

Our Correspondent

### **FATF action comes as no surprise for stakeholders**

KARACHI: Economic uncertainty will continue to persist in the next couple of months despite that the global financial watchdog retained Pakistan's place on its grey list, analysts and economists said on Friday, as the country was given four months deadline to improve its money laundering actions to avoid being blacklisted.

Economist Asad Saeed said it would have been better if the decision was deferred for a longer period or the country was removed from the grey list.

"It is, however, good that we were not put on the black list, which would have quite negatively impacted the country's economy as a whole. Pakistan could be in line with North Korea and Iran," Saeed said.

Financial Action Task Force (FATF) kept the country in its grey list of countries with some deficiencies in anti-money laundering and countering the financing of terrorism measures. FATF, however, asked the country to swiftly complete its action plan by February 2020.

Muhammad Sohail, chief executive officer of brokerage Topline Securities said the decision was expected. "Pakistan has done a lot to meet requirements of FATF."

Out of 27 FATF recommendations, the country has largely complied on five, while remaining is on varying levels.

"The country should avail the time to make compliance," Sohail said. "The blacklisting would have serious implications like such as downgrade of the overall financial system, impact on trade volumes through nontariff barriers and increase in country risk premium."

Muneer Kamal, former chairman of Pakistan Stock Exchange agreed that the latest decision was in line with expectations.

"No one including Pakistan government, other stakeholders and member countries were in the illusion that Pakistan would be removed from the grey list, or put in the black list," Kamal said. Ismail Sattar, vice president of the Federation of Pakistan Chambers of Commerce and Industry said the government is taking positive steps to stop money laundering and terror financing.

"Business community should play its role to make the country comply with the international obligations. It is serious matter and we should not involve politics in this issue," Sattar said. "Pakistan should take advantage of extended time and meet remaining FATF requirements in the given timeline."

Agha Shahab Ahmed, president of Karachi Chamber of Commerce and Industry hoped that the country is likely to comply with the conditions of the FATF in the next four months, considering the pace of action launched by the government. "The FATF has given time to Pakistan on the basis that the country had taken several measures to stop money laundering and terror financing," Ahmed said.

Zubair Motiwala, chairman of Pakistan Apparel Forum said it was an achievement for the government that blacklisting was avoided.

"Although being on grey list is quite problematic for the exporters as their export receipts are delayed, yet we consider the status quo positive for Pakistan," Motiwala said. Exporters are suffering the most because of grey-listing, he said.

"We sell goods to foreign buyers on credit and the receipts are received after 90-120 days. We have to route our receipts through London, New York or Frankfurt, which takes time causing liquidity issues for the exporters," he added. "It is at least better that we were not put on the blacklist, otherwise the exports would have reduced to lowest."

Pakistan is a member of the Asia Pacific Group, which is a regional body of FATF and requires its members to undergo mutual evaluation on the compliance of its anti-money laundering and countering the financing of terrorism framework.

Kamal said there would be no change for the country's existing economic or financial system for now, "as this was not a surprise like last year when Pakistan was put on the grey list". "Pakistan had been on FATF grey list till February 2015 and yet the country made some huge international transactions such as bond issue, Sukuk issue and privatisation," Kamal added. "Things remain the same now."

Sohail of Topline Securities said escape from blacklisting would help restore investor confidence and help Pakistan in improving dollar inflows through carry trades, Eurobonds and privatisation.

"It's all relative. If you were expecting Pakistan to be blacklisted as there was so much still left to be done, staying in grey is way better than that," Khurram Schahzad, chief executive officer of financial advisory firm Alpha Beta Core said. "Yes, hardly anyone was expecting to be out of the grey list, while more were worried that we might get blacklisted given India's strong diplomacy and lobbying."

Schahzad said the country's economy didn't hurt as it remained in the grey list in 2008, 2012 and 2015. "Even no one knew back then what FATF was and what this grey, white or even black lists were about," he added. "Within that relative context, we are much better. FATF has been rather very generous that they are still giving us time to improve. I feel better in that relative terms."