[**FATF compliance**](https://www.dawn.com/news/1629107/fatf-compliance)

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THE government is anticipating substantial relief for Pakistan in the Financial Action Task Force’s upcoming plenary meeting scheduled at the end of the month. The official statements give the impression that Pakistan is successfully approaching full compliance on most FATF recommendations. They also believe that the international political environment on the eve of American forces’ withdrawal from Afghanistan is in Pakistan’s favour.

Although the Asia-Pacific Group (APG), a FATF affiliate on money-laundering issues, has retained Pakistan on its Enhanced Follow-Up list in its second follow-up report, it has issued a positive evaluation of Pakistan’s overall compliance. The APG has evaluated that the country is now “largely compliant” with 24 FATF recommendations, “compliant” with seven, “partially compliant” with another seven and still “non-compliant” with two. It has acknowledged that Pakistan has made progress in addressing technical compliance deficiencies that has helped the country improve its compliance, in all, to 31 recommendations out of a total of 40.

The officials, too, believe that the APG’s evaluation report has almost overruled the option of putting Pakistan on the FATF blacklist. However, as the report has come out only a few weeks before the FATF’s plenary meeting, it may not have any immediate bearing on the upcoming FATF assessment of Pakistan, mainly in terms of keeping or moving it out of the grey list.

In its last meeting in February, the FATF had urged Pakistan to address three strategically important deficiencies related to investigations and prosecutions of terrorism-financing cases. The FATF also demanded proof and most importantly asked for the effective implementation of targeted financial sanctions against all UN Security Council-designated terrorists. Apparently, the FATF will mainly review progress on these three aspects. The APG report has also noted that Pakistani authorities considered 12 terrorist organisations for threat profiles but only in terms of inflows and not the outflow of funds to support terrorist activities.

Pakistan has made serious efforts to address the deficiencies in its CFT/AML regime because of FATF pressure.

On the FATF’s last three apprehensions, the federal government submitted its compliance report last month. After the submission of the report, optimism increased among the authorities concerned as the compliance report indicated that the government had further strengthened its Combating the Financing of Terrorism (CFT) regime.

According to media reports, the federal government has devised a strategy to implement the CFT and anti-money laundering (AML) laws including for regulating the forfeiture, management and auction of property and assets related to money-laundering cases. The government will form specialised bodies to deal with instances of money laundering and terrorism financing. These bodies are intended to work with agencies like the National Counter-Terrorism Authority, the Federal Board of Revenue, and the Federal Investigation Agency, among others, to successfully meet FATF requirements and fulfil the remaining three tasks. Cases pertaining to money laundering will be transferred from police and provincial anti-corruption agencies to these new specialised bodies. However, it remains to be seen whether or not the FATF members express their confidence in it.

Apart from the APG evaluation, and Pakistan’s compliance report submitted to the FATF, the government is also confident that the international political scenario has changed since last year, elevating Pakistan’s political position and reducing Indian pressure. The US and its Nato allies need Pakistan during and after the withdrawal of their forces from Afghanistan. If Pakistan anticipates some relief from Western countries, it should not ignore the Tehreek-i-Labbaik Pakistan factor, which has annoyed not only France but also its allies. The government’s move on the TLP’s demand to initiate a debate in parliament on the question of expelling the French ambassador to Pakistan has created real concern in Western capitals. France is an effective member of the FATF and along with its allies it could make Pakistan’s position weak. Recently, the UK placed Pakistan on its list of high-risk countries for money laundering and terror financing, and official circles are linking this development with the TLP and the UK’s solidarity with France.

No doubt, Pakistan has made serious efforts to address the deficiencies in its CFT/AML regime, but it has largely happened because of the FATF pressure. The government has evolved multiple initiatives to address FATF’s concerns, but a comprehensive institutional response mechanism will take time to become fully functional. It will require strengthening regulatory frameworks and bodies and effective coordination among institutions dealing with CFT and AML, along with a zero-tolerance policy against all radical and violent religious groups.

The government has formed a 12-member National Coordination Committee on the FATF. The members of the committee include the federal finance minister and the federal secretaries of finance, foreign affairs and interior, besides the heads of all the institutions and regulators concerned with money laundering and terror financing.

They include the governor of the State Bank of Pakistan, chairman of the Securities & Exchange Commission of Pakistan, director general of the Federal Investigation Agency, member (Customs) of the Federal Board of Revenue, and DG of the Financial Monitoring Unit (FMU). A FATF Secretariat was also established for coordination purposes among the stakeholders.

Though the committee is not functional yet, it has brought security institutions’ oversight into the implementation process. The security institutions are trying to pursue the implementation plan, but this is not a permanent solution. Fulfilling FATF compliance is not a one-time task; instead, it is about regulating financial flows and the regulations will need a permanent mechanism. This can be achieved by removing overlapping institutions and multiple regulators. For example, the interior ministry has formed its own dedicated FATF sections that directly coordinate with FMU on operational matters, but they also coordinate with the secretariat if the latter requires some information.

Apparently, banned outfits like the Jamaatud Dawa and Jaish-e-Mohammad have disappeared from the scene, but many experts believe these groups are in hibernation and will become active whenever they find a conducive environment. Meanwhile, the TLP has emerged as a new challenge, which is making Pakistan’s task to get out of the grey list a difficult one.

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