



FATF's Grey List

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The **Financial Action Task Force (FATF)**, after its 5-day plenary (concluded on 19th October 2019 in Paris), **decided to keep Pakistan on the Grey List**.

- However, it has **warned** that Pakistan will be put **on the Black List** if it **does not control terror funding by February 2020**.
- It has been reported that the **immediate blacklisting** of Pakistan **did not garner the consensus of all FATF members**.
 - **India led a diplomatic offensive against Pakistan** for its blacklisting. **France, the US and the European Union** countries **supported** India.
 - **China, Turkey and Malaysia resisted** India's efforts.

Financial Action Task Force

- The Financial Action Task Force (FATF) is an **inter-governmental body** established in **1989** during the **G7 Summit** in Paris.
- The **objectives** of the FATF are 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**.
- Its **Secretariat** is located at the **Organisation for Economic Cooperation and Development (OECD)** headquarters in Paris.
- **Member Countries:** As of 2019, it consists of thirty-seven member jurisdictions. **India is one of the members**.

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

FATF & Pakistan

- 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.**
- Pakistan was previously placed on the FATF's grey list in February 2012, and had been removed from the grey list in February 2015 after it passed a National Action Plan (NAP) to deal with terrorism after the Peshawar School massacre in December 2014.
- It was placed under severe restrictions in the years 2008-2012.

FATF's latest Review of Pakistan

- Pakistan **addressed only 5 of the 27 tasks given to it** to control funding to terror groups like the **Lashkar-e-Taiba and Jaish-e-Mohammad — both responsible for a series of attacks in India.**
- The FATF noted the insufficiency of Pakistan's implementation as "serious concerns".
- The latest decision to keep the country in 'Grey List' means that Pakistan **has been given time until February 2020 to fulfil its commitments or risks being blacklisted.**
- The main purpose behind the decision is to **not punish rather than incentivise,** to make the required changes and make them faster.

- **Impact on Pakistan:**

- By remaining on the “Grey List”, **it would be difficult for Pakistan to get financial aid from the International Monetary Fund (IMF), World Bank and European Union**, making its financial condition more precarious.

However, there are no immediate implications for the recent \$6 billion loan negotiated with the IMF that is to be disbursed over the next three years.

- The country is facing a number of economic challenges with its **economy expected to grow at 3.3 % in 2019 and 2.6% in 2020**, according to IMF.
- Inflation is set to touch 7.3% in 2019, up from 3.9% in 2018, and rise to 13% in 2020.
- Fiscal deficit is projected at 7.1% of GDP in 2020, the highest in the last seven years.

Source: TH