

## Foundation Alert

### FATF maintains Pakistan on the 'Grey List'

#### Event

- Financial Action Task Force (FATF) held its meeting in Paris from 21-25 June 2021 during which it announced to maintain Pakistan as a jurisdiction under increased monitoring (also referred to as the 'Grey List').
- Pakistan has also agreed with FATF a new action plan that primarily focuses on combating money laundering consisting of 6 action points.

#### Impact

- Pakistan was placed on the FATF grey list in Jun'18 and asked to implement complete action plan of 27 points.
- Since the last FATF meeting in Feb'21, Pakistan has made progress to complete 2 out of the remaining 3 action items.
- Thus, Pakistan has now completed 26 of the 27 action items of its 2018 action plan. The one remaining item of the action plan relates to countering financial terrorism.
- The new action plan that primarily focuses on combating money laundering consists of following 6 action points:
  - enhancing international cooperation by amending MLA law,
  - demonstrating that assistance is being sought from foreign countries in implementing UNSCR 1373 designations,
  - demonstrating that supervisors are conducting both on-site and off-site supervision commensurate specific risks associated with DNFBPs, including applying appropriate sanctions where appropriate,
  - demonstrating that proportionate and dissuasive sanctions are applied consistently to all legal persons and legal arrangements for non-compliance with beneficial ownership requirements,
  - demonstrating an increase in ML investigations and prosecutions and that proceeds of crime continue to be restrained and confiscated in line with Pakistan's risk profile, including working with foreign counterparts to trace, freeze and confiscate assets, and
  - demonstrating that DNFBPs are being monitored for compliance with proliferation financing requirements and that sanctions are being imposed for non-compliance.

#### Outlook

- We don't foresee Pakistan exiting the 'Grey List' in the near future given (1) new action plan relating to combating money laundering consisting of 6 action items and (2) 1 outstanding item out of 27 items of its 2018 action plan.

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Expected return <-10%	Underperform.