Context:

Pakistan has been included in the grey list of the Financial Action Task Force (FATF).

What is FATF?

The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by G7 countries in Paris. The FATF is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. The FATF’s decision making body, the FATF Plenary, meets three times per year.

FATF Headquarters:

Paris, France

Objectives:

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:

1. The FATF is an independent inter-governmental body that develops and promotes policies to protect the global financial system so that it could not be used by the terrorists and other anti-social elements.
2. FATF has started dealing with the Virtual currency.

Types of Lists:

1. Black list
2. Grey List

1. Black list:

Only those countries are included in this list that FATF considers as non-cooperative tax havens for terror funding. 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 placed in the Black list.

2. Grey list:

# Those countries which are not 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. If a country is unable to curb mushrooming of terror funding and money laundering; it is shifted from grey list to black list by the FATF.

# The countries in Grey List are Monitored by International Cooperation Review Group (ICRG)

Impacts of Grey List:

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