financial intelligence centre

REPUBLIC OF SOUTH AFRICA

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

The Financial Action Task Force ("FATF") is the global standard setting body for anti-money laundering and combating the financing of terrorism (AML/CFT). In order to protect the international financial system from ML/FT risks and to encourage greater compliance with the AML/CFT standards, the FATF identifies jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

On 28 October 2011 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 terrorist 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 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. If Iran fails to take concrete steps to improve its CFT regime, the FATF will consider calling on its members and urging all jurisdictions to strengthen counter-measures in February 2012.

With respect to the DPRK, the FATF remains concerned by the DPRK's failure to address the significant deficiencies in its AML/CFT regime and the serious threat this poses to the integrity of the international financial system 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. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies.

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, in particular, are not being used to evade risk mitigation practices.

In the same statement the FATF also indicated that a number of 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, Kenya, Myanmar, Nigeria, São Tomé and Príncipe, Sri Lanka, Syria 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, financing of terrorism.

The full statement can be accessed at:

http://www.fatf-gafi.org/document/55/0,3746,en_32250379_32236992_48966519_1_1_1_1,00.html

In a separate statement, also issued on 28 October 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. However, the FATF indicated that a number of jurisdictions, namely Ghana, Indonesia, Pakistan, Tanzania and Thailand 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 which the Ukraine had made in improving its AML/CFT regime and noted that the Ukraine has largely met its commitments in its Action Plan regarding the strategic deficiencies which the FATF had identified in February 2010. The Ukraine is therefore no longer subject to the FATF's monitoring process and will work with the relevant FATF Style Regional Body as it continues to further strengthen its AML/CFT regime.

The full statement can be accessed at:

http://www.fatf-gafi.org/document/42/0,3746,en_32250379_32236992_48966698_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.