

## **ADVISORY: FINANCIAL ACTION TASK FORCE STATEMENTS ON JURISDICTIONS WITH STRATEGIC ANTI-MONEY LAUNDERING AND COUNTER-TERROR FINANCING DEFICIENCIES - JUNE 2017**

The Financial Action Task Force (FATF) identifies jurisdictions that have strategic deficiencies in their measures against money laundering and terror financing 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.<sup>1</sup> The FATF advises on these jurisdictions by means of public statements which are updated and issued three times a year.

### **Democratic People's Republic of Korea**

In a public statement issued on 23 June 2017, the FATF draws attention to the risks emanating from the significant deficiencies in the systems to combat money laundering and terror financing in the **Democratic People's Republic of Korea (DPRK)** as well as to the serious concerns with 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 call on its members to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions, and to apply effective counter-measures and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions to protect their financial sectors from money laundering, terrorist financing and WMD proliferation financing risks emanating from the DPRK.

Financial institutions are advised that the deficiencies referred to in the FATF's statement in respect of the DPRK pose a serious threat to the integrity of the international financial system and expose financial 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

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<sup>1</sup> 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.

these risks in mind financial institutions should give special attention to business relationships and transactions with entities in the DPRK and should terminate correspondent relationships with DPRK banks where this is required by relevant UNSC Resolutions.

### **Islamic Republic of Iran**

In the same statement the FATF advises that in June 2016 it welcomed the high-level political commitment by the **Islamic Republic of Iran (Iran)** to address strategic deficiencies in its measures to combat money laundering and terrorist financing. At the time the FATF suspended its call on its members to apply effective counter-measures to protect their financial sectors from money laundering and terrorist financing risks emanating from Iran. In light of the fact that Iran has demonstrated its political commitment by taking steps toward addressing the relevant deficiencies, the FATF is continuing the suspension of the call for counter-measures.

The FATF's statement indicates that concern with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system will remain until Iran implements the measures required to address the relevant deficiencies. The FATF therefore reiterated its call on its members to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran.

Financial institutions are advised 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 does not imply that financial institutions should not engage 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 deficiencies in the measures to combat money laundering and terror financing.

The full public statement can be accessed at: <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2017.html>.

## IMPROVING GLOBAL AML/CFT COMPLIANCE: ON-GOING PROCESS

In a second 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 24 February 2017, the FATF updated the information relating to a number of jurisdictions which have strategic deficiencies in relation to these standards. These jurisdictions are: **Bosnia and Herzegovina, Ethiopia, Iraq, Syria, Uganda, Vanuatu** and **Yemen**. The nature of these deficiencies differs among these jurisdictions. Each of these jurisdictions has developed an action plan to address these deficiencies and has indicated high-level political commitment to address them.

In this statement the FATF also welcomes the progress in **Afghanistan** and **Lao PDR** which are no longer subject to the FATF's on-going global monitoring process.

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-june-2017.html>.