FINANCIAL ACTION TASK FORCE STATEMENTS ON THE ANTI-MONEY LAUNDERING AND COUNTER-TERROR FINANCING SYSTEMS OF CERTAIN JURISDICTIONS

On 25 February 2011 the Financial Action Task Force ("FATF") released a statement drawing attention to the risks emanating from strategic deficiencies in the systems to combat money laundering and terror financing in certain jurisdictions. The jurisdictions mentioned in this statement are the Islamic Republic of Iran (Iran) and the Democratic People's Republic of Korea (DPRK).

With respect to the Islamic Republic of Iran the FATF remains particularly concerned about Iran's failure to address the risk of terrorist financing and has reiterated its call on FATF members and other jurisdictions to apply effective counter-measures to protect their international financial sectors from these risks.

With respect to the DPRK the FATF expressed its concern at the DPRK's failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism regime. As a result the FATF called on its members and other jurisdictions to apply effective counter-measures to protect their financial sectors from money laundering and financing of terrorism risks emanating from the DPRK.

The deficiencies referred to in the FATF's statement pose a risk to the international financial system and exposes financial institutions engaging with counter-parts in Iran and the DPRK to the risk of involvement in transactions that may relate to money laundering or terror financing. Against this background financial institutions are advised to give special attention to business relationships and transactions with Iran and the DPRK, including companies and financial institutions based in those jurisdictions. Financial institutions should therefore strengthen systems and controls for managing their exposure to the vulnerabilities identified by the FATF and should ensure that correspondent relationships are not being used to evade risk mitigation practices. This does not imply that financial institutions should not engage in transactions involving financial institutions domiciled in Iran or the DPRK, 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, in particular, terror financing. The full statement can be accessed at http://www.fatf-gafi.org/document/11/0,3746,en_32250379_32236992_47221771_1_1_1_1,00.html.

In a separate statement, also issued on 25 February 2011, concerning the ongoing process to improve global compliance with international standards on measures to combat money laundering and terror financing, the FATF updated the information relating to a number of jurisdictions which have strategic deficiencies in relation to these standards. The nature of these deficiencies differs among these jurisdictions. Each of these jurisdictions has developed an action plan to address these deficiencies and indicated high-level political commitment to address them. In this respect the FATF indicates its concern that a number of jurisdictions have not made sufficient progress on their action plans. The full statement can be accessed at http://www.fatf-gafi.org/document/49/0,3746,en_32250379_32236992_47221809_1_1_1_1,00.html.

The FATF is an inter-governmental body whose purpose is the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. The 36 members of the FATF are: Argentina; Australia; Austria; Belgium; Brazil; Canada; China; Denmark; the European Commission; Finland; France; Germany; Greece; the Gulf Co-operation Council; Hong Kong, China; Iceland; India; Ireland; Italy; Japan; Luxembourg; Mexico; the Kingdom of the Netherlands; New Zealand; Norway; Portugal; the Republic of Korea; the Russian Federation; Singapore; South Africa; Spain; Sweden; Switzerland; Turkey; the United Kingdom; and the United States of America.