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.

On 22 February 2013 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 and exceptionally concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system, despite Iran's previous engagement with the FATF and recent submission of information. The FATF reaffirms its call on its members and urges all jurisdictions to apply effective counter-measures to protect their financial sectors from money-laundering and terror financing (ML/TF) risks emanating from Iran. Jurisdictions are asked to consider the steps already taken and possible additional safeguards or strengthen existing ones. 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 apply effective counter-measures to protect their financial sectors from these money laundering and terror financing risks emanating from the DPRK.

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 counter-measures and risk mitigation practices and further, to take into account money laundering and terror financing risks when considering requests by Iran and DPRK financial institutions to open branches and subsidiaries in their jurisdiction.

The FATF's statement indicates further 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 those deficiencies or have not committed to an action plan developed with the FATF to address the deficiencies. The jurisdictions in question are **Ecuador, Ethiopia, Indonesia, Kenya, Myanmar, Nigeria, Pakistan, São Tomé and Príncipe, Syria, Tanzania, Turkey, Vietnam and Yemen**.

Financial institutions are advised to consider the risks arising from the deficiencies associated with all of the above-mentioned 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.

Since the FATF's October 2012 Public Statement in respect of Turkey, the developments have been that **Turkey** has taken significant steps towards improving its counter-terror financing regime, including by enacting a new law that addresses many of the shortcomings identified in Turkey's terrorist financing offence and creates the legal basis for the freezing of terrorist assets. As a result of this, the FATF has decided not to suspend Turkey's membership. In spite of this positive step, there still remain a number of on-going shortcomings in the Turkish counter-terrorist financing regime. Turkey must address these shortcomings in order to reach a satisfactory level of compliance with the FATF standards. Turkey has committed to addressing these deficiencies and will submit, prior to the next FATF meeting in June 2013, a report on how these deficiencies are being addressed.

The FATF has also indicated that **Bolivia**, **Sri Lanka** and **Thailand** are now identified in the FATF document, "Improving Global AML/CFT Compliance: On-going Process" due to their progress in largely addressing their action plans agreed upon with the FATF. **Cuba** has now provided the FATF a high-level political commitment to implement an action plan to address its AML/CFT deficiencies; consequently, Cuba is also moved to this document.

The full statement can be accessed at: FATF Public Statement on jurisdictions with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) deficiencies.

Improving Global Anti-Money Laundering and Combating Terror Financing Compliance: On-going Process

In a separate statement, also issued on 22 February 2013, 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.

In the same statement the FATF indicated that **Morocco** and **Tajikistan** are jurisdictions not making sufficient progress on their agreed action plans with the FATF. If these jurisdictions do not take sufficient action to implement significant components of their action plan by June 2013, then the FATF will identify these jurisdictions as being out of compliance with their agreed action plans and will take the additional step of calling upon its members to consider the risks arising from the deficiencies associated with the jurisdiction.

In the same statement the FATF indicated that it welcomes the significant progress made by **Ghana** and **Venezuela** in improving their measures against money laundering and terror financing. As a result of this progress, Ghana and Venezuela are no longer subject to the FATF's monitoring process under its on-going global process. Ghana and Venezuela will work with the relevant FATF-Style Regional Body to address the full range of deficiencies identified in its Mutual Evaluation Report to further strengthen its AML/CFT regime.

The full statement can be accessed at:

Improving Global AML/CFT Compliance: on-going process - Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF.

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.