ADVISORY:
Financial Action Task Force public statement on high-risk jurisdictions that are subject to a call for action – October 2020

11 December 2020 - The Financial Action Task Force (FATF) identifies high-risk jurisdictions that have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation.

For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and in the most serious cases, countries are called upon to apply counter-measures to protect the international financial system from the ongoing money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the country.

The FATF published the latest such statement on its website on 21 February 2020. In October 2020 the FATF reiterated that its call for action on these high-risk jurisdictions remains in effect. The full statement of 21 February 2020 can be accessed at http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-february-2020.html.

Democratic People's Republic of Korea

The FATF remains concerned by the failure of the **Democratic People's Republic of Korea (DPRK)** to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threats they pose to the integrity of the international financial system.

The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies. Further, the FATF has serious concerns with the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMDs) and its financing.

The FATF reaffirms its 25 February 2011 call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions, and those acting on their behalf. In addition to enhanced scrutiny, the FATF further calls on its members and urges all jurisdictions to apply effective counter-measures, and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/TF/PF) risks emanating from the DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representative offices of DPRK banks within their territories and terminate correspondent relationships with DPRK banks, where required by relevant UNSC resolutions.

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 the proliferation of weapons of mass destruction. With these risks in mind, accountable institutions are advised to apply enhanced due diligence to business relationships and transactions with entities in the DPRK. The FIC also advises accountable institutions not to rely on third parties to provide information they require in conducting enhanced customer due diligence in this context.

In addition, the FIC advises accountable institutions and all businesses to enhance their ability to identify and report suspicious and unusual transactions or actions under section 29 of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001, the FIC Act), taking into account the abovementioned risks.

The FIC further advises accountable institutions to terminate correspondent relationships with DPRK financial institutions where this is required by relevant UNSC Resolutions.

The FIC reminds institutions of their targeted financial sanctions obligations pursuant to sections 26A to 26C of the FIC Act, in respect of the DPRK and draws attention to PCC 44, issued on 20 March 2020, for further guidance on the application of these sanctions. In particular, the FIC reiterates that the prohibitions relating to targeted financial sanctions are absolute and must be applied by all persons in respect of all sanctioned person and entities.

Islamic Republic of Iran

In June 2016 the **Islamic Republic of Iran (Iran)** started a process to address strategic deficiencies in its measures against money laundering and terrorist financing according to an agreed action plan. In February 2020, the FATF noted Iran has not completed the action plan.

In October 2019 the FATF called upon its members and urged all jurisdictions to: require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran; introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and require increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

The FATF lifted the suspension of countermeasures fully in February 2020, as Iran had failed to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards at the time, and called on its members and urged all jurisdictions to apply effective countermeasures to mitigate the risks emanating from the abovementioned deficiencies.

The FATF will maintain mention of Iran in its statement on high-risk jurisdictions that are subject to a call for action until the full action plan mentioned above has been completed. If Iran ratifies the Palermo and Terrorist Financing Conventions, in line with the FATF standards, the FATF will decide on next steps, including whether to suspend countermeasures.

Until Iran implements the measures required to address the deficiencies identified with respect to countering terrorism-financing in the Action Plan, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

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 (including those suggested by the FATF) in this regard, especially where there may be an increased risk of terrorist financing.

In this context the FIC advises accountable institutions to limit engagements in new business relationships or transactions with persons and entities in Iran to those where institutions are confident that they can manage the attendant money laundering and terrorist financing risks. The FIC also advises accountable institutions not to rely on third parties located in Iran to provide information they require in conducting customer due diligence.

In addition, the FIC advises accountable institutions and all businesses to enhance their ability to identify and report suspicious and unusual transactions or actions under section 29 of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001, the FIC Act), taking into account the abovementioned risks.

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 and that they are able to meet the reporting requirements of the FIC Act.

For more information on these and other matters relating to the work of the FATF please visit http://www.fatf-gafi.org/home/.

Issued by the Financial Intelligence Centre