

Tabadlab Policy Roundtable 16 – FATF Verdict: What Next for Pakistan?

Policy Brief

https://www.youtube.com/watch?v=aJkTK7j_HCQ&t=1017s

The Financial Action Task Force (FATF) decided to keep Pakistan on its grey list in the plenary meeting in October. At the same time, the taskforce acknowledged the progress Pakistan has made, having largely addressed 21 points on the 27-point action plan. The country has been given until February 2021 to fully comply. Tabadlab’s panel of experts discusses the recent decision by the FATF to keep Pakistan on the "grey list" and its political, legal, and economic implications. The conversation also addresses the FATF decision-making process and provides a roadmap for how Pakistan can exit the “grey list.”



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Recommendations

- Sustain anti-money laundering and combating financing of terrorism efforts to win the trust of foreign investors
- Mitigate the risks from over-regulation to the informal economy in the short term
- Pakistan should ask FATF for more time to demonstrate implementation of its laws and regulations
- Ensure stakeholders, such as law enforcement agencies, regulators, related entities and the judicial system, understand what the laws are and how they will be utilized

Key Takeaways

● Technical Non Compliance

While FATF has improved its processes to document and evaluate the performance of countries, Pakistan has not been able to demonstrate its capacity to comply on key technical points. In particular, the structure of the Pakistani economy and its dependence on unregulated sectors, makes it difficult to uphold the financial regulatory system required for technical compliance.

● Impact on Informal Economy

The panelists stressed that an understanding of the economic implications of FATF decisions requires a focus on the unregulated sectors of the economy. Pakistan has a very large informal economy and there are both risks and rewards associated with its financial regulation. While any improvement that complies with FATF will be beneficial in the long run, the informal sector will suffer in the short term.

● U.S Position

In the aftermath of the U.S Presidential Elections, the concern from Pakistan will still be about ensuring financial transparency and strengthening counter terrorism efforts, particularly if Pakistan wants to attract new foreign investors from the U.S. Moreover, Pakistan’s ability to borrow money from foreign investors will also be impacted if it fails to demonstrate compliance with FATF regulations.

● Unrealistic Timeline

Although Pakistan has enacted over a dozen laws in order to align with the FATF 27-point action plan, four months seems like an unrealistic timeline to demonstrate implementation. Building capacity and streamlining mechanisms for effective implementation is not an overnight process, so Pakistan will need more time to make progress.