

**17– 03 – 2024**

**News:** Removal of the United Arab Emirates (UAE) from the Financial Action Task Force (FATF) grey list

- The recent removal of the United Arab Emirates (UAE) from the Financial Action Task Force (FATF) grey list has sparked optimism for investment landscapes, particularly in India's Non-Banking Financial Companies (NBFCs).

## **Financial Action Task Force (FATF)**

- Financial Action Task Force (FATF) is an **intergovernmental organisation founded in 1989 on the initiative of G-7 to develop policies to combat money laundering.**
- In 2012, it added efforts to **counter the financing of proliferation of weapons of mass destruction.**
- Objectives: **“Set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of international financing system”.**

- The FATF does not address all the issues related to the low tax jurisdiction or tax competition. The FATF mandate focuses only on the fight against laundering of the proceeds of crimes and the financing of terrorism.
- The secretariat of FATF is located at the Organisation for Economic Cooperation and Development (OECD) headquarters in Paris.
- But, OECD and FATF are entirely different organisations, even though most members overlap each other.
- The Rupee denominated Masala bonds can only be issued in a country and subscribed by a resident of such country that is a member of financial action task force and whose securities market regulator is a member of International Organisation of Securities Commission.
- Members include 37 member jurisdictions (including India) and 2 regional organisations European Commission and Gulf Co-operation Council.
- Eurasian Group on Combating Money Laundering and Financing of Terrorism is an Associate member of FATF.
- The FATF Plenary is the decision-making body of the FATF. It meets three times per year around February, June and October.
- There are 9 FATF-Style regional bodies to devise systems for combating money laundering and terrorist financing. Eurasian Group, Asia/Pacific Group,

Caribbean FATF, MONEYVAL, ESAAMLG, FATF of Latin America, Middle East and African.

- It also assists jurisdictions in implementing financial provisions of the United Nations Security Council resolutions on terrorism.
- Since 2000, FATF has been maintaining the **FATF Blacklist** (Call for Action) and **FATF Greylist** (Other mentioned Jurisdictions).
- Only 3 objections are required to stop a proposal of including a country in Blacklist, but require 12 supporting nations to take one out of grey list.
- **Blacklist:** FATF describes “**High-Risk jurisdictions subject to Call for Action**” as having “significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation”.
- Putting a country on Blacklist means **shutting all doors to international finance for that country**. As of 2020, **North Korea and Iran** are listed as Blacklist countries.
- **Grey List:** A country is put on the **grey list when it fails to curb terrorism financing and money laundering**.
- Currently there are **24 countries in the Grey List**.
- The countries in the Grey List are Albania, Barbados, Botswana, Burkina Faso, Cambodia, Cayman Islands, Jamaica, Jordan, Haiti, Malta, Mali, Mauritius,

Morocco, Myanmar, Nicaragua, Panama, Philippines, Senegal, South Sudan, Syria, Turkey, Uganda, Yemen and Zimbabwe.

- Recently, FATF has suspended the membership of Russia over invasion by Russia over Ukraine.