

### **FATF: do more?**

Call it an Indo-US stranglehold on Pakistan or a failure to put own house in order, it doesn't change the fact that a multilateral body is in a position to black-list Pakistan into pariah company of Iran and North Korea. (For a background on FATF, read "FATF: Us against the world?" published February 26, 2018; "The FATF question," published June 25, 2018 and "FATF: some reprieves," published July 2, 2018).

Pakistan has until September to periodically take remedial steps as identified by the FATF, to come clean out of the grey list. The latest of the periodic 'update' meetings was held last week in Sydney under the FATF's regional chapter, the Asia-Pacific Group (APG). There are conflicting news-accounts of what transpired at the review meeting, albeit the Pakistani delegation has been reportedly happy over how things went down under. But a couple of things still stand out, same as they did almost a year ago.

One, FATF does not seem as concerned about money laundering in Pakistan as it does about terrorism financing. Legally and institutionally, sufficient anti-money laundering (AML) capacity is in place and it is operational to some degree as well. The 'trial by JIT' method is arguably selective and questionable – but it does showcase the investigative and enforcement prowess of the state when it comes to dealing with AML-related issues.

Where the chops are lacking is the legal and institutional capacity to counter the financing of terrorism (CFT). Unlike the AML regime that can track and trace through the formal financial system, the CFT regime in a country like Pakistan is problematic as it has to mostly work through the unorganized/informal economy where cash rules supreme and hence it is difficult to unmask ultimate source and beneficiary.

And second is the question of how far the state is willing to go in cracking down on non-state actors, especially the ones that have been black-listed by a body no less than the United Nations. Thus far, the CFT action against some proscribed organisations has centered on imposing fiscal costs, e.g. freezing of bank accounts, curbing of donations, and confiscation of properties. Other actions taken, if any, may have been shared at the APG forum but they are not in public knowledge.

Chances are that a continuation of such a 'containment' approach – however justified by the Pakistani side on internal security and political grounds – won't likely satisfy the global AML/CFT watchdog, chiefly due to the Indian pressure piling up. Some prosecutorial action might change that, however. On that front, the state will have to initiate meaningful criminal proceedings against individuals allegedly involved in subversive cross-border activities that relate to smuggling, organised crime and militancy.

It may be true that FATF, which is essentially a technical forum, was politicized in 2018 when Pakistan was prematurely dragged back into the grey list.

This apparent politicization is leading some folks to think that FATF might go soft on Pakistan this year as the US is playing nice due to its need for Pakistan to play a frontline role in ensuring a peaceful settlement in Afghanistan. Indeed, positive vibes have been reported in the Pakistani media last week, suggesting that the APG was appreciative this time around.

But it will be a mistake to believe that US will continue to go easy on Pakistan and then use that belief to do less than what FATF requires. Regardless of whether Pakistan helps US win peace next door, the US has no incentive to relieve pressure on a nuclear Pakistan, which is allied with China and lined against India. Besides, Trump's is an extremely mercurial and untrustworthy administration. In the long run, FATF action plan is in Pakistan's interest. Better, then, to swallow the bitter pill now and get out of this jam.