



To: Financial Institutions
From: The Supervisory Authority
Dated: 20 August 2017

ADVISORY

on Jurisdictions identified with AML/CFT Deficiencies

TAKE NOTICE, this ADVISORY is issued pursuant to Regulation 6(1a) of the Money Laundering (Prevention) Regulations 2007¹, which sets out actions to be implemented and countermeasures to be taken relating to foreign jurisdictions with AML/CFT weaknesses that do not or insufficiently apply AML/CFT international standards².

FINANCIAL INSTITUTIONS are required to PAY ATTENTION to the following:

A. The “FATF Public Statement” dated 23 June 2017 relating to³:

I. Jurisdictions subject to a FATF call for countermeasures⁴.

Purpose: To protect the international financial system from ongoing and substantial money laundering and terrorist financing risks emanating from the jurisdiction:

- **DEMOCRATIC PEOPLE’S REPUBLIC OF KOREA (DPRK)**

DPRK has failed to address its significant AML/CFT deficiencies.

DPRK has been assessed as posing a serious threat with respect to proliferation of weapons of mass destruction (WMD) and its financing.

¹ Amended by section 7(6) of the Money Laundering (Prevention) (Amendment) Regulations 2009

² “6(1a) (1) [A financial institution] must pay special attention to business relationships and transactions with persons from or in countries which [the financial institution] knows or has reason to believe insufficiently apply international standards against money laundering or the financing of terrorism.

(2) If the Supervisory Authority notifies [a financial institution] that a country has weaknesses in its AML/CFT systems, then [the financial institution] must pay special attention to business relationships and transactions from or in that country.

(1b) Where transactions have no apparent economic or visible lawful purpose, [the financial institution] should examine as far as possible the background and purpose of such transactions, and written findings should be kept as a financial transaction document.

(1c) [A financial institution] should adhere to any countermeasures that the Supervisory Authority or the regulator advises should be implemented.”

³ See copy of the Public Statement attached.

⁴ Section 12B of the Prevention of Terrorism Act 2005 [amended by section 10 of the Prevention of Terrorism Act 2017] makes it an offence to be involved in or to finance the development of weapons of mass destruction.

Countermeasures: Financial institutions are to give special attention to business relations and transactions with the DPRK. This includes DPRK companies, financial institutions and those acting on its behalf. Financial institutions should have a clear understanding of the purpose of any transaction involving such entities and be clearly satisfied of its legitimacy.

Jurisdictions subject to a FATF call for Enhanced Due Diligence –

Purpose: To implement measures proportionate to the risks and ML/FT arising from the jurisdiction.

- **IRAN**

Countermeasures: suspended.

Iran remains a risk for the financing of terrorism, which poses a threat to the international financial system.

Financial institutions should apply enhanced due diligence to business relations and transactions with natural and legal persons from Iran.

II. Changes to the list

- none

Supervisory Authority guidance regarding jurisdictions listed in section A above — It is an offence in Antigua and Barbuda to engage in financial transactions related to the proliferation of WMD. Financial institutions should familiarize themselves from independent sources with red flags for transactions that may potentially be related to WMD pending further guidance from the Supervisory Authority. Red flags include transactions for ordinary parts that could be dual use, that is, useable for everyday purposes but also useable for the development or manufacture of WMD. For example, valves or other ordinary mechanical widgets whose specifications seem manufactured to excessively high standards and tolerances for their declared purpose.

B. The FATF Statement on Improving Global AML/CFT Compliance dated 23 June 2017⁵:

Purpose: To identify to financial institutions jurisdictions with AML/CFT deficiencies that are cooperating and are being monitored for progress in implementation of their Action Plan.

III. Jurisdictions identified by the FATF as having AML/CFT strategic deficiencies (see additional information in the FATF Advisory) –

- Bosnia Herzegovina
- Ethiopia
- Iraq
- Syria
- Uganda

⁵ See copy of statement on Improving Global AML/CFT Compliance attached.

IV. Changes to the list

Jurisdictions no longer subject to the FATF ongoing global AM/CFT compliance process:

- Afghanistan
- Lao PDR

C. The CFATF “PUBLIC STATEMENT”

V. Jurisdictions identified as having AML/CFT deficiencies and subject to the CFATF-ICRG process (a special oversight process that checks for compliance with key and core elements of the FATF Recommendations)

No update issued.

See Advisory issued by the Supervisory Authority on 7 June 2017.

VI. Changes to the list

- none



Lt. Col. Edward Croft
The Supervisory Authority
under the Money Laundering
(Prevention) Act 1996

Public Statement - 23 June 2017

Valencia, Spain, 23 June 2017- 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 money laundering and financing of terrorism (ML/FT) risks and to encourage greater compliance with the AML/CFT standards, the FATF identified jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

Jurisdictions subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing (ML/FT) risks emanating from the DPRK.

Democratic People's Republic of Korea (DPRK)

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime and the serious threat this poses to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address its AML/CFT deficiencies. Further, FATF has serious concerns with the threat posed by 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/FT/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.

Jurisdictions subject to a FATF call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction

Iran

In June 2016, the FATF welcomed Iran's high-level political commitment to address its strategic AML/CFT deficiencies, and its decision to seek technical assistance in the implementation of the Action Plan. In light of Iran's demonstration of its political commitment and the relevant steps it has taken in line with its Action Plan, the FATF has decided to continue the suspension of counter-measures. The FATF will keep monitoring progress in the implementation of the Action Plan and consider next steps.

Iran will remain on the FATF Public Statement until the full Action Plan has been completed. Until Iran implements the measures required to address the deficiencies identified 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 FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19. The FATF urges Iran to fully address its AML/CFT deficiencies, in particular those related to terrorist financing.

The FATF will continue to engage with Iran and closely monitor its progress.

Improving Global AML/CFT Compliance: On-going Process - 23 June 2017

Valencia, Spain, 23 June 2017 - As part of its on-going review of compliance with the AML/CFT standards, the FATF identifies the following jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. While the situations differ among each jurisdiction, each jurisdiction has provided a written high-level political commitment to address the identified deficiencies. The FATF welcomes these commitments.

A 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 (FSRBs) will continue to work with the jurisdictions noted below and to report on the progress made in addressing the identified deficiencies. The FATF calls on these jurisdictions to complete the implementation of action plans expeditiously and within the proposed timeframes. The FATF will closely monitor the implementation of these action plans and encourages its members to consider the information presented below.

Jurisdictions with strategic deficiencies	Jurisdictions no longer subject to the FATF's on-going global AML/CFT compliance process
Bosnia and Herzegovina Ethiopia Iraq Syria Uganda Vanuatu Yemen	Afghanistan Lao PDR

Bosnia and Herzegovina

In June 2015, Bosnia and Herzegovina made a high-level political commitment to work with the FATF and MONEYVAL to address its strategic AML/CFT deficiencies. Since February 2017, Bosnia and Herzegovina adopted several laws, including amendments to the criminal codes and amendments to financial sector laws. The FATF will need to review the final versions of these laws to determine the extent to which they address certain deficiencies, including: (1) harmonising criminalisation of terrorist financing and money laundering in the remaining criminal code; (2) establishing adequate procedures for the confiscation of assets; and (3) establishing an adequate supervisory framework. Bosnia and Herzegovina will also need to continue progress in implementing adequate and appropriate measures for the non-profit sector and cross-border currency controls. The FATF encourages Bosnia and Herzegovina to continue implementing its action plan to address its AML/CFT deficiencies.

Ethiopia

In February 2017, Ethiopia made a high-level political commitment to work with the FATF and ESAAMLG to strengthen its effectiveness and address any related technical deficiencies. Ethiopia has begun working to implement its action plan, which includes: (1) implementing the results of its national risk assessment; (2) fully integrating designated non-financial businesses and professions into its AML/CFT regime; (3) ensuring that the proceeds and instrumentalities of crime are confiscated; (4) consistently implementing terrorism-related targeted financial sanctions and proportionately regulating non-profit organizations in line with a risk-based

approach; and (5) establishing and implementing WMD-related targeted financial sanctions. The FATF encourages Ethiopia to continue implementing its action plan to address its AML/CFT deficiencies.

Iraq

In October 2013, Iraq made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies. Since February 2017, Iraq has taken steps towards improving its AML/CFT regime. Iraq should continue to implement its action plan to address its remaining deficiencies, including by: (1) continuing to implement its legal framework and related procedures for identifying and freezing terrorist assets; (2) ensuring that all financial institutions are subject to adequate customer due diligence requirements; (3) ensuring that all financial institutions are subject to adequate suspicious transaction reporting requirements; and (4) establishing and implementing an adequate AML/CFT supervisory and oversight programme for all financial institutions. The FATF encourages Iraq to continue implementing its action plan to address its remaining AML/CFT deficiencies.

Syria

Since February 2010, when Syria made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Syria has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Syria had substantially addressed its action plan at a technical level, including by criminalising terrorist financing and establishing procedures for freezing terrorist assets. While the FATF determined that Syria has completed its action plan agreed upon with the FATF, due to the security situation, the FATF has been unable to conduct an on-site visit to assess whether the process of implementing the required reforms and actions is underway. The FATF will continue to monitor the situation, and will conduct an on-site visit at the earliest possible date.

Uganda

Since February 2014, when Uganda made a high-level political commitment to work with the FATF and ESAAMLG to address its strategic AML/CFT deficiencies, Uganda has substantially addressed its action plan at a technical level, including by: (1) adequately criminalising terrorist financing; (2) establishing adequate procedures for freezing terrorist assets in accordance with UNSCRs 1267 and 1373, and their successor resolutions; (3) ensuring that all financial institutions are subject to adequate record-keeping requirements; (4) establishing a fully operational and effectively functioning financial intelligence unit; (5) introducing an appropriate legal basis to permit the competent authorities to provide a wide range of mutual legal assistance; and (6) ensuring that appropriate laws and procedures are in place with regard to international co-operation for the financial intelligence unit and supervisory authorities. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

Vanuatu

In February 2016, Vanuatu made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies. Since February 2017, Vanuatu has taken steps towards improving its AML/CFT regime, including by the passage and entry into force of 12 amendment acts and introducing one new act related to targeted financial sanctions. The FATF will need to review the final versions of these laws. Vanuatu should continue to work on implementing its action plan to address its deficiencies, including by: (1) assessing and responding to offshore terrorist financing risks; (2) adequately criminalising money laundering and terrorist financing; (3) establishing and implementing adequate procedures for the confiscation of assets related to money laundering; (4) establishing and implementing an adequate legal framework for identifying, tracing and freezing terrorist assets and other UNSCR sanctions; (5) ensuring a fully operational and effectively functioning financial intelligence unit; (6) strengthening preventive measures, including for wire transfers; (7) establishing transparency for the financial sector, and for legal persons and arrangements; (8) implementing a risk-based AML/CFT supervisory and oversight programme for all the financial sector and trust and company service providers; and (9) establishing appropriate channels for international co-operation and domestic

coordination policies and actions on identified risks and ensuring effective implementation. The FATF encourages Vanuatu to continue implementing its action plan to address its AML/CFT deficiencies.

Yemen

Since February 2010, when Yemen made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Yemen has made progress to improve its AML/CFT regime. In June 2014, the FATF determined that Yemen had substantially addressed its action plan at a technical level, including by adequately criminalising money laundering and terrorist financing; establishing procedures to identify and freeze terrorist assets; improving its customer due diligence and suspicious transaction reporting requirements; issuing guidance; developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the financial intelligence unit; and establishing a fully operational and effectively functioning FIU. While the FATF determined that Yemen has completed its action plan agreed upon with the FATF, due to the security situation, the FATF has been unable to conduct an on-site visit to assess whether the process of implementing the required reforms and actions is underway. The FATF will continue to monitor the situation, and conduct an on-site visit at the earliest possible date.

Jurisdictions No Longer Subject to the FATF's On-Going Global AML/CFT Compliance Process

Afghanistan

The FATF welcomes Afghanistan's significant progress in improving its AML/CFT regime and notes that Afghanistan has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in June 2012. Afghanistan is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Afghanistan will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report, in particular, fully implementing the cross-border regulations at its official land border crossing points.

Lao PDR

The FATF welcomes Lao PDR's significant progress in improving its AML/CFT regime and notes that Lao PDR has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in January 2015. Lao PDR is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Lao PDR will work with APG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.