**FATF and Pakistan**

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The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog which helps authorities go after the money of criminals dealing in illegal drugs, human trafficking and other crimes. The FATF also works to stop funding for weapons of mass destruction. It had placed Pakistan on its Grey list in June, 2018 and negotiated a comprehensive 27-point agenda to be complied with. Pakistan acted swiftly manifesting total resolve and has successfully achieved compliance level of 24 targets out of the 27-point action plan. This is by no means a small achievement against odds and despite missing several given deadlines. It encompassed a complete reorganization of the legal, security, financial, trading, religious, regulatory and law enforcement structures that various entities had been resisting for ages and treating the same as no-go areas under their respective domains. Pushed hard by various global adversaries, Pakistan’s system against money laundering (ML) and terror financing (TF) was found wanting on various accounts. The deficiencies were so “strategic” in the areas of financial sector, border control, legal standards, investigations and prosecutions that even friends stood neutralized when it came to international arm-twisting on political considerations. In next four weeks, Pakistan has to report back to FATF with full compliance on all 27 items after which the global watchdog will send a technical team for on-spot verification. The June 2018 grey-listing of Pakistan by the Paris-based global watchdog on ML and TF came as big blow and wake-up call to the authorities caught napping. According to FATF, when it places a jurisdiction under increased monitoring, it means the country has committed to resolving the identified strategic deficiencies within agreed timelines. Non-performance could result in being described as high-risk jurisdiction, warranting a call for action, commonly called blacklist, with some serious ramifications including international financial exclusion.

Some political analysts see Pakistan’s placement on the grey list as a tool of diplomatic coercion by Washington to discipline its traditional ally into a more ‘submissive’ posture – rather than a genuine attempt to alleviate international terrorist financing

Pakistan promised a top-level political commitment on a 27-point action plan with around 10 items related to the strengthening of the financial sector’s security, regulator protocols and border controls. Nine points pertained to targeted financial sanctions against proscribed organizations and about eight covered robust investigation and prosecution mechanisms and systems. This daunting task necessitated amendments in about three dozen laws at the federal level to meet the highest global standards along with upstream and downstream reporting networks. That had to be done in a culture where every shop – small and big – had fundraising and collection points, where at least half the economy was informal, where cases remain undecided for generations, and where private armed mafias could operate with impunity. “To date, Pakistan has made progress across all action plan items and has now largely addressed 24 of the 27 action items. As all action plan deadlines have expired, FATF strongly urges Pakistan to swiftly complete its full action plan before June 2021,” the Paris-based financial watchdog said on the conclusion of its plenary and working group meetings in Feb, 2021. The outstanding three action points include (i) demonstrating that TF investigations and prosecutions target persons and entities acting on behalf or at the direction of the designated persons or entities, (ii) demonstrating that TF prosecutions result in effective, proportionate and dissuasive sanctions, and (iii) demonstrating effective implementation of targeted financial sanctions against all designated terrorists, specifically those acting for or on their behalf.

FATF chief further clarified that Pakistan could not be considered for blacklisting even after the next deadline of June. This simply meant that Pakistan was fully or largely compliant on all 10 areas of the financial sector and border control. Eight out of nine milestones under targeted financial sanctions were also completed while six out of eight on investigations and prosecutions were already covered. The remaining three items included two targets on investigations and prosecutions and one in targeted financial sanctions. This implied that FATF diction had shifted from understanding, outreaching, developing system, audit, issuing suspicious reports, risk-based assessment and block etc. to “demonstrating” investigations, prosecutions and targeted sanctions. He said Pakistan had made significant progress on all aspects of the anti–money laundering/combatting the financing of terrorism (AML/CFT) action plan “but severe deficiencies still remain relating” to terror financing. The FATF president emphasized in no unclear terms that he “strongly urged Pakistan” to complete the action plan at the earliest because only “a fully completed action plan including three outstanding areas” will be verified and only then FATF members will test “its sustainability” and propose an action plan for future. That is why, “we urge the government of Pakistan to make fast and very fast progress” to move forward. Pakistan has now to report back with full compliance with all the 27 items after which FATF will send a technical team for onsite verification. The next plenary tentatively scheduled for June 20-25 will then decide if Pakistan had completed all the action points effectively and release it from the grey list. The process also involved a parallel Mutual Evaluation Report (MER) with the Asia-Pacific Group on Money Laundering, FATF’s regional affiliate that had in October last year retained Pakistan on its “Enhanced Follow-Up” list for meagre progress on FATF’s 40 technical recommendations on ML and TF.

It is about time FATF administration must acknowledge and appreciate that Pakistan’s immense sacrifices made against eradicating international terrorism remain unrivalled, the country having lost approximately 70,000 civilians and security personnel in the War on Terror, while successfully cracking down on an estimated 20,000 terrorists through various intelligence/security operations. During the last 16 years, the direct and indirect cost incurred by Pakistan due to incidents of terrorism amounted to US$ 123.13 Billion. It is in this backdrop that a section of political analysts reckons it debatable whether Pakistan’s placement on the grey list is a tool of diplomatic coercion by Washington to discipline its traditional ally into a more ‘submissive’ posture rather than a genuine attempt to alleviate international terrorist financing globally. They view this move as a shift in American policy towards Pakistan to pursue a tougher approach against the country as Pakistan aspires to reorient its foreign policy towards the East. They propound that since the US is a major financier of the FATF – the potential bias in the financial watchdog’s decisions, therefore, could not be completely ruled out. But Pakistan has already come a long way and ensured compliance of 24 out of 27 items agreed with FATF. Thus, it must make all out efforts to go well prepared in the upcoming meeting with proper home work while further augmenting its international diplomatic efforts to secure favorable voting, come clean and, thus, release itself from the grey list.

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