

## Testwale Current Affairs PDF

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### **1. Myanmar joins North Korea and Iran in the Financial Action Task Force black listed countries ( Oct. 22, 2022 )**

Financial Action Task Force

The international Money laundering and terrorist financing watchdog Financial Action Task Force (FATF) has put **Myanmar** on the "black list" and has called on members to apply enhanced due diligence to business relations and transactions in Myanmar. Myanmar joins the ranks of Iran and North Korea who are already in the Black list of the FATF.

**Money laundering** is a process where the money generated through criminal activities like smuggling ,organised crime etc is integrated with the legal financial system so as to hide the origin of these money.

#### **FATF's Grey or Black list**

Countries which has weak anti -laundrying and anti-terrorist regulatory frameworks are put into **Grey list**. It basically warns the country to improve its anti-money laundering system.

#### **Black List**

Countries which refuse to act and refuse to take concrete steps to combat money laundering are put in High-Risk Jurisdictions subject to a Call for Action or black list. Currently Iran, North Korea and Myanmar are in the list.

#### **Implications for Myanmar**

It will become extremely difficult for Myanmar to secure loans from international financial institutions like International Monetary Fund, World Bank, Asian Development Banks.

Foreign investors and financial institutions will avoid dealing with Myanmar and its financial institutions like banks.

The cost of doing business with international customers will increase for Myanmar which will adversely affect its trade and investment.

[Credit rating agencies](#) will downgrade Myanmar's rating which will raise the cost of borrowing for Myanmar's companies and banks in the international market. It means they will have to pay very high interest rates to borrow money.

#### **FATF**

The Financial Action Task Force was set up in 1989 on the recommendation of the Group of 7 Countries.

Function of FATF

- The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog.
- The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society.
- The FATF reviews money laundering and terrorist financing techniques and continuously strengthens its standards to address new risks, such as the regulation of virtual assets.

- India's anti Money laundering law Prevention of Money Laundering Act (PMLA) 2002 is modelled on the standards of FATF.
- Total member countries of FATF is at present 39.
- India became a member in 2010.

Headquarters: **Paris, France**

President: **T Raja Kumar** (Singapore national)

## **2. RBI prohibits regulated entities from using Brickwork Rating services ( Oct. 13, 2022 )**

Reserve Bank of India has asked Banks and NBFC, [Credit Information Companies](#) and other financial entities regulated by it, to immediately stop obtaining any new ratings from Brickwork Ratings India.

Securities Exchange Board of India (SEBI) in its order dated 6 October 2022 had directed the [Brickwork Ratings India](#), to wind up its operation within 6 months after a number of deficiencies were found in its working by a joint team of RBI and SEBI .

**Credit Rating Agencies** are regulated by SEBI in India. Brickwork is one of the seven Sebi-registered credit rating agencies. The others are **CRISIL, CARE, ICRA, Fitch, Infomerics Ratings and Acuité Ratings & Research.**

### **What is a Credit Rating Agency?**

- Credit Rating agencies are financial companies which rate the **credit worthiness** of the government or the companies which want to raise capital from the market.
- Credit means loan and Credit worthiness means whether the borrower is capable of returning the loan on time or not and what is the level of risk involved.
- The Rating agency looks into the borrower's financial strength and weakness, the quality of its management, its field of business etc and then expresses its opinion .
- The credit rating agency expresses its opinion on the credit worthiness of the borrower by giving it ratings. Credit rating agencies typically assign letter grades to indicate ratings. Normally AAA is the highest possible rating for the borrower.
- It means that in the opinion of the credit rating agency the borrower's risk of default is very low and it will repay the loan on time.
- Greater the risk, lesser the rating. If the rating agency gives the borrower a **junk rating** then it means that the risk of default is highest.

### **Benefits of rating**

- The credit rating agency's rating helps the investor/lender in determining the level of risk involved in giving loans to the borrower.
- It also helps the borrowers as the rating affects the interest rates. If the borrower has been given the highest possible rating then the borrower will get loans at cheapest possible rates. As the rating declines the level of risk increases and so is the rate of interest.
- Companies which have been given junk ratings find it difficult to borrow money from the market and if anybody agrees to provide it loan then the rate of interest is very high.

