

June 26, 2018

PAKISTAN UNLIKELY TO BE NAMED IN FATF'S BLACKLIST'

RECORDER REPORT

KARACHI: Pakistan's placement on Financial Action Task Force (FATF) blacklist in the ongoing meeting is not anticipated because Pakistan has already submitted a comprehensive action plan.

"Only those countries are moved to blacklist that do not make sufficient progress or fail to provide an action plan," said an analyst at Topline Securities.

To protect the integrity of the global financial system and to contribute to safety and security, the Financial Action Task Force (FATF), and the Middle East & North Africa Financial Action Task Force (MENAFATF) are carrying out a 6-day joint plenary meetings from June 24 to June 29 2018 in the French capital. The meetings involve delegates from the 203 jurisdictions of the FATF (a global financial watchdog) Global Network, as well as the UN, IMF, World Bank and other partners.

The third and final plenary meeting of the 6-day meetings will begin on June 27 and end on June 29, 2018. Pakistan will be placed on the 'Improving Global Anti Money Laundering (AML)/Countering Financing of Terrorism (CFT) compliance' list that is also known as the 'grey' list. This list comprises of jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF.

The FATF identifies jurisdictions with strategic AML/CFT deficiencies in its two public documents—FATF Public Statement (call for action) and Improving Global AML/CFT Compliance: On-going Process—that are issued three times a year. FATF does not use grey list/blacklist terminologies.

To simplify, countries that are identified as having deficiencies in their financial system are placed on 'grey list' (Improving Global AML/CFT Compliance: On-going Process) while countries that are not making sufficient progress in addressing the deficiencies or have not committed to an action plan (Public Statement-call for action) are then moved to 'blacklist' and are termed as high risk jurisdictions.

Though FATF did not officially announce Pakistan's placement on the grey list, the US and the UK had jointly moved the FATF in February 2018, nominating Pakistan for placement on the grey list and were subsequently joined by France and Germany. Then, Pakistan was asked to submit a comprehensive action plan (to be reviewed in the on-going FATF meeting) for countering the financing of terrorism deficiencies.

To comply with the FATF requirements, the National Security Committee (NSC) on June 08 reaffirmed its commitment to cooperate with FATF while Securities and Exchange Commission of Pakistan (SECP) issued Anti Money Laundering and Countering Financing of Terrorism Regulations (2018), on June 20, 2018.

“We also downplay concerns of an adverse impact on Pakistan's economy due to its inclusion in the blacklist (in case Pakistan fails to satisfy FATF) as Pakistan was previously part of high risk jurisdictions (blacklist) in 2008 and 2012 while it was under jurisdictions that were making sufficient progress (grey list) in 2010 and 2014. Pakistan was removed from the grey list in 2015”, analyst said.

Though Pakistan's inclusion in blacklist may hurt its standing in the international landscape, it will not be as severe as recently been portrayed by the media. This is because when Pakistan was part of the grey list/blacklist (2008-2015), it successfully approached multilateral bodies, floated international bonds and had other international trades.

Currently, FATF has officially designated ten countries under high-risk jurisdictions (blacklist) and jurisdictions that are making sufficient progress (grey list). There are eight countries under FATF's grey list (Ethiopia, Iraq, Republic of Serbia, Sri Lanka, Syria, Tunisia, Vanuatu, Yemen and two countries under blacklist (Iran & North Korea).