Syllabus subtopic: Bilateral, regional and global groupings and agreements involving India and/or affecting India’s interests

Prelims and Mains focus: About FATF: objective and functions; about the black and grey lists and their significance

News: A global watchdog for terror financing has sought more clarifications and data from Pakistan on actions taken by it against madrasas belonging to the banned outfits, weeks after Islamabad submitted a report to the Paris-based body detailing steps taken by the country to curb terrorism and money laundering.

Background

- The Financial Action Task Force (FATF), which kept Pakistan on the Grey List for an extended period till February 2020, had warned in October that Islamabad would be put on the Black List if it did not comply with the remaining 22 points in a list of 27 questions. Pakistan submitted a report comprising answers to 22 questions to the FATF on December 6.
- In response to the report, the FATF’s Joint Group has sent 150 questions to Pakistan, seeking some clarifications, updates and actions taken against the madrasas belonging to the proscribed outfits.

About FATF

- 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.

- Objectives: 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.

- Functions: The FATF monitors the progress of its members in implementing
necessary measures, reviews money laundering and terrorist financing techniques and counter-measures and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse.

About the Black list and Grey list

- FATF maintains two different lists of countries: those that have deficiencies in their AML/CTF regimes, but they commit to an action plan to address these loopholes, and those that do not end up doing enough. The former is commonly known as grey list and latter as blacklist.
- Once a country is blacklisted, FATF calls on other countries to apply enhanced due diligence and counter measures, increasing the cost of doing business with the country and in some cases severing it altogether. As of now there are only two countries in the blacklist — Iran and North Korea — and seven on the grey list, including Pakistan, Sri Lanka, Syria and Yemen.

Asia-Pacific Group on Money Laundering (APG):

- FATF Asia-Pacific Group is one of the regional affiliates of the Financial Action Task Force.

- The Asia-Pacific Group on Money Laundering works to ensure that all the countries adopt and implement the anti-money laundering and counter-terrorist financing standards that are set out in the FATF’s 40 Recommendations and Eight Special Recommendations.

- APG assists countries in implementing laws to deal with crime, assistance, punishment, investigations; provides guidance in setting proper reporting systems and helps in establishing financial intelligence units.

- At present, there are 41 members of APG. Of these, 11 countries are also the members of the head FATF – India, China, Australia, Canada, Hong Kong, Japan, Korea, Malaysia, New Zealand Singapore and the United States.