ADVISORY:
Financial Action Task Force public statement on jurisdictions with strategic anti-money laundering and counter-terror financing deficiencies – October 2019

The Financial Action Task Force (FATF) identifies jurisdictions that have strategic deficiencies in their measures against money laundering and terrorist financing. 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 Financial Intelligence Centre (FIC) advises accountable institutions to take the public statements of the FATF into account when determining the factors relating to geographic areas that may be indicative of money laundering and terrorist financing risks.

The FATF published the latest such statement on its website on 18 October 2019. The full statement can be accessed at http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statement-october-2019.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 regime to combat money laundering and the financing of terrorism and the proliferation of weapons of mass destruction, and the serious threats they pose to the integrity of the international financial system. The FATF urges the DPRK to immediately and meaningfully address these deficiencies. The FATF has serious concerns, in particular, with the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction 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 risks associated with money laundering and the financing of terrorism and the proliferation of weapons of mass destruction, 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 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 and to terminate correspondent relationships with DPRK banks where this is required by relevant UNSC Resolutions.

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. Completion of the actions that were required to remedy these deficiencies would lead to an end to the FATF's monitoring of Iran. Following Iran's expression of a high-level commitment to this process, the FATF suspended its call for counter-measures to protect the financial system from money-laundering and terror financing risks emanating from Iran.

In November 2017, Iran established a cash declaration regime. In August 2018, Iran has enacted amendments to its Counter-Terrorist Financing Act and in January 2019, Iran has also enacted amendments to its Anti-Money Laundering Act. The FATF recognises the progress of these legislative efforts. The bills to ratify the Palermo and Terrorist Financing Conventions have passed Parliament, but are not yet in force. As with any country, the FATF can only consider fully enacted legislation. Once the remaining legislation comes fully into force, the FATF will review this alongside the enacted legislation to determine whether the measures contained therein address Iran's Action Plan, in line with the FATF standards.

However, the timelines for actions to address all strategic deficiencies expired in January 2018 while there are still items not completed. Some of these actions relate to the adequate criminalisation of terrorist financing, identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions, ensuring an adequate and enforceable customer due diligence regime, clarifying that the submission of STRs for attempted TF-related transactions are covered under Iran's legal framework, demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers, ratifying and implementing the Palermo and Terrorist Financing Conventions and ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information.

The FATF recognises that Iran has recently adopted an AML-CFT bylaw, which the FATF has not yet reviewed.

The FATF in June 2019 called upon its members and urged all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran. The FATF has now added to this a call to introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions and to require increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

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 particular the FIC advises accountable institutions and all businesses to enhance their reporting mechanisms so as to take account of the abovementioned risks with a view to identifying transactions or actions that may be reportable under section 29 of the Financial Intelligence Centre Act, 2001 (Act 38 of 2001, the FIC Act).

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/.

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