



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalaivar Kamarajar"

FATF condemns terror attack, to release report on “state sponsored terrorism” for first time

Published On: 16-06-2025

Context

- The Financial Action Task Force (FATF), the apex inter-governmental **anti-terror financing watchdog**, has issued a statement condemning the Pahalgam terror attack, noting that it “could not occur without money and the means to move funds between terrorist supporters”.
- According to sources, this is a significant condemnation as it is **only the third time in the last decade that a terror attack has been condemned by the FATF**. Further, it is learnt that the FATF will release a report next month which, for the first time, will include state sponsorship as a separate source of funding of terror.
- According to sources aware of these developments, the **FATF “rarely” issues a condemnation** of terrorist acts.

Financial Action Task Force (FATF)

- **Formation:** Established in **1989 by the G7 for anti-money laundering (AML)** and **later expanded (2001) to counter terrorist financing (CTF)**.
- The FATF’s framework is designed to **help countries tackle illicit financial flows**, with recommendations covering policies, **money laundering, terrorist financing**, preventive measures, transparency, and international cooperation.
- Includes 40 members, comprising 38 jurisdictions and two regional organisations (Gulf Cooperation Council, European Commission). **India became a member of FATF in 2010.**
- **Headquarters located at the OECD in Paris.**

Black List

- Jurisdictions with **serious strategic deficiencies**, where countries are urged to apply counter-measures.
- Countries known as **Non-Cooperative Countries or Territories** are put on the blacklist.
- These countries **support terror funding and money laundering activities**.
- As of 2025, **North Korea, Iran, and Myanmar** are on the black list. Consequences of being on the FATF blacklist
- **No financial aid** is given to them by the IMF, World Bank, Asian Development Bank (ADB) etc.
- They also face a number of international economic and financial restrictions and **sanctions**

Grey List

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- Countries **under increased monitoring** due to **strategic deficiencies** in combating money laundering and terrorist financing.
- These countries **work with FATF to resolve deficiencies**.
- This inclusion serves as a **warning to the country** that it may enter the blacklist.

Impact of FATF's Grey List

- **Financial Consequences:** Countries on the grey list face heightened scrutiny, leading to increased due diligence by international businesses and financial institutions. This impedes foreign investments and restricts financial flows into such countries.
- **Enhanced Monitoring:** Countries on the grey list are subject to rigorous monitoring by FATF to ensure compliance with the 40 Recommendations