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 19 October 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 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 ML/TF 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 risk mitigation practices and further, to take to take into account ML/TF risks when considering requests by Iran and DPRK financial institutions to open branches and subsidiaries in their jurisdiction.

In the same statement the FATF also indicated that **Turkey** has not made sufficient progress in addressing long outstanding deficiencies in its counter-terror financing regime. As a result of this continued failure the FATF has decided, as a counter-measure, to suspend Turkey's membership on 22 February 2013 unless Turkey adopts legislation to adequately remedy deficiencies in its terrorist financing offence and establishes an adequate legal framework for identifying and freezing terrorist assets consistent with the FATF Recommendations.

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 **Bolivia, Cuba, Ecuador, Ethiopia, Indonesia, Kenya, Myanmar, Nigeria, Pakistan, São Tomé and Príncipe, Sri Lanka, Syria, Tanzania, Thailand, 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.

The FATF has indicated that Kenya has taken significant steps towards improving its AML/CFT regime, but these laws are still to be assessed by the FATF.

In addition to referring to the risks associated with the above-mentioned jurisdictions the FATF also indicated that Ghana (which was previously listed in the FATF's Public Statements), has made progress in largely addressing its action plan and as a result will no longer be mentioned in its public statements on countries with strategic deficiencies that pose a risk to the international financial system.

The full statement can be accessed at:
http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/fatfpublicstatement-19october2012.html

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

In a separate statement, also issued on 19 October 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.

In the same statement the FATF indicated that it welcomes the significant progress made by Trinidad and Tobago in improving their measures against money laundering and terror financing. As a result of this progress, Trinidad and Tobago is no longer subject to the FATF's monitoring process under its on-going global process. Trinidad and Tobago 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:
http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/improvingglobalamlcftcomplianceon-goingprocess-19october2012.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.