



## Financial Action Task Force (FATF) and the Pakistan Stance: An Overview of the Mandate, Charter, Effectiveness in the Political Scenario of Pakistan

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### Abstract

Money Laundering is a pressing issue globally that poses a great loss to the national economy. Having realized the precarious nature of the issue, the world powers decided to form a collective body to combat money laundering and terror financing called FATF. Which is an inter-governmental body. It aims at combating money laundering, especially drug smuggling. The body expanded its sphere to tackle the new challenges and trends of money laundering. It formulated the parameters called 'recommendations' to watch the member and non-member states. After the 9/11 attacks, a major change came in its framework and terrorist financing became part of the FATF mandate. The geopolitical changes in the world are affecting the framework of the body. It began to augment pressure on several states like Pakistan, Iran, and North Korea which will help their opponents to get political benefits. This study will analyze the critical role of the FATF. It will also check the role of the FATF as a political ploy in the international arena. It will give findings after analyzing the efficiency of the FATF through scientific research methods, based on primary and secondary data.

**Keywords:** Money Laundering, Grey list, Mandate, Recommendations, Terrorist Financing

### 1. Introduction and Historical Background

According to Ibn-e-Khaldun's theory of *ilm ul Umran*, Human beings live in groups. it's difficult for humans to face the challenges of nature alone. Man is prone to the dangers of life. The evolution of human society affected every sphere of life such as political, religious, economic and social, etc. If we look at human political history, it evolved through different phases to shape the modern state. It invited tremendous loss to humanity due to large-scale wars. These wars brought about the idea of a peaceful solution to problems. The Treaty of Medina (between Muslims and Jews), the Magna Carta, and the treaty of Westphalia are a few examples. The incidents of the modern age like the French Revolution, the Bolsheviks Revolution, the Alliances in Europe, World War I, and peace treaties broadened the role of the state. It made the world think about the strict observation of international issues and solving them through negotiations. It gave birth to the League of Nations, but the quest for peace and solution to world problems remain unachieved. After World War II, the United Nations was established. It gave a different meaning to morality, ethics, rules, do's, and don'ts. Thereafter, world affairs were heavily dominated by the Cold War and competition in the field of science and technology. As the world was getting new developments during the Cold War era, the issue of 'Drug Smuggling' was also developing throughout the world. According to the reports, during the Vietnam War, 15 percent of the USA soldiers were addicts of heroin i.e 750, 000 soldiers. In the 1970s, the organized smuggling of cocaine was making huge money in the world, and the Medellin Cartel group based in Colombia was the main supplier and smuggler of it. The situation of Afghanistan became ideal for the cultivation of opium. The attack of the Union of Soviet Socialist Republics (USSR) and the insurgency in the country gave a chance to the drug industry to develop and supply it throughout the world. After World War II, the economy of Afghanistan, Mexico, and Colombia were heavily dependent on drug smuggling. It became an organized crime throughout the world, and a huge amount of money was earned through it.

Money laundering is the process of money generation through organized crimes like drug trafficking, terrorist financing, prostitution rings, bribery, trading, and computer fraud schemes. These means of money laundering mostly remain hidden, because, in case of exposition, these would meet extreme measures from the law enforcement agencies. There are several ways to protect money earned through such means. It becomes the licit economy. It is a long-practiced tactic. Thieves used to exchange or sell the goods to disassociate themselves from the theft and used to make assets. The same happens in money laundering where the owner tries to disassociate himself from the money to prevent it from confiscation through different schemes. It is also defined as disguising financial transactions and funds that are used by terrorists or other criminals for their illicit purposes.<sup>i</sup> The FATF defines it as "the process through which the criminals proceed to disguise their illegal origin" to "legitimize" the ill-gotten gains of crime.<sup>ii</sup> The United States Treasury Department defines it as disguising financial transactions and funds used by terrorists or other criminals. The United Nations Office on Drug and Crime (UNODC) reports that in 2009, 3.7 percent of the worldwide Gross Domestic Product (GDP) was generated by criminals and 2.7 percent laundered, which is \$1.6 trillion. It also reports that only 0.2 percent of illicit money was seized.<sup>iii</sup> During the 1930s, the USA made several laws to prevent the accumulation of money through such illegal means. The decisions are regarded as the first steps against money laundering. For the same purpose, UNO conducted a

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convention in 1961 and amended it in 1972. With time, it became clear that the issue is becoming more complex. In 1974, The Basel Committee on Banking Supervision was formed in Basel, Switzerland. It was a body of ten countries and the purpose of the organization was the supervision of banking. The committee had no formal international supervisory authority or force. In 1988, the committee issued its statement on “Prevention of Criminal Use of the Banking System for Money laundering.” The statement was the basic policy and procedure to suppress money laundering from the banking system. It is the first-ever body made against money laundering. In 1997, the committee issued core principles.<sup>iv</sup> In 1988, the Vienna Convention against Illicit Traffic in Narcotic Drug and Psychotropic Substances took place. It set new standards to curb money laundering and provided an effective strategy.<sup>v</sup> The conventions incorporated the recommendations of the FATF.

Despite the above-mentioned measures, drug smuggling and money laundering kept increasing. It was a great concern for the developed nations, especially for the USA. It passed “The Money Laundering Act” in 1986 to tackle the issue. President Ronald Reagan spoke a lot against drug smuggling during his tenure. He gave the idea to establish an authority to curb money laundering in drug smuggling. In July 1989, during a summit of G7 in Paris, the Financial Action Task Force (FATF) was established to combat money laundering. It is the inter-governmental policy-making body. Its main task was to tackle the global drug trade and drug money, which moved across borders freely. It had the responsibility to tackle national legislation and law enforcement. It was tasked to study money laundering trends, monitor legislation, finance and law enforcement, compliance, and issue recommendations to detect and eradicate drug crime and other crimes. It provides suggestions to countries about identifying irregularities and can suggest financial sanctions for not obeying the regulations and policies.<sup>vi</sup> In 1990, the USA played a significant role to conclude the first 40 recommendations of the body. After the attacks of 9/11, FATF added counter-terrorist financing to its mandate.

## **2. Central Theme**

The structure of the FATF is still mysterious. There is little information about its structure. It puts many world states in confusion. There is also concern over its decisions. Therefore, it is the need of the hour to analyze the FATF mandate, contributions, and covert and overt objectives to formulate an inclusive state response. The research will investigate issues like its ability in countering money laundering and terrorism financing. It will look at its current role as a ploy or as an independent body. Therefore, it needs an in-depth analysis of FATF’s mandate, its members, and its efficacy in countering money laundering, terrorism financing, and the measures to make it an effective organization. The procedure adopted for writing this research paper will be qualitative vis-à-vis analytical. The literature/data will be analyzed using the critical approach and qualitative analysis. The research methods of primary and secondary research will be used.

## **3. FATF’s Mandate, Membership, and structure**

### **3.1. Mandate**

Currently, FATF’s task/mandate is to combat money laundering and terrorist financing. It has to do this through typological studies of money laundering and terrorist financing method, trends, and techniques. It also responds to new and emerging threats such as the prevalence of money laundering. The organization reviews its policy every five years. It is not intended to create any legal rights or obligations. In April 1990, the organization adopted 40 recommendations, which granted a right to the countries to create a global consensus against drug and money laundering. Those recommendations sat the international anti-money laundering norms. Since then, it has made several changes in its mandate. In 2001, after the attacks of 9/11, the organization reviewed its mandate and decided to fight against terrorist financing. The United Nations Organization passed the resolution ‘1373’ to freeze the accounts of the people who are associated with terrorists. In 2003, it revised the standards of evaluation.

The eight recommendations were passed to strengthen the fight against money laundering and terrorist financing in October 2004. The ninth recommendation got its approval in 2005. It got support from UNO through its resolution ‘1617’ and urged the member states to implement the FATF 40 recommendations on money laundering and the other nine on terrorist financing. The organization kept adopting new measures to tackle new threats to the world and played its part to stop the financing of the proliferation of weapons of mass destruction. These recommendations are intended to be implemented at the national level through legislation. It also provides flexibility to the nations to take measures according to their constitutional framework and circumstances. In 2008, FATF introduced a document called the “RBA Guidance for Legal Professional.” The mandate of the organization was revised in April 2012, and it lasted till 31 December 2020.<sup>vii</sup> The mandate of the body includes combating money laundering, and terrorist financing, ensuring legislation through members and nonmembers, enhancing the relationship between FATF and other organizations, and responding to new threats.

### **3.2. Membership**

Initially, members of the G7 (USA, Canada, United Kingdom, France, Germany, Italy, and Japan) and the European Commission created the organization. The organization wants to extend its objectives. During 1991/92, the number of members rose to 28. In June 2019, it had thirty-seven members and two regional organizations

European Commission and Gulf Co-operation Council. The number of associate members is eight and they are different organizations. It also has thirty observers representing countries and organizations. The plenary has the power to allow a body to attend a meeting as an observer. The members, associates, and observers create a network of over 190 countries in the world. They try to ensure the integrity of the international financial system. Its membership is limited to retain its ability to make strong decisions by consensus. It implements recommendations through the world's developed countries, and the regional body 'FATF Style Regional Bodies (FSRBs).' FATF has the authority to add a country to a black or grey list in case of non-compliance.

### **3.3. Structure**

It is the policy-making body that helps countries to detect, prevent and punish the abuse of the international financial system. It looks after the implementation of its recommendations and identifies the flaws to curb money laundering and terrorism financing. The measure is known as Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT).

### **3.4. Plenary**

It is the decision-making body of the FATF and decisions are taken by consensus. It is attended by members and organizations. It appoints the president (presides meeting), vice president, and steering group. It approves the budget and program of the organization. It is also authorized to adopt guidelines and reports developed by FATF. It has its calendar which begins in July and ends in June. During a plenary year, it holds three meetings, commonly in February, June, and October. These meetings have several tasks to achieve like a meeting of experts on typologies, intercessional meetings, and meetings of ad hoc groups. It holds open and closed meetings. Its members, associate members, and observers can attend the open session. The members and associate members are entitled to attend closed plenary meetings.

### **3.5. President and Vice-President**

These positions are held by the most senior members of the organization, appointed by the Plenary for one year starting from 1 July. Dr. Marcus Pleyer of Germany is the current president. The president of the organization has the right to invite any of the ad hoc, nonmembers to attend the meeting in whole or part of it. The president is assisted by the vice president, who can work as a president when necessary. Vice-president takes the charge as a president after a year. Elisa de Anda Madrazo of Mexico is the current vice-president.

### **3.6. The Steering Group**

It is a seven members advisory body chaired by the President, and includes present, past, and future presidents of the organization, and the other four members are not known. To ensure the maximum effectiveness of the group, the plenary decides its composition at the proposal of the President. All the geographic regions have representation in the steering group and it is reviewed every year. The steering group has responsibilities like promoting coordination in the working groups, monitoring and guiding ongoing FATF work, and consulting with the Plenary and other working groups.

### **3.7. Secretariat**

It was created in 1992 and is located at the headquarters of the Organization for Economic Cooperation and Development (OECD) in Paris, France. The Plenary appoints an executive secretary at the proposal of the president. The executive secretary and staff work according to the directions of the president. The Secretariat is responsible to support the activities of the FATF and its working groups, facilitating, cooperation and effective communication among the members, associate members and observes, maintaining records, internal and external correspondence website, managing finance, human resources, and carrying out all other functions that are assigned by President of Plenary. Its cost and other facilities are the responsibility of FATF.

### **3.8. Budget**

The funds to run the body are collected through the members. The channel OECD is also used for the same purpose. The funds are collected to overcome the expenditure of the organization, its Secretariat, and other services. The plenary is responsible for the approval of the work program and budget.<sup>viii</sup>

### **3.9. Enforcement**

It has no enforcement capability but can suspend members or members that fail to comply with its guidelines. Turkey was suspended in 2013 unless it became more aggressive in criminalizing money laundering. If a country is not taking active action against money laundering and terrorist financing, FATF places it on a grey list. The next step, if a country keeps refusing the recommendations, the organization can place it on the blacklist. Iran and North Korea are the only examples on the blacklist.

### **3.10. Assessment Methodology**

The assessment methodology was adopted in February 2004 and revised in February 2005. The methodology is used by different organizations, bodies, and assessors of several countries. Since February 2012 to check the effectiveness of a country's AML/ CFT system. It is designed to assist assessors to check/assessing compliance with international AML/CFT standards. The assessment methodology has three sections. The first section provides an overview of the assessment methodology, background, and utility in evaluation/ assessment. The second section of the methodology sets out the criteria for assessing technical compliance with each of the FATF

recommendations. The third section sets out the outcomes, indicators, data, and other factors used to assess the effectiveness of the implementation of the FATF recommendations. The methodology is mainly comprised of technical compliance assessment and effectiveness assessment (FATF). The assessment is based on peer-review and assessed for compliance with FATF recommendations. It issues an evaluation report of the countries time and again. The reports are published on the official website. FATF encourages compliance through publications. It also provides best practices and guidance of recommendations.

### **3.11. Responsibility of Country**

The criminals use different ways to send their money to their goals. The most common way of laundering is to send the money through a local bank account to another offshore account. From there, the money will be transferred to another account in another country, and the last account holder will give this money to the main person. In some cases, criminals do not use the formal banking system. They just go to the other non-banking options like 'Hawala' which is very famous in India, Pakistan, and Afghanistan. To counter the trends of the criminals, the following are the responsibilities of the countries,

1. Investigate and prosecute the accused of money laundering and terrorist financing.
2. Provide the facilities and proper training to law enforcement agencies and prosecutorial authorities.
3. Take quick actions to seize, freeze and confiscate the assets of the criminals.
4. Create awareness among the people especially the business community to protect themselves from AML/CFT.
5. There should be an effective mechanism for cooperation and coordination among the authorities like policymakers, law enforcement agencies, prosecution, supervisory authorities, and financial intelligence units. It should be the same at the international and domestic levels.
6. Take measures to prevent the criminals from operating anonymously or under false identities by identifying customers and knowing their activities.
7. Keep a record of the transaction of the customers and report suspicious transactions immediately.

FATF is not only focusing on the responsibilities of its members but also works on its internal efficiency. The objective of FATF issued in 2013-14 indicates the parameters for the internal structure of the body.

## **4. As a Regional Ploy**

FATF assesses several laws and actions taken against money laundering and terrorist financing throughout the world. In case a country is not acting against money laundering and terrorist financing, the organization has the authority to place it in the grey or blacklists. It is the only possible way to increase the pressure on a country to act and stop money laundering and terrorist financing. These lists are one of the controversial fields of FATF. The detail and blames on these lists are as under.

### **i. Black List (October 2019)**

It indicates the non-cooperative countries. In 2001, FATF added 23 countries to this list, and in 2006 only Nigeria and Burma were on this list. Iran and North Korea kept resisting the USA policies in the world. Currently, they are facing several kinds of sanctions from the USA, the United Kingdom, and the European Union. The hurdles for the people of Iran and North Korea further increased after their inclusion on the blacklist. The main reason for Iran's addition to the blacklist is the suspected support for Lebanon-based Hezbollah. It is in FATF lists since 2008. In Iran, people have a concern regarding the recommendations of FATF. They believe that there is no guarantee that if Iran would help and act according to the FATF recommendations still the USA will not allow Iran to get financial benefits. Iran has long been accusing FATF to be a political and economic ploy of the west to promote its hegemony.

North Korea is another Asian state and opponent of the USA. It is facing several types of sanctions from the USA and its allies, the UK, South Korea, and Japan. In the East Asian region, the relations between South and North Korea are not good. Due to the restrictions imposed by the world, North Korea faces hurdles in establishing trade or other relations, while South Korea is establishing regional and international relations. Saudi Arabia (another ally of the USA) and South Korea are planning to construct a Nuclear Power Reactor in Saudi Arabia. In this case, North Korea will face difficulty getting support from the Middle Eastern region.

The body kept a strong observation of Iran and North Korea and analyzed their relations with other countries. The USA-led groups blame Iran and North Korea for nuclear proliferation. Sri Lanka came under the FATF radar based on nuclear proliferation. In October 2016, FATF added Sri Lanka to the grey list due to its suspected relations with Iran and North Korea. FATF indicated four areas of concern for Sri Lanka and nuclear proliferation was one of them. It remained on the list till October 2019.

A Permanent Subcommittee of the USA Senate reported that the USA suffers a loss of \$100 billion in tax revenues annually due to offshore tax abuses. The USA blamed Caribbean islands for money laundering and it took strict action against the Caribbean islands like Bahamas, Cayman Island, Trinidad & Tobago, Virgin Island, Panama, Kitts and Nevis. The offshore companies and their business is the backbone of the Caribbean islands since 1936.

They use the US dollar for the transaction and send a huge amount of money to the USA. The Foreign Account Tax Compliance Act (FATCA) in 2010 was passed by the USA and forced these islands to provide complete detail of the offshore company's account holders residing in the USA. FATF took notice of the issue and started adding Caribbean islands to its black and grey lists in 2000.<sup>ix</sup> It shows that the interest of the USA forced FATF to interfere in the regional economic affairs of North and South America. The inclusion of Cayman Island in the grey list was a surprise for the world. The island earns a huge amount of money through offshore companies, and its financial system was praised by the world and it was recognized as better than the USA. In 2000, despite encouraging efforts, Cayman Island was added to the blacklist along with 14 other states.

Now, China is investing a huge amount of money in the region which is a matter of concern for the USA in modern days 'economic warfare.' China increased its trade with Latin American nations and the Caribbean islands by nearly \$200 billion since 2014. Under the new leadership of the USA, it became clear that China and the USA are engaged in 'economic warfare.' It becomes another important factor of FATF actions in the Caribbean islands.

## **ii. Grey List (October 2019)**

It is a warning to the countries which are considered a haven for terrorist funding and money laundering. If a country fails to act according to FATF recommendations, it will be placed on the grey list. Bahamas, Botswana, Cambodia, Ghana, Magnolia, Pakistan, Panama, Syria, Trinidad and Tobago, Yemen, and Zimbabwe are on the grey list.<sup>x</sup>

Most of the decisions of FATF are made by the seven-members steering group. There is a lack of a formal framework to govern the transparency of the body. In this scenario, the recent decisions of the organization give a clear impact on the current geopolitics of the world. It also gives an impression that FATF black and grey lists are being utilized as a tool to change political behavior, and punish economically.<sup>xi</sup> The following are a few examples where FATF is used as a ploy. Several regional and international issues are linked with the geography of Pakistan. It supported the USA against USSR in the Cold War. It faced the threats from USSR during the Afghan war and bore a burden of millions of Afghan refugees. Pakistan is a friend of China and the USA wants to counter China in the world. Pakistan got another role as an ally in the USA-led war against terrorism after the 9/11 attacks and made a U-turn over its policy towards the Taliban. Pakistan provided its airbases, airspace, naval bases, fuel, and other logistic support to the USA. In return, Pakistan got a huge amount of money from Coalition Support Fund. USA rescheduled its loans and International Monetary Fund (IMF) also approved a loan for Pakistan. It got 2.3 billion dollars from 2002 to 2004.<sup>xii</sup> Pakistan lost more than 50, 000 people in the war against terrorism from 2009 to 2018. According to Abdullah Hussain Haroon former Ambassador of Pakistan to the United Nations, Pakistan lost \$200 billion during the war against terrorism which is only 3% of the USA coalition support fund from 2002 to 2018.<sup>xiii</sup> Despite these efforts and support the USA and its western ally are confused about Pakistan. They believe that Pakistan is part of the problem and not part of the solution.

Since Donald Trump came into power, the political interest of the USA changed in the region and repeated the same 'do more' policy.

Pakistan has been under the constant watch of FATF since 2008 and has asked several times to take countermeasures to stop money laundering which is probably utilized by the terrorists. Pakistan was included in the grey list in 2021 and remained in it till 2015. Pakistan's inclusion in the FATF grey list is a chain of the same pressure created by the USA, and it is a clear example of political victimization in the world. In 2018, Pakistan was included in the grey list for the second time, and since it is under strict observation. The performance of Pakistan is being watched by the world through the International Cooperation Review Group (ICRG). The World Bank and IMF are helping Pakistan to overcome the demands of the FATF. The USA, UK, India, and others want Pakistan to push on the blacklist.

China joined FATF in 2007. In 2018, China wanted to become vice-president of FATF. It needed Indian support for the same. So, it let Pakistan be included in the grey list.

In October 2019, during the meeting of the plenary, the Indian delegation presented a dossier and tried to blacklist Pakistan. India blames Pakistan for not doing efforts against organizations active in Kashmir. It thinks that the punishments announced by Pakistan are not enough to curb terrorist financing through non-profitable organizations. For Pakistan, India is trying to repeat the USA policy against Iran and North Korea. The planning and debate of India failed due to the support from Turkey. Pakistan remains isolated during the meeting, even Saudi Arabia remains quiet. The meeting gave Pakistan a timeline till February 2020. FATF's deadline has come at a time when the USA and the EU, in general, have been asking Pakistan to do more in Afghanistan. During the meetings of the FATF plenary in February and October 2020, it was decided that Pakistan will be kept on the Grey list. Further, the decision will be made in February 2021. Pakistan was assigned a task to complete and implement 27 points action plan. According to the Pakistani sources, they have compiled 21 by October 2020, and the remaining six points will be compiled and implemented before the meeting in February 2021. Two of these points of action plan given by watchdogs were most challenging and comprehensive. Pakistan made amendments to anti-money laundering laws and extended the punishment from one year to five years. The FATF demanded to tighten the grip of law enforcement agencies. In the meanwhile, Pakistan's relations with France

spoiled due to the Cartoon issue, and the accused in the Danial Pearl case got acquisition orders from a Pakistani court.<sup>xiv</sup> France has defense agreements with India. It is also a reason for French opposition. Even Pakistani officials started talking about the merits and pressure from the USA even before the meeting in February 2021. The same happened when France openly opposed Pakistani opinion. FATF and OECD were created by the developed nations of the world, and they are trying to control the world economy since the establishment of the OECD in 1961. FATF is also not regulated by any international treaty or convention. There is little information regarding the organization on its website.<sup>xv</sup> Therefore, the recent speech of Imran Khan to the United Nations Assembly that the developed states have no proper law to stop illicitly. A person can easily buy a property in developed states with illicitly generated money.

Zimbabwe and the USA are the old rivals in world politics and the former was added to the grey list in 2012. It was also blamed by the Southern African Development Community (SADC) that the West and the USA caused a decline in the Zimbabwean economy. They used the Zimbabwe Democracy and Economic Recovery Act 2001, passed by the USA Congress as evidence of the USA's hostile behavior towards Zimbabwe. The decision regarding Iceland was suspicious. Iceland had the support of Europe but was opposed by the USA and UK. So, Iceland was added to the grey list.

## 5. Success

The recent discovery of the Panama Papers and the Paradise Papers are the areas where FATF must work. Bahamas, Vanuatu, Cayman Island, Guernsey, Gibraltar, Delaware, and the British Virgin island are heaven for money laundering and need special attention from FATF. They are not far away from Europe or the western capitalists. From 2011 to 2014, Deutsche Bank laundered an amount of 175 million euros. Even a German bank was engaged in these kinds of activities.<sup>xvi</sup> Despite these cases, trillions of dollars are being laundered every year. FATF faced several hurdles even from the developed nations, especially on the issue of the banking sector, but it kept progressing. IMF incorporated the FATF standards. IMF and World Bank both adopted the FATF recommendations. These two organizations and FATF provided technical assistance, capacity-building training programs, regulatory authority, and financial support to newly established regional FATF formations. Almost all aid development agencies followed the IMF and the World Bank. Since its formation, FATF is increasing its regime. It kept strict surveillance on money transactions and forced countries to draft anti-money laundering legislation. It is a triggered challenge to analyze the performance of FATF worldwide. FATF never produced a report which provides data or information about the eradication of money laundering. Geographical expansion and new trends are creating difficulties for the body. It is emerging as a powerful policy-making inter-governmental body around the world and indicated that several parameters are set to trace illicit money. Its mandate focused on drug smuggling and money laundering.

In 1995, when several terrorist attacks took place in France, Spain, Saudi Arabia, and Pakistan, FATF started taking actions to increase cooperation among the states to curb terrorism. Since the inter-governmental organizations took the hypothesis that laundered money and charity are being utilized by terrorists throughout the world, the surveillance of the financial system became a central part of the anti-terrorism policies. It also started surveillance of non-profitable organizations and civil society. FATF is setting standards of surveillance and regulation of money in the world. According to the lawyers, FATF effectively moves towards its goal on an ad hoc and temporary basis. It should be properly constituted and established. This would be helpful in accountability and human rights.<sup>xvii</sup> The following are some examples of the increasing regime of the FATF.

### 5.1. European Union (EU)

European Union is a political and economic organization of the European continent. It has 28 members. It established a standard system of laws. It endorsed the recommendations of the FATF in the council of the EU. All its members are subject to the mutual evaluation process of FATF. The number of compliant countries is two, largely compliant are six, partially compliant are 12 and seven of its members are considered non-compliant. European Union keeps very strict surveillance. Its surveillance system starts on any unexplained amount of €15,000 or more and considers it suspicious. It also investigates a person visiting Europe for €10,000 or more.

Currently, the UK is a member of the European Union. There is a debate going on about the relationship between the United Kingdom and the EU. Whatever the result will be, but UK is a frontline ally of the USA in the war against terrorism. It is involved in Iraq, Syria, and

Afghanistan along with USA and North Atlantic Treaty Organization (NATO) forces.

Therefore, the UK has to suffer from the consequences of this war. So, UK Bribery Act and the Bank Secrecy Act were passed (amended in 2010) to curb the bribe. These acts are helpful for anti-money laundering in the USA. The famous case of HSBC Private Bank of the USA put a significant impact on the international financial system.<sup>xviii</sup> FATF tended to check the financial system of the states and it published two peer-review reports regarding the

The UK in 2007 and 2018. According to FATF reports, the UK notices 400,000 reports from all sectors. Therefore, the UK made legislation and bonds to disclose the transaction, and a case of failing to disclose the transaction is

punishable. Belgium is another example from Europe. It adopted a law according to the directives of the European Commission's Third Directive in 2010. It tried to implement the FATF recommendations. Despite Belgium, several other nations adopted legal legislation to curb money laundering.

### **5.2. USA**

USA played a vital role in setting FATF standards throughout the world. It issued Anti-terrorist Financing Guidelines to curb money laundering and terrorist financing while having pressure from civil society considering it a burdensome and impractical barrier in grantmaking. It is also a hurdle for religious charity giving like Zakat, which is one of the five pillars of Islam. It adopted the Patriot Act in 2001 and expanded the investigative tools against organized crimes such as drug trafficking and money laundering. The USA kept the regularity intact and it is one of the countries that ranked "compliant" by FATF.

### **5.3. Iran**

Iran is facing several restrictions due to the blames for supporting HAMAS and Hezbollah. It is on the blacklist of FATF. It suffered a lot due to several economic sanctions. The Iranian currency lost its 60% value in 2018. According to President Hassan Rouhani, if FATF bills do not ratify in time, his country will lose 20% of its banking transactions.<sup>xix</sup> In October 2018, the Iranian government decided to send four legislations to the parliament. This legislation was made to amend the anti-money laundering and counter-terrorist financing laws in the country under FATF recommendations and the United Nations Convention against Transnational Organized Crime (Palermo) and the International Convention for the Suppression of the Financing of Terrorism. The efforts of Iran are positive and want to come out of the current situation.

### **5.4. North Korea**

The USA accused North Korea of earning money through illicit drug and arms deals. It had a law against money laundering but it was not adequate under the FATF recommendations. In April 2016, it adopted a law on Anti-Money Laundering and Combating Financing of Terrorism through a degree issued by the President of the Supreme People's Assembly of the Democratic People's Republic of Korea.

### **5.5. Egypt**

It passed a combating money laundering law in 2002. It placed several restrictions on nongovernmental organizations (NGOs). Law 84/2002 provides the power of arrest and trial of the persons and imprisonment along with a fine. It means they are in the well. The laws are called severe, unnecessary, vague, and arbitrary. The human rights organizations fought a legal war against the policy.

### **5.6. Israel**

Israel was on the blacklist of the body in 2001. It was removed from the list and became a full member in 2018.

## **6. Findings:**

- a It is proven that FATF is a significant body in world politics. Its momentum has been established. The addition of the grey and blacklist increases the pressure, and it makes the investors cautious. In that case, they have a low investment ratio. Now it needs to strengthen its framework and keep amending its three sections assessment methodology.
- b The government should plan to increase awareness about illicit money. It should give an environment to conduct appropriate accountability.
- c The illicitly generated money through corruption and false declaration is mostly laundered to developed states. It is an issue of concern for underdeveloped countries. The FATF needs to take the necessary legal actions to stop it.
- d There is little information available about the structure of the body. Especially, the information about the assessors, budget, and steering groups. In that case, the steps of the body are becoming suspicious, and the underdeveloped countries blame the body.
- e It is blamed that FATF is working to protect the interest of the USA and the European Union. FATF is an inter-governmental body that has no formal agreement among the members. If it signs an agreement, the blame will have no weight.
- f Pakistan, Iran, and North Korea are clear examples that the FATF is being used as a political and economic ploy by the west.

## **7. Conclusion**

Since its formation, it increased the awareness of the countries on the issue and made the countries legislate to combat illicit money, but there is no evidence whether it slowed money laundering or not. The history of the organization shows that most of the decisions were against developing countries regarding monetary management. The developed nations were not being asked to check the money which is coming to them. After the adaptation of terrorist financing, the mandate of the organization is heavily affected by the USA-led war on terror. In that case countries like Pakistan suffered a lot. Pakistan is the permanent target of the terrorists due to its support of the

USA causing the war on terror. In return, it was blamed and remained a suspicious partner of the USA. Despite the sacrifices, yet Pakistan is under the radar of the FATF and its economy is suffering a huge loss. The foreign investors are not taking any interest which will have a massive impact on the socio-economic life of the people in Pakistan. In the current scenario, it is strongly recommended that Pakistan should act according to the recommendations of the FATF to avoid the blacklist. In the future, before deciding to play a part in any international or regional conflict, Pakistan should plan and make a proper assessment to avoid the current situation where Pakistan is the target of the USA-led NATO forces' failure in Afghanistan. The cases of Iran, North Korea, and others discussed above are being targeted for their opposition to the USA.

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