**Will FATF Harness India?**

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For how long can a state conceal its global crimes with shrewd diplomacy, disinformation networks and manipulative showcasing of economic potential? Certainly, India is the right example to look upon in this aspect.

An article published in Indian Express on 4 November 2023 titled “Violent Extremist Organizations in India Collected Funds Through Well-Structured Net Works: FATF Report,” is enough to gauge the level of complacency in the so-called largest democracy of the world. India is using terror financing, assassination networks and money laundering as policy tools. After making formal complaints through official channels to India, Canada and the USA have now started investigating the state-sponsored assassination plots on their soil.

The foiled assassination plot against Gurpatwant Singh is the latest episode in the US where a down payment of 15K to a hired assassin out of a total deal of one lac dollar not only busted on the face of the Indian state but also exposed deep-rooted involvement in terror financing and money laundering networks. Amid rising global concerns about Anti Money Laundering (AML) and Combating Terrorism Financing (CFT) measures, India’s unsatisfactory track record merits enhanced watch.

The National Risk Assessment(NRA) regime of India has not been acting appropriately to fill up the gaps in AML and CFT domains. Risk assessment allows countries to identify, assess and understand their money laundering and terrorism financing risks. Once these risks are properly understood, countries can apply AML and CFT measures corresponding to the level of identified vulnerabilities. This exercise is also termed a risk-based approach (RBA).

The rise in left-wing extremism all across central and eastern India during the last two decades is beyond any doubt.

In India, the finance ministry is responsible for NRA through the Department of Revenue. Besides this, central agencies, including the Reserve Bank of India, are also tasked with evaluating those sectors, which are vulnerable to money laundering and terror financing.

Indian state’s failure to update its NRA regularly has undermined its credibility as a responsible member of the global financial community and merits increased scrutiny and sanctions from international watchdogs. The vulnerabilities of the Indian huge informal economy, weak regulatory frameworks, and high levels of corruption massively contribute to growing ML and TF risks. Extraordinary tax exemptions granted to the NGO sector, under the law of Trust Act 1882, pose high money laundering risks in India. Such doubtful tax relaxations make Indian NGOs vulnerable to internationally agreed ML/TF laws in foreign countries.

These tax exemptions for NGOs with turnover in millions actually provide an exploitable avenue for hardcore terror financiers and money launderers. The absence of a central database of NGOs or Non-Profit Organizations (NPO) has further reduced Indian credibility once weighed on FATF standard scales.

Interestingly as per estimates of the government of India, there are approximately two million foreign and domestic NPOs operating in the country. It is still an unresolved riddle about how Indian regulatory bodies monitor Non-Profit Organizations (NPO) with almost zero visibility of their size, wealth and activities. Similar monitoring gaps prevail in the banking sector and Designated Non-Financial Businesses/Professions (DNFBPs) of India. Banks do not adopt an adequate RBA approach despite being part of a financial crime enforcement network.

Many huge financial transactions added to suspicions of planned money laundering. Reports about raising, collecting and transferring funds to India through banks, cash couriers and non-banking channels for subsequent distribution to unregulated quarters including the terrorist organizations and families of terrorists were never investigated thoroughly by India. Delayed extension of AML and CFT measures to Goa-based casinos puts a lot of question marks on the seriousness and intent of the Indian state regarding the implementation of the preventive measures and functioning of both regulatory and supervisory regimes. India was categorically asked to improve upon her unsatisfactory state of affairs as reflected in succeeding lines extracted from the Official website of FATF.

“One: address the technical shortcomings in the criminalization of both money laundering and terrorist financing and in the domestic framework of confiscation and provisional measures. Two: broaden the CDD obligations with clear and specific measures to enhance the current requirements regarding beneficial ownership. Three: improve the reliability of identification documents, the use of pooled accounts, PEPs, and non-face-to-face business; ensure that India Post, which recently became subject to the PMLA, effectively implements the AML/CFT requirements. Four: enhance the effectiveness of the STR reporting regime; enhance the effectiveness of the financial sector supervisory regime and ensure that India Post is adequately supervised. Five: ensure that the competent supervisory authorities make changes to their sanctioning regimes to allow for effective, proportionate and dissuasive sanctions for failures to comply with AML/CFT requirements. Six: extend the PMLA requirements to the full range of DNFBPs, and ensure that they are effectively regulated and supervised.”

The presence of 36 proscribed terrorist outfits in India has been reported in the media many times.

The rise in left-wing extremism all across central and eastern India during the last two decades is beyond any doubt. The reports of previous NRA have not yet been shared with regulatory bodies, banks, governmental agencies and international watchdogs.

This restrictive approach is a hurdle in removing the irritants. The 13-year-long break in Mutual Evaluation of India on the part of FATF has not gone well on account of CFT measures. Cross-border terrorism in Pakistan especially the Khalbhushan Jadhav episode, espionage in Qatar by Naval officials, assassination plots on foreign soil, kidnapping attempt on businessman in the UK, eye wash on account of CFT and inefficiency in AML measures make India a fit case for tighter FATF scrutiny leading to evidence-based grey-listing.

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