Pakistan in Watch List for Terror Financing

Why in news?

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Financial Action Task Force (FATA) included Pakistan on watch list for terror financing.

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What is FATA?

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- The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its Member jurisdictions.
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- The objectives of the FATF are to set standards and promote effective implementation of measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.
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- The FATF is a "policy-making body" which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.
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- 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.
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- The FATF's decision making body, the FATF Plenary, meets three times per year.
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What is the recent decision on Pakistan?

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- The Financial Action Task Force (FATF) Plenary on decided to put Pakistan back on the “grey list”.
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- By this Pakistan will subject to direct monitoring and intense scrutiny by the International Co-operation Review Group (ICRG) on terror financing, pending further review in June 2018.
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- The FATF decision was by consensus, after days of closed-door discussions within the 37-member group.
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- US piloted a resolution against Pakistan to put it in the global terror finance watch list.
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What is the reason behind this move?

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- The move was pushed by four nominating countries: the United States, United Kingdom, Germany and France.
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- In mid-January, they had written to the FATF stating that even though Pakistan had an anti-money laundering/anti-terror funding regime in place, effectiveness of the implementation was inadequate.
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- Some countries said Pakistan’s actions only followed recent FATF pressure, and it would be counter-productive to let it off the hook just when the pressure was yielding results.
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- Earlier this week, Pakistan had claimed victory in the ongoing FATF meeting, as a preliminary discussion in the ICRG failed to build a consensus on putting it again on the watch list, after China, Turkey, Saudi Arabia and GCC countries objected to Pakistan’s nomination.
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- The U.S. worked hard to bring Saudi Arabia around, Germany worked on

the GCC, while India was able to speak to Russia.
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- China may have been incentivised to help because it had become Vice-Chair of the FATF committee, and would like to play a responsible role at the international grouping.
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What are the implications of getting under the watch list?

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- International financial institutions and banks will now find it difficult to conduct business in Pakistan.
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- The list would make it harder for foreign investors and companies to rise funds overseas.
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- It would also make it more expensive to get and repay loans from international lenders like the IMF and the World Bank.
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- Under a “Compliance Document,” Pakistan required to furnish to the ICRG regarding it’s a full action plan to crack down on terror groups banned by the UNSC that operate on its soil.
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- The terror groups include the Jaish-e-Mohammed, the Lashkar-e-Taiba and affiliated groups.
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Source: The Hindu, the Wire

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