

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE**

**RAJYA SABHA
UNSTARRED QUESTION NO. 1988
ANSWERED ON 18.03.2025**

Financial Action Task Force

1988 Shri Narayana Koragappa:

Will the Minister of Finance be pleased to state:

- (a) whether Bharat Sarkar joined the elite club of Financial Action Task Force (FATF) surpassing US, China, Germany, Japan and Canada;
- (b) to what extent curbing money laundering, terror financing, transparency in online transactions, digital transactions, etc., help by joining FATF
- (c) whether curbing financial crimes really pushed Bharat's position as it got 37 out of 40 stringent evaluation parameters, and
- (d) advantages for Bharat being on the top category and to what extent Bharat's credibility and reputation as financially stable secured country

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

- (a) Yes. India's outstanding performance in the Financial Action Task Force (FATF) Mutual Evaluation during 2023-24 marks a defining moment in its journey toward establishing a world-class financial regulatory and enforcement framework. The Mutual Evaluation Report, adopted at the FATF plenary in Singapore from June 26th to June 28th, 2024, places India in the 'regular follow-up' category—a distinction shared by only four other G20 nations. Surpassing major economies like the United States, China, Germany, Japan, and Canada, this achievement underscores India's robust financial system, stringent regulatory mechanisms, and proactive stance in combating money laundering (ML) and terrorist financing (TF). It positions India as a high-capacity leader in the global fight against financial crimes.
- (b) India's active role in FATF extends beyond compliance; it significantly contributes to the formulation of global AML/CFT standards and guidance. This involvement enables India to stay ahead in identifying emerging typologies and risks associated with money laundering and terrorist financing, leading to robust policy refinements and enhanced enforcement measures.

India's participation in FATF evaluations as an expert assessor grants it critical insights into the risk landscapes of other jurisdictions. This knowledge aids India in mitigating geographical financial crime risks and reinforcing its security framework. Additionally, India plays a key role in FATF's Joint Groups, where it actively monitors and reviews grey-listed countries' action plans, allowing for early intervention and risk mitigation.

Furthermore, India's engagement in FATF project teams provides a strategic advantage by offering early intelligence on evolving typologies of financial crime. This allows India to proactively adapt its regulatory approach, ensuring tighter control over digital transactions, enhancing transparency in financial flows, and strengthening oversight mechanisms. The resultant improvements in online transaction security and financial transparency position India as a global leader in combating illicit financial activities and reinforcing trust in its digital economy.

- (c) India's remarkable performance in FATF's Technical Compliance assessment securing Compliant/Largely Compliant (C/LC) ratings in 37 out of 40 parameters demonstrates the effectiveness of its legal and regulatory measures. With Zero Non-Compliant (NC) ratings and only three Partially Compliant (PC) ratings, India's AML/CFT framework is among the strongest globally.

This success is a direct result of the Government of India's sustained efforts, including legislative reforms, proportionate enforcement measures, and enhanced inter-agency coordination. Targeted actions have disrupted terror financing networks, curtailed black money circulation, and mitigated illicit financial flows, particularly in coastal regions. These measures have significantly bolstered national security by stemming financial resources linked to terrorism and organized crime.

- (d) India's position in the highest category of FATF evaluation brings significant economic and strategic advantages. The country's strong FATF ratings enhance its attractiveness as a global investment destination, instilling greater confidence among foreign investors and financial institutions. This potentially results in increased foreign direct investment (FDI), reduced transaction costs, and improved ease of doing business.

One of the key benefits is the reduction in due diligence costs for Indian financial institutions and businesses engaging in international transactions. High FATF ratings signal a lower risk environment, leading to smoother cross-border transactions and greater financial integration with global markets.

Furthermore, India's proactive international cooperation, as emphasized in FATF's Immediate Outcome 2(IO.2), strengthens its ability to combat transnational financial crimes. India actively collaborates with global financial intelligence units, law enforcement agencies, and regulatory bodies, ensuring swift information exchange and joint enforcement actions. This high level of cooperation enhances India's credibility as a financially secure and stable nation, reinforcing its leadership role in shaping global AML/CFT policies.
