The Financial Action Task Force (FATF) identifies jurisdictions that have strategic deficiencies in their measures against money laundering and terror financing and works with them to address those deficiencies 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 two FATF public documents which are updated and issued three times a year.

In the FATF’s Public Statement, issued on 21 October 2016, the FATF draws attention to the risks emanating from deficiencies in the systems to combat money laundering and terror financing in the Democratic People’s Republic of Korea (DPRK) and the Islamic Republic of Iran (Iran):

With respect to the DPRK, the FATF remains concerned by the DPRK’s failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threat this poses to the integrity of the international financial system. Further, the FATF has serious concerns with the threat posed by DPRK’s illicit activities related to the proliferation of weapons of mass destruction (WMDs) and the financing thereof.

As a result of these concerns the FATF reaffirmed its call on its members and urged all jurisdictions 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 to protect their financial

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; Luxembourg; Malaysia; 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.
sectors from money laundering, terrorist financing and WMD proliferation financing risks emanating from the DPRK.

The deficiencies referred to in the FATF’s statement in respect of the DPRK pose a risk to the integrity of the international financial system and exposes 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 these risks in mind financial institutions are advised to give special attention to business relationships and transactions with entities in the DPRK and to terminate correspondent relationships with DPRK banks, where required by relevant UNSC Resolutions.

With respect to Iran, the FATF advised in June 2016 that it welcomes Iran’s high-level political commitment to address its strategic AML/CFT deficiencies. The FATF therefore has suspended its call on its members to apply effective counter-measures to protect their financial sectors from ML/FT risks emanating from Iran. The suspension will be in place for twelve months in order to monitor Iran’s progress in addressing its AML/CFT deficiencies.

The FATF nonetheless reiterated its call on its members and advice to all other jurisdictions 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.

In the 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 21 October 2016, the FATF updated the information relating to a number of jurisdictions which have strategic deficiencies in relation to these standards. These jurisdictions are: Afghanistan, Bosnia and Herzegovina, Iraq, Lao PDR, 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 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 (FSRBs) will continue to work with the jurisdictions noted in this document and regularly report on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. The FATF will closely monitor the implementation of these action plans and encourages its members to consider the information presented.

In this statement the FATF also welcomes the progress in Guyana which is no longer subject to the FATF’s on-going global AML/CFT compliance process.