



ISSN Print: 2394-7500
ISSN Online: 2394-5869
Impact Factor: 8.4
IJAR 2020; 6(10): 691-692
www.allresearchjournal.com
Received: 24-08-2020
Accepted: 28-09-2020

Dr. Vinay P Raut
Head and Department of
Political Science Vikas College
of Arts, Science & Commerce,
Kannamwar Nagar – 2,
Vikhroli (East), Mumbai,
Maharashtra, India

Covid-19, F.A.T.F & India

Dr. Vinay P Raut

Abstract

This paper describes the importance of The Financial Action Task Force (F.A.T.F) for the nations all over the world developing policies protecting the global financial system from misuses like money laundering and terror financing. This paper also discusses the COVID – 19 pandemic effects on the world economy and how few miscreants must have taken advantage of this pandemic to do financial crimes. After researching through various News Articles, Websites, Blogs, and Interviews of world economist YouTube videos, I have put forward my judgment of the past F.A.T.F assessment of Indian in 2010 and the challenges India may face in the upcoming F.A.T.F assessment scheduled in early 2021.

Keywords: Covid – 19, F.A.T.F, India, money laundering, terror financing

1. Introduction

The COVID – 19 led to human suffering, exceptional global challenges, and more importantly the most hurting economic disruption all over the world. The pandemic has increased financial and economic volatility on a larger scale affecting GDPs (Gross Domestic Product) of all the nations which are clear indications of uncertainties associated with COVID – 19. The Financial Action Task Force (F.A.T.F) an independent intergovernmental body that creates and develops policies protecting the global financial system from misuse, which plays an important role now exposing the nation's misdoings before and during the pandemic.

Established in 1989 by G-7 Summit having its headquarters in Paris, France F.A.T.F is a watchdog of global money laundering and terrorist financing, a policy-making body which sets international standards that aim to prevent illegal activities harming the society, ensuring a co-ordinated global help to prevent corruption, terrorism, illegal drugs, human trafficking and mainly financial crimes, with about 195 countries and jurisdictions committed to implementing F.A.T.F pronouncements. It strengthens its standards to address new risks alike virtual assets spread all over as crypto currencies, strictly monitoring and ensuring implementing F.A.T.F standards fully and effectively and it also holds countries accountable that do not comply.

The last assessment was done in the year 2010 and now due COVID – 19 pandemic instead of October 2020 India will go through F.A.T.F assessment early 2021, and surely a few concerns like demonetization and clampdown on shell firms will prove resulting in an impasse and will be an annoyance for Indian authorities. In the last few years, India saw a spate of alleged financial sector frauds like Yes Bank, Dewan Housing Finance, IL&FS, and many more currently under investigation by the Enforcement Directorate for violating anti-money laundering norms pointing crimes committed by the top officials of the institutions. One of the regulatory gaps is that India's anti-money laundering rules do not talk about monitoring PEPs - Politically Exposed Persons as there is no mention of PEPs in the Prevention of Money Laundering Act (PMLA) and it requires strict monitoring both domestic and foreign PEPs.

BIG ISSUE which could be a centric point of assessment will be of Demonetization and Shell Companies during which authorities will have to elucidate the motive behind the decision and the objectives achieved. Prime Minister Narendra Modi had said withdraw of 86% of the nation's currency out of circulation was to curb black money, the bigger issue which has to be clarified is of shutting down shell companies. Over 6 lakh entities were cracked down out of which many of them were active but had to close down as they had not

Corresponding Author:
Dr. Vinay P Raut
Head and Department of
Political Science Vikas College
of Arts, Science & Commerce,
Kannamwar Nagar – 2,
Vikhroli (East), Mumbai,
Maharashtra, India

filed returns, but at the same time, the Statesman had explained that shell companies were those which were not engaged with any economic activity but were formed for tax evasion and money laundering. The Prime Minister of India aspires his nation to become a \$ 5 trillion economy and at this stage, India cannot afford to get tangled in F.A.T.F assessment and deficits has to be well-taken care ensuring India gets a rational assessment as a witness to its efforts of preventing money laundering and terror financing.

India Assessment 2013 F.A.T.F had remarked on India's significant progress in overcoming deficiencies identified in its evaluation report and besides praising it also decided India be removed from the regular follow-up process. Countries that are deficient and fail to follow the norms are categorized in Grey and Blacklists like Pakistan and Mauritius are in the Greylist whereas Iran and North Korea are on the Blacklist. The last assessment of 2010 made sure the nation's laws are in place to prevent money laundering and terror financing with the setup of joint working agencies like the Central Bureau of Investigation, Financial Intelligence Unit, Reserve Bank of India, ED, and SEBI among others.

Challenges Ahead for India is not only of the assessment but a detailed examination of the past recommendations and existing financial and terror complications will be reviewed. F.A.T.F matter a lot for India mainly for three major reasons-

1. India is always under terror attack threats and it requires aid from other nations to trace the money flow behind such terror attacks on the nation.
2. Open approach for global capital access with stern enforcement against money laundering and terrorism.
3. Spreading its wings across the countries India wants to arise as an imminent exporter of financial services.

In the past F.A.T.F helped India to seize worthy assets of Punjab National Bank offenders Nirav Modi and Choksi but now F.A.T.F needs to evaluate the measures taken by India on the opportunistic criminals who must have taken undue advantage of the COVID – 19 pandemic and economic downturn seeking to invest in real estate by masking illicit proceeds by the troubled business. Financial criminals pushing black money into the financial system by restructuring existing loans and lines of credit, corporate insolvency freeing black money confined in business, Tax evasion, and other financial crimes facing economic difficulties look to condense their fiscal burdens. Finally what actions the Indian authorities have taken on the financial crimes resulted due to the prolonged economic downturn which must have resulted in a rise in subsistence crimes which is common in developing countries.

INDIA READY with its voice and is fully prepared with its presentation to place for its evaluation by -

Following Politically Exposed Persons PEPs: This is the high-risk customers for banks, government has directed banks and other financial institutions to dig out risk-prone profiles and to carry out Enhanced Due Diligence.

- Forming Coordinating Committee: Inter-ministerial Committee formed under Section 72A of the Prevention of the Money Laundering Act, 2002 to evaluate regulatory mechanisms with law enforcement agencies and intelligence agencies.
- Cases against Economic Offenders: ED registered 82 cases against former MLAs and MPs endeavoring

economic offenses and tax evasion, CBI registered 14 cases.

- Compliance of offenders through legislation: Under FATF, the Fugitive Economic Offenders Act, 2018 was introduced in India and strictly followed to confiscate assets and properties of economic offenders.
- Other trials: Seizing properties of money launders, cracking down on Hawala in Kashmir, the revival of Benami Transaction Act, 1988, Imposition of Tax Act, 2015, Tax Information Exchange Agreements, Multilateral Conventions, and many more such initiatives have been placed with standards of F.A.T.F.

India Demands an increase in cooperation between F.A.T.F and the UN organization to deal with the nexus of terrorist groups. Besides presenting a detailed dossier laying its hands on fugitive diamond billionaire Nirav Modi, his uncle Mehul Choksi and liquor baron Vijay Mallya, India will also raise Pakistan's failure to act in the 26/11 Mumbai and Pulwama terror attack. Along with Daniel Pearl's murder case and Sheikh Saeed India will also voice against Pakistan giving refugees to UN declared global terrorist Dawood Ibrahim.

Besides deteriorating relations with China and conflicts on LAC, issues like extraction of natural resources, human trafficking, trade-in cultural artifacts manifest the distorting of lines between crime and terror. There is a need for broader international cooperation to be built on criminal justice and health, as there are around 35 million people drug disorders, 11 million injected drugs out of which 1.4 million are HIV infected, and 5.6 million with Hepatitis C. India will once again emerge as a strong nation after its F.A.T.F assessment in 2021.

References

1. www.insightsonindia.com
2. <http://www.indiandefencereview.com>
3. <https://thegeopolitics.com>
4. <https://fcgablog.com>
5. <https://blog.forumias.com>