

Editorial

FATF progress

Pakistan is getting serious about ending its not so glorious place in the FATF grey list. While word from another FATF meeting has confirmed that Pakistan faces little danger of being relegated to the blacklist, the IMF has made it clear that the country needs to find its way out of the murky waters it finds itself in to secure the private sector lending it needs in this fiscal year. Now, maybe two years too late, PM Imran Khan has set up a high-powered 12-member National Financial Action Task Force. No doubt the government has been coordinating significant efforts in terms of regulating the formal financial sector, but questions remain over its ability to rein in the informal financial sector. One can hope that the team led by the economic affairs minister, which includes the heads of the SBP, SECP, FBR, FMU and FIA as well as three military officials, will be able to deliver. The objectives set for the committee are certainly correct, but what has been lacking is a public assessment of what Pakistan has been doing wrong on its own. The position inside the country remains that we have done enough to get out of the FATF grey list.

If this is true, then why has Pakistan not been able to convince the FATF steering committee? The objective of the national FATF committee should be straightforward. The FATF Asia-Pacific Group have made it clear to Pakistan what needs to be done. There are a detailed set of metrics that the country needs to meet in order to make the cut. The good thing about the creation of the national committee is that it makes the responsibility collective, instead of putting it in the finance ministry which has not been able to do enough to allay international concerns about the state of Pakistan's financial sector.

With Pakistan set to come under final review in the FATF, one of the objectives will be to secure a grace period. For its part, Pakistan has claimed significant progress on its 10-point action plan on the 27 standards set by the FATF. The National Counter Terrorism Authority has been adding more organisations to the proscribed list. However, Pakistan has not achieved what it has wanted. Last week's APG meeting downgraded Pakistan to 'enhanced follow-up.' This means Pakistan will be sending quarterly reports, instead of biannual ones. These might be to Pakistan's advantage, especially given the lag in how it acts. One can hope that collective responsibility will solve our issues with FATF.