

# ADVISORY:

## Financial Action Task Force statements on jurisdictions with strategic anti- money laundering and counter-terror financing deficiencies – June 2018

The Financial Action Task Force (FATF) identifies jurisdictions that have strategic deficiencies in their measures against money laundering and terror financing.<sup>1</sup> The FATF advises on these jurisdictions in public statements 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. The FATF published the latest such statement on its website on 29 June 2018.

### Democratic People's Republic of Korea

The FATF continues to identify the **Democratic People's Republic of Korea (DPRK)** as a jurisdiction subject to a call on FATF members and other jurisdictions to apply counter-measures to protect the international financial system from ongoing and substantial money laundering and financing of terrorism risks. The FATF draws attention to significant deficiencies in the systems to combat money laundering and terror financing as well as to threats posed by illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing in the DPRK.

The FATF reaffirms its call on its members 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 and targeted financial sanctions in accordance with applicable United Nations Security

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<sup>1</sup> 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, the Republic of Korea, Luxembourg, Malaysia, Mexico, the Kingdom of the Netherlands, New Zealand, Norway, Portugal, the Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America.

Council Resolutions to protect their financial sectors from money laundering, terrorist financing and WMD proliferation financing risks emanating from the DPRK.

**The Financial Intelligence Centre (FIC) therefore advises** accountable institutions that these deficiencies in respect of the DPRK expose 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 accountable institutions are advised to apply enhanced due diligence to business relationships and transactions with entities in the DPRK and to terminate correspondent relationships with DPRK banks where this is required by relevant UNSC Resolutions.

## Islamic Republic of Iran

In June 2016, the FATF welcomed the high-level political commitment by the **Islamic Republic of Iran (Iran)** to address strategic deficiencies in its measures to combat money laundering and terrorist financing. In light of Iran's demonstration of its political commitment the FATF, at the time, suspended its call on its members to apply effective counter-measures to protect their financial sectors from money laundering and terrorist financing risks emanating from Iran.

The timelines for actions to address the above-mentioned strategic deficiencies have expired while a number of these actions still have to be completed. Some of these actions are subject to continued efforts of the Iranian government to finalise and pass amendments to its laws against money laundering and terrorist financing. The FATF therefore decided to continue the suspension of its call for counter-measures.

The FATF will remain concerned with the terrorist financing risk emanating from the above-mentioned strategic deficiencies until Iran implements the measures required to address them.

**The FIC therefore advises** accountable institutions 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 and this advisory do not imply that institutions are prohibited from engaging 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 above-mentioned strategic deficiencies.

The full statement can be accessed at <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2018.html>.

# IMPROVING GLOBAL AML/CFT COMPLIANCE: ON-GOING PROCESS

In another 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 29 June 2018, the FATF updated the information relating to a number of jurisdictions that have strategic deficiencies in relation to these standards. These jurisdictions are **Ethiopia, Pakistan, Serbia, Sri Lanka, Syria, Trinidad and Tobago, Tunisia** and **Yemen**.

The nature of these deficiencies differs among these jurisdictions. Each of these jurisdictions has developed an action plan to address these deficiencies, has indicated high-level political commitment to address them and has made greater or lesser progress towards finalising these actions.

In this statement the FATF also welcomes the progress in **Iraq and Vanuatu**, which are no longer subject to the FATF's on-going global monitoring process.

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 will continue to work with the jurisdictions noted in this document and regularly report on the progress made in addressing the identified deficiencies.

The full document can be accessed at <http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-june-2018.html>.

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