

## **FINANCIAL POLICIES: ROLE OF FINANCIAL ACTION TASK FORCE (FATF) IN FINANCIAL DISCIPLINE**

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### ABSTRACT

The regulation of finance, money and banking has been identified to be riskier as far as financial discipline is considered. Non-state actors (anti-social groups, terrorist institutions, black money keepers etc.) have been threatening the financial stability in major financial regime. For properly overseeing the financial transactions Financial Action Task Force has been established as an inter-governmental and multi-lateral body co-operating its member states to bring a check on the black money and ensuring financial discipline within their jurisdictional limits. This paper studies and presents the role of FATF on financial discipline thereby leading to transparent financial policies.

**KEYWORDS:** Financial Action Task Force, Financial regulation, financial discipline, terrorism finance

### DISCUSSION

The Financial Action Task Force (FATF) is a multilateral legislative body built up in 1989 by the Ministers of its Member wards. The destinations of the FATF are to set norms and advance successful usage of lawful, administrative and operational measures for battling IRS evasion, terrorist financing and other related dangers to the respectability of the global monetary framework. The FATF is in this way a "strategy making body" which attempts to create the fundamental political will to realize national authoritative and administrative changes in these zones.

The FATF has added to a progression of Recommendations that are perceived as the universal standard for battling of government evasion and the financing of terrorism and expansion of weapons of mass obliteration. They shape the premise for a co-ordinated reaction to these dangers to the uprightness of the money related WorldWide Indexing, Abstracting and Readership. Peer Reviewed- Refereed International Publication available at <http://thescholedge.org>

framework and help guarantee a level playing field. Initially issued in 1990, the FATF Recommendations were overhauled in 1996, 2001, 2003 and most as of late in 2012 to guarantee that they stay state-of-the-art and significant, and they are planned to be of all inclusive application.

The FATF screens the advancement of its individuals in actualizing important measures, audits government evasion and terrorist financing strategies and counter-measures, and advances the selection and usage of proper measures all inclusive. In a joint effort with other universal partners, the FATF attempts to distinguish national-level vulnerabilities with the point of shielding the worldwide budgetary framework from abuse. The FATF's central body, the FATF Plenary, meets three times each year.

## CORRUPTION

The global group perceives that the FATF Recommendations are important apparatuses to battle debasement as they can help to make a situation where it is troublesome for defilement to go undetected and unpunished. The FATF keeps on underlining the counter debasement motivation, in co-operation with other global bodies that have hostile to defilement segments in their order.

The G20 Leaders Declaration from the Saint Petersburg summit highlights the significance of utilizing AML/CFT measures to battle defilement. This, along these lines, remains a noteworthy zone of co-operation between hostile to defilement specialists of the G20 and the FATF.

In October 2013, the FATF and the G20 Anti-Corruption Working Group mutually sorted out the third specialists' meeting on debasement, which united hostile to government evasion and against defilement specialists from 27 locales and 15 associations. The talks concentrated on issues of common concern, for example, straightforwardness and gainful responsibility for persons and game plans. These are need issues that go past IRS evasion and defilement, as they likewise concern charge straightforwardness and corporate administration. Absence of straightforwardness or data about valuable proprietorship makes genuine impediments to following defilement continues. The criticism on the key difficulties in deciding the advantageous possession in debasement cases and the measures that can be taken to beat these difficulties, added to the direction that the FATF is as of now creating around there.

Members at the meeting likewise shared their experience on how hostile to defilement and antimoney washing powers can collaborate in the battle against debasement. For instance, by setting up interagency working gatherings or different components to share data in the connection of defilement, pay off or IRS evasion

examinations. Both AML/CFT and hostile to debasement specialists concurred that, in spite of the fact that the FATF Recommendations could be utilized as a part of the battle against defilement, more data was expected to expand the comprehension of the FATF Recommendations and their advantages to against defilement endeavors. The FATF distributed best practices on the utilization of the FATF Recommendations to battle defilement with direct data from against debasement specialists from the G20 Anti-Corruption Working Group. The best practices expand on existing FATF work to give direction to approach producers and specialists on the most proficient method to utilize AML/CFT measures to battle defilement.

#### VOLUNTARY TAX COMPLIANCE PROGRAMMES

This year, the FATF checked on the intentional duty consistence (VTC) programs in actuality in various its individuals to figure out if these hindered the viable usage of AML/CFT measures. There are different sorts of intentional expense consistence projects, allowing so as to extend from projects to energize charge consistence subjects to right duty reporting data, to projects intended to encourage resource repatriation. At whatever point these projects fuse components, for example, full or halfway exclusion from criminal examination or arraignment in connection to the expense acquittal or the repatriation of stores, there is a hazard that these projects can be mishandled with the end goal of government evasion. Four fundamental standards direct the FATF in tending to the AML/CFT approach ramifications of VTC projects.

All nations are relied upon to guarantee that any VTC system is steady with these four fundamental standards and additionally the FATF Recommendations. Also, all nations must illuminate the FATF or their FSRB of any new VTC plan, assessment absolution, and resource repatriation programs. The FATF and/or FSRB audits the VTC conspire and figures out whether any part of it could affect adversely on the AML/CFT measures set up in the nation. While they are in actuality, these projects keep on being observed, specifically with reference to whether any suspicious exchanges are accounted for in connection to the VTC plans. In February 2014, in counsel with the FSRBs, the FATF received new techniques that streamline the audit of VTC projects of both FATF individuals and FSRBs' individuals.

In October 2013, the FATF looked into the VTC projects of Argentina and Belgium. A few procurements of Argentina's VTC enactment seemed to confine the use of AML/CFT measures in the nation. On the other hand, the nation issued regulations for the program's execution to guarantee that all AML/CFT measures set up keep on being connected. Belgium's system was observed to be reliable with the FATF's four essential standards on VTC.

In February 2014, the FATF was educated that no suspicious exchanges were identified concerning these two VTCs and, in June 2014, the FATF was again educated that no suspicious exchanges were recognized in connection to Argentina's VTC program. The VTC projects of Australia, Kyrgyzstan, and Pakistan were likewise checked on in June 2014 and found to hold fast to the FATF's four essential standards.

#### ML/TF RISKS, TRENDS AND METHODS

The capacity to outline and execute sound AML/CFT measures obliges a decent comprehension of current dangers and dangers to the global money related framework. The FATF's work to recognize and break down these dangers, patterns and strategies, or typologies work, guarantees that the FATF models are up and coming and that new strategy or direction is produced if and when essential. Typologies work expands on the experience and information of those working in such fields, as law authorization and examination, and money related insight. They are at the bleeding edge of AML/CFT endeavors and are in this way best set to flag new patterns or routines in abuse of the money related framework.

To better comprehend the specific vulnerabilities of a segment or budgetary item to tax evasion or terrorist financing, the FATF does exploration utilizing contextual investigations and other significant material. This examination regularly prompts the determination of warning pointers which then help distinguish illegal exchanges. FATF exploration is to a great degree significant, as it helps manufacture familiarity with the ways that offenders or terrorists abuse a particular division or the budgetary framework overall.

Ordinarily, FATF examination is completed by important specialists from among the FATF individuals that have involvement in managing the specific IRS evasion or terrorist financing strategy. At the point when applicable, research activities might likewise include industry delegates to guarantee that all edges are considered. The FATF distributes the discoveries of its examination into ML/TF dangers, patterns and routines in a progression of devoted reports. These reports have been fruitful in raising worldwide mindfulness on government evasion and terrorist financing vulnerabilities and have prompted before location of such techniques being utilized.

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