

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

LOK SABHA

UNSTARRED QUESTION NO. 2649

TO BE ANSWERED ON MONDAY, 17TH MARCH 2025/PHALGUNA 26, 1946 (SAKA)

India's Rating in FATF

2649. Dr. K. Sudhakar

Will the Minister of FINANCE

be pleased to state:

- (a) the details of the country's rating in the last FATF review and the number of countries are sharing the same ranking;
- (b) the manner in which the country continuously engaged with FATF;
- (c) whether Financial Intelligence Unit (FIU) improved its dissemination abilities of STR's;
- (d) if so, the details thereof;
- (e) whether any details of FDI inflows in the country, if so, the details thereof;
- (f) whether there is any plans for privatisation or stake sale of banks or insurance companies, if so, the details thereof; and
- (g) the steps taken by the Government to regulate lending by micro finance companies and Non-Banking Financial Companies, if so, the details thereof?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a) Out of 40 recommendations, India received Compliant or Largely Compliant rating in 37 recommendations. It received partially compliant rating in 3 recommendations. None of the recommendations was rated as non-compliant.

Consequently, India was placed in 'regular follow up', which is the best possible rating by any country being assessed under FATF methodology. There are only three other G20 countries in FATF which have received this rating. This reflects India's strong position in AML/CFT regime among the leading global economies. A detailed note on this is in Annexure-I.

(b) India continuously engaged with FATF in the course of the Mutual Evaluation process. Over a two-year period, the Department of Revenue spearheaded India's engagement with FATF during the mutual evaluation. This success was driven by the exceptional efforts and invaluable contribution of a diverse, multi-disciplinary team comprising representatives from various ministries, the National Security Council Secretariat (NSCS), state authorities, the judiciary, financial sector regulators, self-regulatory organisations, financial institutions, and other businesses.

Even after the Mutual Evaluation, India remains committed to robust and risk-based AML/CFT controls and continuously engages with FATF. India is a member of the Steering Group. Other ways in which India continuously engages with FATF are detailed in Annexure-II.

(c) Yes.

(d) With FINnet 2.0, the upgraded IT system of becoming functional, the dissemination of cases based on STRs received from the Reporting Entities (Res) has increased significantly. FINnet 2.0 utilizes advanced analytics and provides end-to-end solution to all the information technology needs of FIU-India. FINnet 2.0 has gone live and its impact is evident from the data of the STRs disseminated in last 3 years :-

2022-23	2023-24	2024-25 (till Feb 2025)
80,546	1,14,199	4,36,287

FIU-IND also disseminates STRs in the form of Operational Analysis (OA) and Priority STRs, the details of which are as follows:

Year	No. of OA's shared	No. of Priority STRS shared
2021-22	62	1613
2022-23	202	2682
2023-24	139	2750

40% of Priority STRs shared have been found to be useful by the Law Enforcement Agencies (LEAs). As a result of intelligence shared by FIU-IND, the following has been achieved:-

- a) Assets attached worth of Rs 983.40 crores and Criminal proceeds identified for Rs 2763.30 crores.
- b) Undisclosed income detected for Rs 10,998 crores.
- c) Seizure of 461 kgs Narcotics/Psychotropic substances.
- d) Regulatory action by FIU on REs: 211 compliance orders with Rs 39.14 crores penalty levied.
- e) 184 arrests made in ML/TF and other predicate offences.

(e) India has received FDI inflows of USD 62,483 Million in FY 2024-25 till December 2024. For details of FDI inflows from FY 2000-01 to FY 2024-25, please refer to Annexure-III

(f) At present, IDBI Bank Ltd. ("IDBI Bank") is undergoing strategic disinvestment, wherein, Government of India (GoI) and LIC are respectively divesting 30.48% and 30.24% of equity, aggregating to 60.72% of the equity share capital of IDBI Bank, along with transfer of management control in the Bank.

In other Public Sector Banks and Insurance Companies which are listed, disinvestment through Minority Stake Sale is carried out through various SEBI-approved methods from time to time based on prevailing market conditions and investor interest subject to the condition that Gol retains 52% shareholding post disinvestment.

(g) The Reserve Bank of India (RBI), on March 14, 2022, has put in place a comprehensive regulatory framework for microfinance loans with the objective of addressing the concerns of over-indebtedness of low-income households, enabling the competitive forces to bring down the interest rates on microfinance loans, strengthening the customer protection measures and introducing activity-based regulation in the microfinance sector. The instructions include, among other things, a common definition of microfinance loans for all REs of RBI, cap on outflow due to repayment of loan obligations of a household as a percentage of the household income, no pre-payment penalty and no requirement of collateral for microfinance loans, etc.

RBI follows graded regulatory and supervisory structure to effectively regulate the NBFC sector. The Base Layer NBFCs are those which have lower perceived risk in view of lower asset size and interconnectedness. They are considered to be having lowest level of risk and hence are subject to light-touch regulations. NBFCs in Middle Layer are considered to be systemically significant and hence are subject to enhanced prudential regulations and detailed prudential, conduct and governance regulations viz., capital adequacy, exposure limits, corporate governance norms, etc. NBFCs in Upper Layer are subject to stringent bank-like regulations in terms of capital, large exposure framework, governance, disclosures & transparency, listing, etc. The supervisory efforts are also proportionately focused on larger NBFCs in Upper Layer and Middle Layer.

The regulatory prescriptions for NBFCs can be broadly classified into two categories viz., prudential regulations and business conduct regulations. As a macro-prudential regulator, RBI prescribes certain prudential regulations for NBFCs, which are listed in Annexure-IV.

India's rating in FATF

India's Mutual evaluation was conducted by FATF in 2024, assessing the country's compliance with FATF's 40 Recommendations and the effectiveness of its anti-money laundering and counter-terrorist financing (AML/CFT) framework across 11 Immediate Outcomes (IOs). India secured the best possible outcome by being placed under **Regular Follow-up**, indicating a strong and robust AML/CFT framework.

1. India's Ratings in Immediate Outcomes (IOs)

The effectiveness of India's AML/CFT framework was assessed based on 11 Immediate Outcomes, categorized as **High/Substantial Effectiveness (HE/SE)**, **Moderate Effectiveness (ME)**, or **Low Effectiveness (LE)**. India has been rated as Substantially Effective in **6**, Moderately Effective in **5** out of 11 measures of Effectiveness. It is to be noted that India has **Zero** Low Effectiveness ratings. India's ratings are as follows:

Immediate Outcome	Rating
IO.1 - Risk, policy, and coordination	SE
IO.2 - International cooperation	SE
IO.3 - Supervision	ME
IO.4 - Preventive measures	ME
IO.5 - Legal persons and arrangements	SE
IO.6 - Financial intelligence	SE
IO.7 - ML investigation & prosecution	ME
IO.8 - Confiscation	SE
IO.9 - TF investigation & prosecution	ME
IO.10 - TF preventive measures & financial sanctions	ME
IO.11 - PF financial sanctions	SE

2. India's Ratings in the 40 FATF Recommendations

FATF evaluates technical compliance with 40 Recommendations, rated as **Compliant (C)**, **Largely Compliant (LC)**, **Partially Compliant (PC)**, or **Non-Compliant (NC)**. India secured Compliant/Largely Compliant ratings on **37** out of 40 recommendations. It is to be noted that India has **Zero** Non-Compliant rating. India's ratings are summarized below:

Rating	Count
Compliant/ Largely Compliant (C/LC)	37
Partially Compliant (PC)	3
Non-Compliant (NC)	0

3. FATF Follow-up Categories and India's Status

FATF classifies evaluated jurisdictions into different follow-up categories based on their compliance. These are:

- **Regular Follow-up:** Countries demonstrating a strong AML/CFT framework with no major deficiencies. It is the **highest category** of rating by FATF of a Mutual Evaluation. They are required to report back to FATF on improvements through periodic updates. Requirements for Regular Follow up is as under:

Requirements for Regular follow up	India's MER Outcome
More than 32 C/LC out of 40 recommendations	India has received 37 C/LC out of 40 recommendations
3 or more C/LC out of 'Big 5 rec	India is C/LC on ALL 'Big 5 rec'
5 or more 'Substantially Effective/Highly Effective' ratings in IOs	India has received 6 'Substantially Effective/Highly Effective' ratings
No requirements on 'low level of effectiveness'	India has not received ' low level of effectiveness ' in any IO

- **Enhanced Follow-up:** Countries requiring closer monitoring due to moderate deficiencies. They are required to report back more frequently, typically on an annual basis, and demonstrate progress in addressing deficiencies.
- **Grey List:** Countries with strategic deficiencies needing significant improvements. These countries are subject to increased scrutiny and need to implement an action plan to strengthen their AML/CFT measures to avoid the risk of being placed on the blacklist.
- **Blacklist:** Countries with severe deficiencies posing threats to the global financial system. These jurisdictions have failed to address FATF's concerns and are subject to countermeasures, including restrictions on financial transactions and increased due diligence from international financial institutions.

India has been placed in the **Regular Follow-up** category, indicating that its AML/CFT framework is robust and aligned with international standards. Regular follow up is the best possible outcome of Mutual Evaluation.

4. Global Comparisons

As per the FATF Mutual Evaluation reports, **12** out of 38 member countries are in regular follow up category including India (Russia had received Regular follow up rating but its FATF membership has been suspended). **UK, France and Italy** are among the only G-20 countries which have been placed in this category apart from India. Even major G7 countries like USA, Canada, Germany, Japan etc. have been placed under Enhanced Follow up category. This reflects India's strong position among the leading global economies with a strong AML/CFT regime.

The manner in which the country continuously engaged with FATF

India maintains continuous and active engagement with FATF. India participates in all FATF working group meetings, contributing to policymaking and technical discussions. It is an active member of the **Asia/Pacific Group on Money Laundering (APG)** and the **Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG)**, both of which are FATF-style regional bodies (FSRBs).

2. Progress of grey list countries is reviewed in the Joint Group. India is an active member of Asia Pacific Joint Group (APJG), Europe/Eurasia Middle East Joint Group (EEMEJG). India's contributions extend beyond participation, as it regularly provides experts for FATF mutual evaluations and assessment processes. In an upcoming on-site visit of Africa Joint Group to Mali, India is also providing an expert as lead reviewer.

India plays a leadership role within FATF structures, with its Head of Delegation (HOD) serving as a member of the FATF Steering Group, which is responsible for high-level decision-making. Additionally, India serves as a co-lead in the Training Project Team, ensuring global AML/CFT capacity building and knowledge sharing. India also holds the co-chair position in the Risk Trends and Methods Group (RTMG), a working group responsible for identifying and analyzing emerging money laundering and terrorist financing risks worldwide. India has been involved in the work of various project teams including National Risk Assessment Project team, Asset Recovery Project team, Virtual Assets Project team, Online Child Sexual Exploitation Project team, Cyber enabled Fraud Project team etc.

India has further strengthened its engagement with FATF by hosting multiple FATF-related meetings, reinforcing its leadership role in the global AML/CFT community. The following table highlights the events hosted by India:

Event Name	Date	Location
Country training on Effectiveness of FATF recommendations by FATF/APG/EAG for Mutual Evaluation	14 th -16 th March, 2023	New Delhi
FATF Joint Experts Meeting (JEM)	3 rd – 6 th April, 2023	New Delhi
APJG Meeting	7 th – 8 th September, 2023	New Delhi
APG Annual Typologies & Capacity Building Workshop	28 th November – 1 st December, 2023	New Delhi
41 st EAG Plenary	25 th – 29 th November, 2024	Indore, MP

3. There are some upcoming events which will be hosted by India such as FATF Private Sector Collaboration Forum (PSCF) meeting which will take place in Mumbai from 25th to 27th March, 2025 and FATF Joint Assessors Training (JAT) which will take in New Delhi from 7th to 11th April 2025.

4. Beyond formal engagements, India's HOD actively interacts with FATF member jurisdictions during plenary meetings, fostering diplomatic relations and building a strong and positive reputation among the global AML/CFT community. India also ensures consistent communication with FATF through regular video conference (VC) meetings, further strengthening its ongoing coordination and cooperation. Furthermore, India extends its expertise and support to neighboring countries by providing capacity building and technical assistance, thereby advancing FATF's mandate and reinforcing regional AML/CFT frameworks.

FINANCIAL YEAR WISE TOTAL FDI INFLOW
April, 2000 to December, 2024

S. No.	Financial Year	Total FDI Inflow (in USD Million)
1	2000-01	4,029
2	2001-02	6,130
3	2002-03	5,035
4	2003-04	4,322
5	2004-05	6,051
6	2005-06	8,961
7	2006-07	22,826
8	2007-08	34,843
9	2008-09	41,873
10	2009-10	37,745
11	2010-11	34,847
12	2011-12	46,556
13	2012-13	34,298
14	2013-14	36,046
15	2014-15	45,148
16	2015-16	55,559
17	2016-17	60,220
18	2017-18	60,974
19	2018-19	62,001
20	2019-20	74,391
21	2020-21	81,973
22	2021-22	84,835
23	2022-23	71,355
24	2023-24	71,279
25	2024-25 (up-to December 24)	62,483

As a macro-prudential regulator, RBI prescribes the following major prudential regulations for NBFCs:

- Capital adequacy for credit risk (for all NBFCs), market risk (only for SPDs) and operational risk (not insisted) to ensure availability of requisite regulatory capital to ensure financial resilience of NBFCs,
- Income Recognition, Asset Classification and Provisioning (IRACP) norms to provide for stress in account. In case of NBFCs implementing Indian Accounting Standards, these norms act as prudential floor.
- Exposure norms (including large exposure framework for NBFC-UL) to address risks emanating from concentration of credit/ investment,
- Regulatory restrictions viz., Loan to Value prescriptions, etc., to ensure availability of adequate collateral for secured loans,
- Liquidity risk management framework to address ALM risks and LCR prescriptions under an extreme market meltdown scenario to ensure that NBFCs have requisite liquid assets to fulfil their committed obligations to customers, lenders and other stakeholders.

With respect to business conduct related aspects, RBI prescribes the following major conduct regulations for NBFCs:

- Know Your Customer/ Anti Money Laundering/ Countering Financial of Terrorism provisions as per the provisions of PMLA and Rules made thereunder,
- Corporate Governance norms viz., prior approval for change in control/ management, Board Committees, appointment of Chief Risk Officer, restrictions on exposures to directors/ relatives of directors, compensation framework, detailed disclosure norms, etc., to ensure the NBFCs function in the interests of stakeholders/ customers and management of NBFCs is not detrimental to public interest,
- Fair Practices Code to improve and fairness and transparency in operations of NBFCs for sustainable development of NBFC sector,
- Customer Protection initiatives viz., Grievance Redressal Mechanism, Ombudsman Scheme, customer awareness campaigns, etc., to improve fairness and transparency in operations of NBFCs and educating customers on financial aspects.
