Financial
Intelligence Centre

ADVISORY: Financial Action Task Force statements on jurisdictions with strategic anti-money laundering and counter-terror financing deficiencies

October 2018 - The Financial Action Task Force (FATF) identifies jurisdictions that have strategic deficiencies in their measures against money laundering and terror financing.[1] The FATF advises on these jurisdictions in public statements in order to protect the international financial system from money laundering and terror financing risks and to encourage greater compliance with its international standards on combating money laundering and terror financing. The FATF published the latest such statement on its website on 19 October 2018. The full statement can be accessed at http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-october-2018.html.

Democratic People's Republic of Korea

The FATF remains concerned by the **Democratic People's Republic of Korea (DPRK)** failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threats they pose to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies. Further, the FATF has serious concerns with the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

The FATF reaffirms its 25 February 2011 call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions, and those acting on their behalf.

In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council (UNSC) Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD

[1] The FATF is the global standard setting body for measures against money laundering and the financing of terrorism. The 37 members of the FATF are: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, the European Commission, Finland, France, Germany, Greece, the Gulf Cooperation Council, Hong Kong, China, Iceland, India, Ireland, Italy, Japan, the Republic of Korea, Luxembourg, Malaysia, Mexico, the Kingdom of the Netherlands, New Zealand, Norway, Portugal, the Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America.

proliferation financing (ML/FT/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC Resolutions

The Financial Intelligence Centre (FIC) therefore advises accountable institutions that these deficiencies in respect of the DPRK expose institutions engaging with counterparts in the DPRK to the risk of involvement in transactions that may relate to money laundering, terrorist financing and the financing of WMD proliferation. With these risks in mind, accountable institutions are advised to apply enhanced due diligence to business relationships and transactions with entities in the DPRK and to terminate correspondent relationships with DPRK banks where this is required by relevant UNSC Resolutions.

Islamic Republic of Iran

In June 2016, the FATF welcomed Iran's high-level political commitment by the **Islamic Republic of Iran (Iran)** to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. Given that Iran provided that political commitment and the relevant steps it has taken, the FATF decided in June 2018 to continue the suspension of counter-measures.

In December 2017, Iran established a cash declaration regime. Since June 2018, Iran has enacted amendments to its Counter-Terrorist Financing Act and Parliament has passed amendments to its AML law and bills to ratify the Palermo and TF Conventions. The FATF notes the progress of the legislative efforts. As with any country, the FATF can only consider fully enacted legislation. Once the remaining legislation is fully in force, the FATF will review this alongside existing enacted legislation to determine whether the measures contained therein address Iran's Action Plan, in line with the FATF standards. Iran's action plan expired in January 2018.

In October 2018, the FATF noted that the following items are still not completed and Iran should fully address its remaining items, including:

(1) adequately criminalising terrorist financing, including by removing the exemption for designated groups "attempting to end foreign occupation, colonialism and racism"; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) ensuring the full independence of the Financial Intelligence Unit and requiring the submission of STRs for attempted transactions; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information; (8) establishing a broader range of penalties for violations of the ML offense; and (9) ensuring adequate legislation and procedures to provide for confiscation of property of corresponding value.

The FATF decided at its meeting on 19 October 2018 to continue the suspension of counter-measures. However, the FATF expresses its disappointment that the majority of the Action Plan remains outstanding and expects Iran to proceed swiftly in the reform path to ensure that it addresses all of the remaining items by completing and implementing the necessary AML/CFT reforms. By February 2019, the FATF expects Iran to have brought into force the necessary legislation in line with the FATF standards, or the FATF will take further steps to protect against the risks emanating from deficiencies in Iran's AML/CFT regime. The FATF also expects Iran to continue to progress with enabling regulations and other amendments.

Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

The FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence, including obtaining information on the reasons for intended transactions, to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19.

The FIC therefore advises accountable institutions to consider the risks identified by the FATF in relation to Iran when entering into business relationships, or conducting transactions with persons and entities in Iran and to apply enhanced due diligence in this regard, in particular where there may be an increased risk of terrorist financing.

The FATF's statement and this advisory do not imply that institutions are prohibited from engaging in transactions involving financial institutions domiciled in Iran, but when they do so they should ensure that the due diligence applied is commensurate with the risks posed by above-mentioned strategic deficiencies.

IMPROVING GLOBAL AML/CFT COMPLIANCE: ON-GOING PROCESS

In another public document, concerning the on-going process to improve global compliance with international standards on measures to combat money laundering and terror financing, also issued on 19 October 2018, the FATF updated the information relating to a number of jurisdictions that have strategic deficiencies in relation to these standards. These jurisdictions are **the Bahamas, Botswana, Ethiopia, Ghana, Pakistan, Serbia, Sri Lanka, Syria, Trinidad and Tobago, Tunisia** and **Yemen**.

The nature of these deficiencies differs among these jurisdictions. Each of these jurisdictions has developed an action plan to address these deficiencies, has indicated high-level political commitment to address them and has made greater or lesser progress towards finalising these actions.

In this document FATF also state that a large number of jurisdictions have not yet been reviewed by the FATF. The FATF continues to identify additional jurisdictions, on an on-going basis, that pose a risk to the international financial system.

The FATF and the FATF-style regional bodies will continue to work with the jurisdictions noted in this document and regularly report on the progress made in addressing the identified deficiencies.

The full document can be accessed at http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-october-2018.html.

Issued by the Financial intelligence Centre on 6 November 2018