financial intelligence centre

REPUBLIC OF SOUTH AFRICA

FINANCIAL ACTION TASK FORCE STATEMENTS ON JURISDICTIONS WITH STRATEGIC ANTI-MONEY LAUNDERING AND COUNTER-TERROR FINANCING DEFICIENCIES

The Financial Action Task Force ("FATF") is the global standard setting body for measures against money laundering, the financing of terrorism and, most recently, the financing of the proliferation of weapons of mass destruction. In order to protect the international financial system from money laundering and terror financing risks and to encourage greater compliance with these standards, the FATF identifies jurisdictions that have strategic deficiencies in their measures against money laundering and terror financing and works with them to address those deficiencies that pose a risk to the international financial system.

On 16 February 2012 the FATF released a public statement drawing attention to the risks emanating from deficiencies in the systems to combat money laundering and terror financing in a number of jurisdictions.

The FATF has again indicated that there are on-going and substantial money laundering and terror financing risks emanating from the **Islamic Republic of Iran** (Iran) and **the Democratic People's Republic of Korea** (DPRK).

With respect to Iran, the FATF indicated that it remains particularly concerned about Iran's failure to address the risk of terror financing and the serious threat this poses to the integrity of the international financial system, despite Iran's previous engagement with the FATF. The FATF has reiterated its call on FATF members and other jurisdictions to advise their financial institutions of these threats and to apply effective counter-measures to protect their financial sectors from these risks as well as to consider possible additional safeguards. The FATF has indicated that criminalising terror financing and effectively implementing suspicious transaction reporting requirements, in particular, are matters which Iran should address immediately and meaningfully.

With respect to the DPRK, the FATF indicated that it remains concerned by the DPRK's failure to address the significant deficiencies in its measures against money laundering and terror financing and the serious threat this poses to the integrity of the international financial system. The FATF has reiterated its call on FATF members and other jurisdictions to advise their financial institutions of these threats and to apply effective counter-measures to protect their financial sectors from these risks.

The deficiencies referred to in the FATF's statement in respect of Iran and the DPRK pose a risk to the integrity of 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 entities in 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, in particular, are not being used to evade risk mitigation practices.

In the same statement the FATF also indicated that a number of other jurisdictions have strategic deficiencies in their systems to combat money laundering and terror financing and have not made sufficient progress in addressing these. The jurisdictions in question are **Cuba, Bolivia, Ethiopia, Ghana, Indonesia, Kenya, Myanmar, Nigeria, Pakistan, São Tomé and Príncipe, Sri Lanka, Syria, Tanzania, Thailand and Turkey**. Financial institutions are advised to consider the risks arising from the deficiencies associated with these jurisdictions when entering into business relationships, or conducting transactions with persons and entities in these jurisdictions.

This does not imply that financial institutions should not engage in transactions involving financial institutions domiciled in any of the abovementioned jurisdictions, 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/18/0,3746,en_32250379_32236992_49694738_1_1_1_1,00.html

Improving Global Compliance with standards on money laundering and terror financing: On-going Process

In a separate statement, also issued on 16 February 2012, concerning the on-going 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 has indicated high-level political commitment to address them. However, the FATF indicated that a number of jurisdictions, namely **Ecuador, Philippines, Vietnam and Yemen** have not made sufficient progress in addressing these deficiencies. The FATF indicated that it will advise its members to consider the risks arising from the deficiencies associated with each of these jurisdictions if steps to address them are not taken expeditiously and within the proposed timeframes.

In the same statement the FATF indicated that it welcomes the significant progress made by **Honduras** and **Paraguay** in improving their measures against money laundering and terror financing. As a result of this progress Honduras and Paraguay are no longer subject to the FATF's monitoring process under its on-going global process to improve compliance with standards on money laundering and terror financing. These countries will work with the relevant FATF-Style Regional Body to address the full range of deficiencies in their measures against money laundering and terror financing, identified in their Mutual Evaluation Reports.

The full statement can be accessed at:

http://www.fatf-gafi.org/document/49/0,3746,en_32250379_32236992_49694961_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, terror financing (and most recently the financing of proliferation of weapons of mass destruction). 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.