

Date: 24 August, 2019



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## 1. FATF Asia-Pacific Group puts Pakistan in 'enhanced blacklist'

- What is the Financial Action Task Force? What are its objectives?
- What are Grey List and Black List of the Financial Action Task Force?
- What could be implications of this move?
- What is the way forward for Pakistan?

**GS paper 2 (India and its neighbourhood. Important International institutions, agencies and fora, their structure, mandate.)**

**In this video, you can find detailed answers for all the above questions.**



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## What is the context about?



In a huge victory for India, the Asia-Pacific Group on Money Laundering and Terror Financing has put Pakistan in the Enhanced Expedited Follow Up List (Blacklist) for its failure to meet its standards.



The Asia Pacific Group (APG) of the Financial Action Task Force (FATF) has also found that Pakistan was non-compliant on 32 of the 40 compliance parameters of terror financing and money laundering.



The APG has placed Pakistan in the Enhanced Expedited Follow-up List (Black List) for failure to meet its standards.



## What is the Financial Action Task Force? What are its objectives?



The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 on the initiative of the G7.



It is a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in various areas. The FATF Secretariat is housed at the OECD headquarters 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.



## What are Grey List and Black List of the Financial Action Task Force?



**FATF has 2 types of lists; Black List and Grey List**

**Black List:** Only those countries are included in this list that FATF considers as unco-operative tax havens. These countries are known as Non-Cooperative Countries or Territories (NCCTs). In other words; countries which are supporting terror funding and money laundering activities are listed in the Black list.



The FATF updates the blacklist regularly, adding or deleting entries.



The FATF blacklist or OECD blacklist has been issued by the Financial Action Task Force since 2000 and lists countries which it judges to be non-cooperative in the global fight against money laundering and terror funding.

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**Grey List:** Those countries which are considered as the safe heaven for supporting terror funding and money laundering; included in this list. The inclusion in this list is not as severe as black listed.



Now Grey list is a warning given to the country that it might come in Black list (Just like a yellow card in a football match). If a country is unable to curb mushrooming of terror funding and money laundering; it is shifted from gray list to black list by the FATF.



## What could be implications of this move?



Pakistani analysts say being put on the FATF watchlist could deal a blow to Pakistan's economy, making it harder for foreign investors and companies to do business in the country. It faces an estimated annual loss of \$10 billion if it stays in the greylist; if blacklisted, its already fragile economy will be dealt a powerful blow.



When a country comes in the Grey/Black list, it faces many problems like;

1. Economic sanctions from international institutions (IMF, World Bank, ADB etc.) and countries
2. Problem in getting loans from international institutions (IMF, World Bank, ADB etc.) and countries
3. Overall Reduction in its international trade
4. International boycott



## What is the way forward for Pakistan?



For Pakistan to still be moved out of the greylist would require the votes of at least 15 of the FATF's 36 voting members. At least three votes would be needed to block a move to blacklist Pakistan.



Pakistan will likely make a diplomatic push to thwart blacklisting. It claims it has done enough on the action plan, banning Hafiz Saeed's Jamaat-ud-Dawa and Masood Azhar's Jaish-e-Mohammed, and taking over their properties.