ADVISORY: FINANCIAL ACTION TASK FORCE STATEMENTS ON JURISDICTIONS WITH STRATEGIC ANTI-MONEY LAUNDERING AND COUNTER-TERROR FINANCING DEFICIENCIES - NOVEMBER 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.[1] The FATF advises on these jurisdictions by means of public statements which are published on its website.

Democratic People's Republic of Korea

In two statements issued on 3 November 2017, the FATF draws attention to the risks emanating from the significant deficiencies in the systems to combat money laundering and terror financing as well as to the serious concerns with threats posed by illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing in the **Democratic People's Republic of Korea (DPRK)**.

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

[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.

these risks in mind financial institutions are advised to apply enhanced due diligence 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

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. In light of Iran's demonstration of its political commitment the FATF, at the time, 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. The FATF decided in June 2017 to continue the suspension of counter-measures.

The FATF's statement indicates that it will assess progress made by Iran and take appropriate actions at its next meeting in February2018. The FATF's 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 statements can be accessed at: http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-november-2017.html and http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/statement-dprk-nov-2017.html.

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 3 November 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, Sri Lanka, Syria, Trinidad and Tobago, Tunisia, 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 **Uganda** which is 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-november-2017.html.