
Pakistan & Financial Action Task Force: A Timeline

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ABSTRACT

This paper aims to place Pakistan's involvement with the Financial Action Task Force (FATF) in a chronological order that depicts the major events year by year while also attempting to present the prelude to events since the FATF's establishment in 1989. It also shows the year-wise progress of Pakistan and FATF to tackle Money Laundering and removing Pakistan's name from the grey list. Progress shown by Pakistan by enacting laws and following action plans is expected to maintain its high standard in AML and CTF.

Keywords: Anti Money Laundering (AML), Pakistan, Grey List, FATF, Action Plan.

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INTRODUCTION

In 1989, The Group of Seven (G7) formed the Financial Action Task Force (FATF) to fight the growing problem, including ML and TF. Pakistan was put into grey-list by the FATF and was given an action plan to combat ML and TF. FATF evaluations are reliable, systematic, and bear considerable weight (Chaikin, 2009). According to its most recent mutual assessment of Pakistan, the country failed to comply with international legal and regulatory standards, leaving Pakistan's economy, industry, and financial sectors more vulnerable to money laundering and related crimes, resulting in a reluctance to engage in foreign direct financing. This paper provides the role of Pakistan & FATF to combat ML and TF year wise.

Pakistan & FATF: A Timeline

1989 - The FATF was formed in July 1989 in Paris at a G-7 summit with the initial objective of developing & examining measures to combat ML.

1990 - The FATF produced a report in April, less than a year after its founding, providing a collection of Forty Recommendations to give a systematic plan for fighting ML.

1991 - In 1991 FATF issued its first annual report regarding its forty recommendations. Furthermore, the fall of the Soviet Union results in a huge outflow of assets previously kept in public trust but usurped by private interests.

Bank of Credit and Commerce International, founded by Pakistani financier Agha Abedi was dissolved. The dissolution was justified by AML/CFT concerns about BCCI's trusteeship of funds for Palestinian liberation organisations. It was the world's biggest liquidation.

1992 - In 1992, the FATF Secretariat was established in Paris. The FATF also increased its membership from sixteen to twenty-eight members. Moreover, US-Pakistan relations deteriorated further when the US ambassador warned that Pakistan would be added to the list of state sponsors of terrorism if it continued to help/aid militants instigating trouble in India.

1993 - The FATF's annual report proposed inviting nine Asian countries, including Pakistan, to the second Asian Money Laundering Symposium scheduled for late 1994.

1994 - In December 1994, a second FATF-Commonwealth Secretariat Asia Money Laundering Symposium was held in Kuala Lumpur. This demonstrated that both public perception of the problem of ML and the implementation of AML policies had increased dramatically since the previous Symposium. A Secretariat for Asia's Money Laundering was established to coordinate regional action. Many western financial capitals were responsible for enormous sums of money being syphoned from the developing countries. At the time, the international press began to draw attention to the recent post-Cold War problems of financial normalisation and the rogue shadow banking structures.

1995 - Pakistan prepared a draft bill in 1995 to criminalise drug-related ML and to enforce certain reporting standards on Pakistan's banks and financial institutions.

1996 - FATF reviewed its forty Recommendations of 1990. FATF members agreed on several significant changes. For the first time in 1996, the Recommendations were revised to reflect developments in ML trends and to predict possible future risks (FATF, 1996).

1997 - Pakistan enacted the Anti-Terrorism Act (ATA) to Combating the Financing of Terrorism (CFT). Anti-Narcotic Force Act (ANF) was also enacted to combat ML involved in drug trafficking. The Control of Narcotic Substance Act (CNSA) was also enacted to deal with matters in financing the trafficking of narcotic drugs. The Securities and Exchange Commission of Pakistan Act was enacted to check and balance illegal money transfer by companies.

1998 - The International Monetary Fund (IMF) estimated that ML could account for between 2% and 5% of global GDP. ML was estimated to be worth USD 590 billion and USD 1.5 trillion based on these figures.

2000 - Pakistan joined the Asian Pacific Group on ML (APG).

2001 - As part of a more significant American effort to expand freedom, the FATF's focus was switched away from post-Communist states and toward Muslim countries, resulting in widespread damage and death in the Middle East and Western Asia.

2002 - The UK government has had a declared policy addressing nuclear and nuclear-related end-users in Pakistan since March 2002.

2003 - FATF issued International Best Practices: Combatting the Abuse of Alternative Remittance Systems (FATF, 2003).

2004 - FATF issued 40 recommendations after a thorough review. Additionally, the FATF developed several Interpretative notes to explain the implementation of particular recommendations and provide supplementary guidance (FATF, 2004).

2005 - Although the AMLA, CNSA, and ATA all provide the ML provisions, there was no track record of successful prosecutions for ML under these statutes. Overall, there was a dearth of efficacy in sanctioning ML offences.

2006 - FATF introduced Trade-based ML (FATF, 2006).

2007 - Anti-Money Laundering Ordinance (AMLO) was promulgated in Pakistan (AMLO, 2007).

2008 - The Western banking system was roiled by the subprime mortgage crisis, mainly due to financial uncertainty and wizardry spreading risk across the international financial system (Wikipedia, n.d.). Moreover, the FATF released a statement expressing concern about Pakistan's implementation of AML/CFT (FATF, 2008).

2009 - Bank of America, a jealous former competitor of the BCCI, fails due to the systemic stresses of the Global Financial Crisis and is propped up to be merged with Merrill Lynch. Moreover, FATF welcomed the relationship between Pakistan and APG on ML. FATF also expressed concern about the expiration of Pakistan's AMLO on 28 November 2009 and encouraged Pakistan to frame a comprehensive framework on ML (FATF, 2009).

2010 - Pakistan enacted the Anti-Money Laundering Act (AMLA) (AMLA, 2010). Pakistan and the FATF also decided on an Action Plan to resolve Pakistan's AML/CFT regime's strategic deficiencies.

2011 - Pakistan and FATF unilaterally revised the action plan (Zahid Gishkori, 2018).

2012 - The FATF updates its methodology guidelines for working groups on assessment and implementation (FATF, 2012). FATF also puts Pakistan in a grey-list of monitored jurisdiction.

2013 - The FATF commended Pakistan for enacting the Anti-Terrorism Amendment Ordinance (ATO), which took effect on 12 October 2013 (FATF, 2013).

2014 - FATF encourages Pakistan to implement ATO and urge Pakistan to take the necessary steps to complete the legislative process to enact the ordinance into permanent law (FATF, 2014). The FATF scheduled an on-site visit to Pakistan to ensure that introducing the required reforms and measures to resolve FATF-identified deficiencies is proceeding. In December, FATF also visited Pakistan for such a purpose.

2015 - Pakistan amended the Anti-Money Laundering Act as part of its efforts to exclude itself from the grey-list. After that, Pakistan was also excluded from the FATF's grey-list.

2016 - Pakistan once again amended the schedule of AMLA as part of its efforts to combat ML.

2017 - According to Basel Anti-Money Laundering Index, Pakistan was ranked 46 out of 146 countries (Shahid Karim & Usman Hayyat, 2019).

2018 - Pakistan was placed on the grey-list by FATF due to strategic deficiencies in ML and TF regime (Rana, 2018).

2019 - India intensifies its hybrid war strategy by weaponising the FATF's mirror body, the APG, to further sanction Pakistan and place it on the FATF's blacklist. The Centre for Aerospace and Security Studies (CASS) publishes an in-depth analysis of the FATF's operations. Additionally, it emphasises the importance of structural economic reform in Pakistan to reduce the black economy and strengthen financial supervision in the region. Furthermore, it demonstrates that Pakistan's AML and CFT laws are more strict than the FATF's requirements, but the issue has been with their enforcement. The foreign minister of Pakistan promises to take action against the ML and get Pakistan's name out from the grey-list.

The FATF issues guidelines for virtual assets such as cryptocurrencies, undermining its status as a pliant weapon of aggression towards smaller countries. The IMF completes a critical five-day visit to Pakistan, concluding that the country is making progress toward meeting the EFF's conditions. Meanwhile, international think tanks began to incorporate the CASS working paper's claims into their reviews of the FATF. The Chinese Foreign Ministry's Deputy Spokesperson uses CASS language to reassure the world and Pakistan that China will not allow the FATF to become a political weapon.

2020 - Pakistan also took part in a face-to-face talk with the FATF working group held in Beijing. Pakistan also sent 650 pages report to FATF in reply to 150 questions raised by FATF (Aftab, 2020). Turkey and other countries promised Pakistan to support in FATF next meeting. Pakistan also amended the AMLA in February.

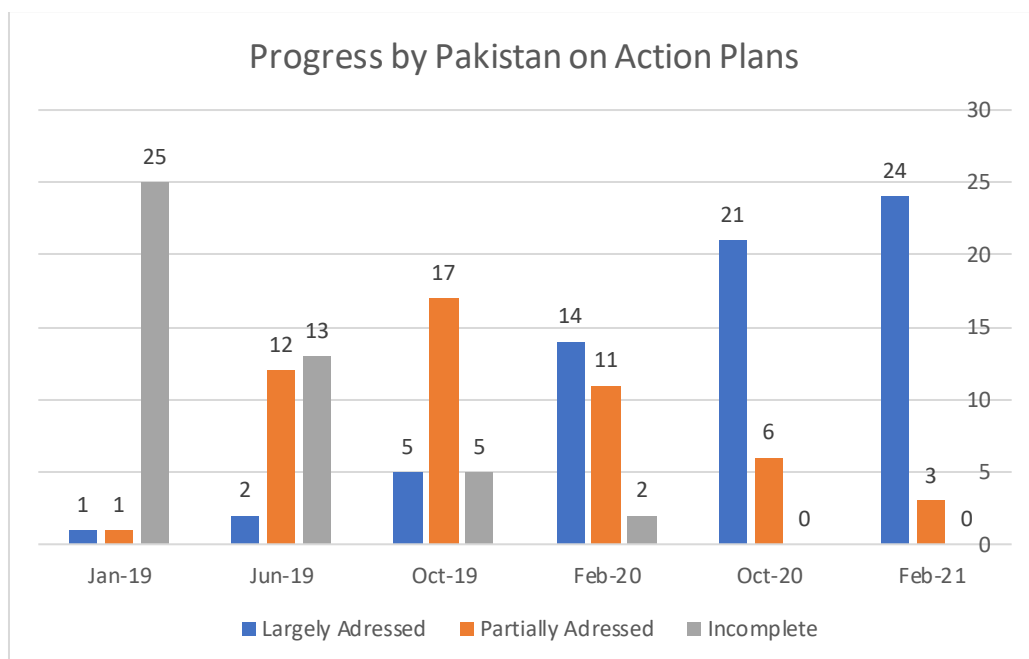
From the 16th to the 21st of February, the FATF convened a plenary meeting in Paris. Pakistan was assessed to have achieved considerable progress on 14 out of the 27 FATF-mandated items. According to the FATF, Pakistan will remain on the grey list until June. In June, Pakistan's issue was not discussed at the FATF conference, and the country remained on the grey list until October.

In October, The FATF expressed satisfaction with the substantial progress achieved on various action plan items. Pakistan has made progress on all action plan items to date and has tackled the majority of 21 of the 27 action items. Since all deadlines for action plans have passed, the FATF strongly urges Pakistan to complete its entire action plan by February 2021 (FATF, 2020).

2021 - The FATF takes note of the considerable progress achieved in completing the action plan in its entirety. Pakistan has progressed on all of the action plan's items so far and has completed the majority of 24 of the 27. The FATF urgently urges Pakistan to execute its comprehensive action plan by June 2021, since all deadlines have gone (FATF, 2021). Pakistan has completed 26 out of 27 actions in June. But Pakistan is still in grey list.

Figure 1 shows the various plenary sessions held by FATF from January 2019 to February 2021. During these plenary sessions, 27 action plans were given to Pakistan. In January 2019, out of 27 action plans, only 1 was largely addressed, and 1 was partially addressed, and 25 were incomplete. Moreover, in June 2019, out of 27 action plans, only 2 were largely addressed, and 12 were partially addressed, and 13 were incomplete. Furthermore, in October 2019, out of 27 action plans, only 5 were largely addressed, and 17 were partially addressed, and 5 were incomplete. Moreover, in February 2020, out of 27 action plans, 14 were largely addressed, and 11 were partially addressed, and only 2 were incomplete. Furthermore, in October 2020, out of 27 action plans, 21 were largely addressed, and only 6 were partially addressed, and no plan was incomplete. Moreover, in February 2021, out of 27 action plans, 24 were largely addressed, and only 3 were partially addressed, and no plan was incomplete. Figure 1 shows the improvement made by Pakistan from removing its name from grey-list.

Figure 1: Progress by Pakistan on Action Plans Issued by FATF



Conclusion

Pakistan should continue to work as per action plans issued by the FATF to remove its name from grey-list and become a FATF member. Pakistan has almost addressed all action plans, and it is hoped that Pakistan will be able to remove its name from grey-list in the next plenary session of FATF expected to be held in October 2021. By removing its name, Pakistan will be very much able to combat ML and TF.

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