

To be or not to be part of FATF: What opponents and proponents say



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Iran is among three countries named by the Financial Action Task Force (FATF) as high-risk jurisdictions. The sanctions and the failure to join the FATF have resulted in the country being unable to utilize its revenues abroad, making it necessary to incur additional costs for transferring these funds.

The only way to capitalize on the economic opportunities available globally is by joining the FATF. The FATF comprises four conventions, all of which approved by Iran's Parliament but two are on hold in the Expediency Council [a legislative body with supervisory powers over all branches of government].

It seems that over the past few years, failure to approve these two remaining conventions has piled up significant costs for the country. Staying out of the FATF has not completely deprived Iran of banking transfers and the like; rather, the issue is that the costs associated with Iran's economic ties have soared significantly.



Masoud Pezeshkian's government announced upon taking office in mid-summer that it would seek to sort out differences with the FATF as part of efforts to open up to the world and fix the country's economic problems.

The opponents and proponents of aligning with the task force's requirements have, in the meantime, presented their respective viewpoints, each of which may deserve consideration in its own right.

Supporters of the alignment have expressed that the country need not be concerned about fully adopting the FATF rules, as the country has strict controls on money laundering and financing of terrorism.

That comes as some in the country still believe that certain governments, especially the United States which maintains a harsh regime of sanctions on Iran, would benefit from Iran's decision to completely accept all FATF conventions and rules.

Opponents argue that the FATF is merely a two-faced coin, presenting itself as a transparent room for combating money laundering and terrorism while being a black box for recording financial information and monitoring the monetary transactions of governments and numerous economic entities. They view it as a radar that claims to fight money laundering and track illicit funds from trafficking, bribery, and drug sales on paper, but its effectiveness in preventing these funds from entering the global monetary and financial systems is questionable.

On the other hand, proponents of Iran's full accession to the FATF argue that there are numerous benefits to joining this global treaty. They believe that

the FATF, in its essence, aims to combat money laundering as an economic crime that significantly and negatively impacts the economic growth and development of countries worldwide. By joining the task force, proponents argue, Iran can prevent unequal income distribution, financial market disruption, illegal capital flight, exchange and interest rate instability, deterioration of the country's foreign economic relations, reduced money demand, private sector bankruptcy, declining economic productivity, and increased privatization risks. Additionally, they believe that accession will lead to enhanced economic and financial transparency, increased tax revenues, foreign investment growth, and higher economic growth rates.

However, is there any hope that the Expediency Council will soon resolve the ongoing

debate about whether to join the FATF? Political figures in the country have voiced their opinions both in support of and against this issue.

Sadeq Amoli Larijani, the head of the Expediency Council, commented on joining the FATF, stating: "Joining the FATF is a technical issue. If it comes to the council, we will examine it. However, it must be clarified how much benefit we will gain from accepting it." He added, "In a sanctions environment that has created numerous problems for Iranian traders, including in currency transfers, will the US lift its restrictions if we accept the FATF?"

Certainly, Larijani is not the first member of the council to raise concerns about the risks associated with this bill. Many members of this body have spoken out regarding the FATF and its drawbacks.

Saeed Jalili, a member of the

council, stated on January 1, "At the end of 2018, the then-government wrote a letter saying that if the FATF was not signed, we wouldn't even be able to pay the salaries for a month. If you do not define the subject and the scene correctly, your analysis will also be flawed. We need to look at the dimensions of these issues precisely and clarify them for discussion."

In Parliament, Amir Hossein Sabeti, a representative from Tehran, has invited the Minister of Economy Abdolnaser Hemmati to debate the FATF. Additionally, Vahid Ahmadi, a member of the National Security Commission of the parliament, remarked: "Some of our officials have repeatedly stated in previous years that we must comply with the FATF; it should be noted that we have adhered to 39 out of 41 of its requirements. The question is, what benefits have we gained

from complying with 39 FATF stipulations that some are now waiting for us to implement the remaining two?"

Mostafa Mir Salim, another member of the Expediency Council, has also stated, "If our joining this treaty leads to a setback for liberation movements, then naturally, joining these programs would not be correct. However, if everyone collaborates and acts against terrorism, and if these treaties are not used as tools to suppress those who are genuinely fighting against terrorism, the chances of success will increase. This is the main issue, and we must not fall into the US' trap."

Banking transactions pending decisions on FATF

Mostafa Hashemi Taba, a reformist politician, pointed to the positive aspects of relations with neighboring countries, identifying economic exchanges as the primary focus in this regard. In the Shargh newspaper, he writes that a look at Iran's neighbors reveals that the potential of these neighboring countries to enhance the level of trade is not particularly significant, especially at the level and extent required by Iran. This is particularly true given that banking transactions are stalled pending decisions regarding the FATF, and even a country like Iraq is using this as an excuse for not settling its debts to Iran.

The former minister of industries states, "We want to focus on the positive aspects of neighboring relations. The primary thought in this regard is economic exchanges that neighbors can easily carry out, as proximity has re-



Supporters of joining the FATF argue that it would enhance international credibility, provide access to global financial markets, prevent further sanctions, strengthen the domestic financial system, and promote international cooperation.

Conversely, opponents express concerns about the potential loss of financial and security independence, the complexity and costs associated with implementing the standards, pushbacks within the country, and adverse effects on relations with specific countries. They assert that these adverse effects could even lead to a decline in Iran's economic and political cooperation with some regional nations.

