

Day: **MTWTFSS**

Pakistan is out of the grey List of FATF. Critically evaluate the steps being taken by Pakistan (Current Affairs Mock - Dec - 2022)

### Introduction:

1945 onwards, during in cold war US and USSR were secretly supported by illegal moving of currency from the forum of OECD countries. This issue had been highlighted several time but the world was divide b/w the rivalry of two countries. However, first time on the forum of G7, it was initiated in 1989 known as (FATF) Financial Action Task Force.

### Mandate of FATF

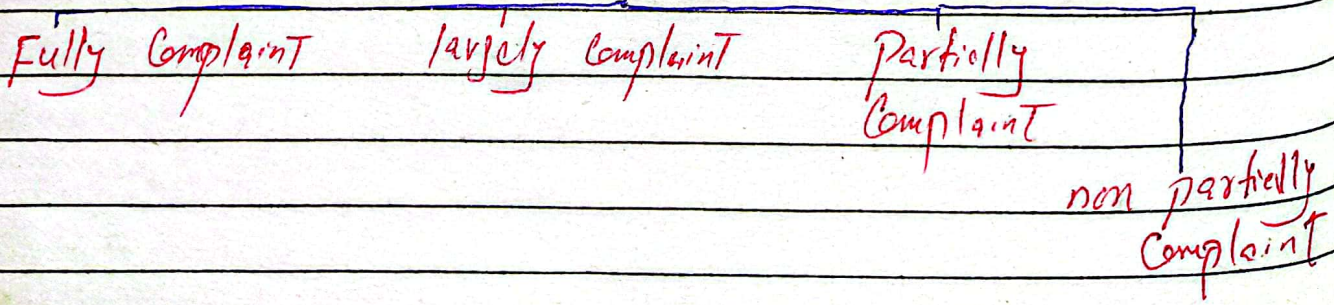
- Initially it was only two mandate related to
  - a) Money Laundering
  - b) Terror financing
- However, it adopted 3rd mandate related to
  - c) money related to nuclear proliferation

### How FATF work

#### Task:

In the most recent context we see 40 recommendation that the member states must complete it.

These 40 recommendation has divided into 4 category.





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**How FATF work**

**Task:**

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These 40 recommendation has divided into 4 category.

Fully Compliant

largely compliant

Partially Compliant

non partially Compliant



## Division of world under FATF

- + All world is divided into different groups.
  - + Each group has own unique Territory.
  - + All world is divided into 9 group/regions.
- one of them is **Asia Pacific Group.**

### Asia Pacific Group

#### a) 8 Members states

- + Asia Pacific group has 41 states. one of them is Pakistan.

#### b) Procedure:

- + It is impossible for every state to fulfil these 40 recommendation set.
- + Therefore it is made different steps/bedies for observer states.

#### i) Risk assessment report / mutual evaluation report.

- + It has 3 member.
- + It collaborate with observer state, in mutual understanding, and in data sharing which this body make report then send/submit for next step.

#### ii) International cooperation review group

This report has been review here then send for final decision

#### iii) FATF session.

The final decision is taken here by FATF session which is decided by voting. whether a state is kept in grey list or white or etc.

Note: This process take nearly one year. e.g. on the basis of 2017 risk assessment report, Pakistan was kept in grey list in 2018. Hence a Country know its position before one year.



**Criteria:** Partially compliant and non-partially compliant must exceed from fully and largely compliant. means a state must fulfil partially and non-partially compliant more than the largely and fully compliant.

## How Pakistan came out from grey list.

→ According to the FATF site. There ~~are~~ were 6 recommendations which gave tough time to Pakistan out of other recommendations.

+ These 6 were include; 1, 6, 15, 28, 29, 38 recommendations. And These are discussed as under.

**1st recommendation: Assessing Risk and Applying a risk-based approach.**

→ **Target given in it**

a) All member states identify / assess / understand the money laundering and Terror financing.

b) For this purpose, make an independent new authority

→ **Initiatives taken by Pakistan.**

a) Pakistan established independent financial monetary unit. At work is to check the inflow of Dollars. It's cause and purpose check by it.

b) Upgradation of Acts;

Second step was taken by Pakistan is that.

Pakistan upgrade/amend anti Terrorist act and anti money laundering act in 2020.

+ Hence Pakistan fulfilled this recommendation.



**6<sup>th</sup> Recommendation - Targeted Financial Sanctions related to Terrorism and Terror Financing.**

+ **Target given in it**

a) All states must arrest / convict / prosecute the terrorist as per declared by UNSC resolutions of 1988

b) Financing; howels, handle must be control.

+ **Initiative taken by Pakistan**

a) mostly pressure on Pakistan to prosecute designated terrorist. Hence Pakistan arrest Hafiz Saeed and others in 2020.

b) Pakistan appointed special investigation officers to counter howels and handle.

+ Likewise Pakistan successfully completed this Target.

**15<sup>th</sup> Recommendation - related to Technology.**

**Target was given in it.**

a) New virtual products launched

b) New virtual business launched

observe it and bring them in mainstream line.

**initiative taken by Pakistan.**

a) Pakistan updated its 1997 Foreign exchange regulation set in 2020. Under this Pakistan brought crypto currency in mainstream line. Even Pakistan banned Forex trading.

b) Pakistan still has incapacity to control completely new technology, thereby Pakistan has banned all new virtual products and business.



**28th - Recommendation:** ~~is~~ **Regulation and Supervision of designated non-financial business and profession**

**Target was given in it**

1) Regulate non financial business which is held by ~~non~~ unregulated banking and on the spot cash-shops of Casinos must be register b/c illegal many of currency in it. However FATF has no such Casino

2) Count and freeze the property, holdings, ownerships of designated criminals.

**initiatives taken by Pakistan.**

+ FATF worked on it along with interposal and also made a list in sep 2002

+ of Umar Farooq Zahoor which is present in UAE. Furthermore, All its ~~work~~ financial deal by UAE ~~proceed~~

+ FATF also pressured UAE

+ However, we account for, but unfortunately no conviction happened in it.

+ In fact, 28th recommendation has no such value in the world.

**29th Recommendation - establishment of a financial intelligent unit.**

**Target given in it.**

+ it is mandatory on all states to make it,

+ TO reports all suspicious transactions.

+ TO maintain Tax record.

+ TO make all suspicious individual list.

**initiatives taken by Pakistan.**

+ Pakistan developed a list which consist of more than



7600 names

+ 4000 names were clear in it ~~was~~ under the mutual evaluation report in Oct, 2020

+ In the meanwhile, also informed to Asia pacific group that we are working on the remaining 3600

+ As of 2022, we did all detail scrutiny under financial intelligent unit. And 114 out of 3600 were reported and we registered.

Cases upon them, and the rest were cleared.

↓ Likewise, Pakistan also addressed this recommendation

**38th recommendation - Mutual legal assistance.**

**Target given in it.**

+ Do mutual legal assistance with other countries.

+ Through this freeze assets.

+ And confiscation of property.

Because confiscated property can be reutilized.

**Issues in this steps**

+ This is very lengthy and procedural process.

+ Developed states do not want to do that

kind of agreement with developing state

For example: Jurian Khan said west developed

is a safe heaven for money laundering

**2021 Report of FATF**

FATF 2021 report showed that Pakistan has fulfilled

all recommendation except 2 partially compliant which

is consist of 28th and 38th recommendation.

However, 28th is no such value in the world but

Pakistan still worked on it with interpol. on the

otherhand 38th recommendation is also depend upon



developed state. Therefore in 2022 Pakistan has come out from grey list. This is the big achievement of Pakistan.

## Critical estimation

### 1) Panama :

As of 2018, Panama was more violating but did not add with grey list.

### 2) Indian banks :

49 Indian banks involved in trade and remittance annually at the cost of 2 trillion US dollars. But a firm action is not taken against them.

### 3) Grey list used as a political tool :

From 2018 - 2022 FATF use as a tool to pressure Pakistan and to reduce the status of CPEC.

### 4) India factor :-

The headquarter of ASEM policy group in Australia but mostly the financial expert of APEG belong to India. Which always give tough time to Pakistan. Even SPP 2022 when FATF team visited to Pakistan for observation, Pakistan requested to not include Indian member in it.

### 5) FATF Loop expose : 2020 case study.

When PayPal opened for Pakistan, Pakistan requested to FATF under 2020 resolution request to play its constructive role in bringing PayPal in Pakistan. means to convince PayPal to come in Pakistan.



However, FATF refused by saying ~~that~~ that this is not in our TORs. Therefore it is a loop ~~is~~ because just presumed without cooperation.

### Conclusion:

Pakistan was kept twice in the FATF grey list. However Pakistan has successfully completed all recommendations and come out from grey list. It was take less time if indian factor were not involved.