's removal from the FATF grey list facilitates easier investment for UAE-based investors in Indian NBFCs.
- **Cross-Border Investment Facilitation:** The eased restrictions encourage cross-border investments between India and the UAE, benefiting both the countries' financial sectors.
- **Increase in FPI and FDI:** The UAE's exit may reduce [Know Your Customer \(KYC\)](#) requirements for [foreign portfolio investment \(FPIs\)](#) from the region, potentially boosting FPI inflows into India (expected to double).
 - Removal of UAE from grey list may lead to increased [foreign direct investment \(FDI\)](#) contributing to economic growth. This competition could drive innovation and attract more investments to both regions.

What is a Non-Banking Financial Company (NBFC)?

- **About:** An NBFC is a company registered under the **Companies Act, 1956**, involved in various financial activities such as providing loans and advances, acquiring shares, stocks, bonds, debentures, and securities issued by the government or local authorities.
 - **NBFCs do not include institutions primarily engaged in:**
 - Agricultural or industrial activities
 - Purchase or sale of goods (other than securities)
 - Providing services
 - Dealing in immovable property.
- **Difference Between Banks & NBFCs:**
 - While banks can accept **demand deposits** from customers, NBFCs are not permitted to do so.
 - NBFCs are **not part of the payment and settlement system**, unlike banks.
 - NBFCs cannot issue cheques drawn on themselves, which banks are authorised to do.
 - The deposit insurance facility provided by Deposit Insurance and Credit Guarantee Corporation is not available to NBFC depositors, unlike bank depositors.

What is FATF?

Financial Action Task Force



FATF Lists

• Grey List:

- Aka "Increased Monitoring List"
- Includes countries considered safe haven for supporting terror funding and money laundering
- Serves as a warning that the country may enter the blacklist

• Black List:

- Includes **Non-Cooperative Countries or Territories (NCCTs)** that support terror funding and money laundering activities
- Countries - **Iran, North Korea and Myanmar**

• Consequences of being Greylisted:

- **Economic sanctions** from financial institutions affiliated with FATF (IMF, World Bank, ADB)
- **Problem in getting loans** from such financial institutions and countries
- **Reduction in international trade**
- **International boycott**

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