



CENTRALE BANK VAN ARUBA

July 14, 2020

To the Managements of all regulated financial institutions
and designated non-financial service providers

VMI/lcw/2.46//INT/8834

Subject: **FATF Public Statement on High-Risk Jurisdictions subject to a Call for Action / FATF Public Statement on Jurisdictions under Increased Monitoring**

Dear Management,

The purpose of this letter is to draw your urgent attention to:

- a. FATF Public Statement on High-Risk Jurisdictions subject to a Call for Action (June 30, 2020) (previously called "Public Statement") – enclosure 1

With regard to the **Democratic People's Republic of Korea** and **Iran**, 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 risks emanating from these countries.

- b. FATF Public Statement on Jurisdictions under Increased Monitoring (June 30, 2020) (previously called "Improving Global AML/CFT Compliance: On-going process") – enclosure 2

The FATF has identified **Albania, The Bahamas, Barbados, Botswana, Cambodia, Ghana, Jamaica, Mauritius, Myanmar, Nicaragua, Pakistan, Panama, Syria, Uganda, Yemen and Zimbabwe** as jurisdictions that have strategic AML/CFT deficiencies. The information included in enclosure 2 must be included in your risk analysis when conducting transactions with persons or companies established in these jurisdictions.

REQUIRED ACTIONS

The Centrale Bank van Aruba requires all regulated entities and designated non-financial service providers to take duly notice of the information contained in the enclosures, as well as of the required follow-up actions that need to be taken.

Further details and the actions you must take are outlined in enclosure 3. The relevant regulatory framework is enclosed for your convenience (enclosure 4).

If you have any questions or comments regarding this letter, please contact Ms. Vasilena Ivanova, Policy Officer of the Integrity Supervision Department at telephone number (297) 5252-113 or by email, v.ivanova@cbaruba.org.

Sincerely yours,

Centrale Bank van Aruba

Enclosures: 4

c.c. Head of the Financial Intelligence Unit

Enclosure 1

High-Risk Jurisdictions subject to a Call for Action – 30 June 2020

 Send  Print  Tweet

High-risk jurisdictions 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. This list is often externally referred to as the “black list”.

On 28 April 2020, the FATF decided on a general pause in the review process for the list of high-risk jurisdictions subject to a call for action. Therefore, please refer to the list of High-Risk Jurisdictions subject to a Call for Action adopted in February 2020. While the statement may not necessarily reflect the most recent status in **Iran** and the **Democratic People's Republic of Korea's** AML/CFT regime, the FATF's call for action on these high-risk jurisdictions remains in effect.

- [High-Risk Jurisdictions subject to a Call for Action – 21 February 2020](#)
- [FATF extends its assessment and follow-up deadlines in response to COVID-19](#)

More on:

- [Jurisdictions under Increased Monitoring](#)
- [Outcomes FATF Plenary Paris, 24 June 2020](#)

[← High-risk and other monitored jurisdictions](#)

Jurisdictions under Increased Monitoring – 30 June 2020

 Send  Print  Tweet

Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring. This list is often externally referred to as the 'grey list'.

The FATF and FATF-style regional bodies (FSRBs) continue to work with the jurisdictions noted below and to report on the progress made in addressing the identified strategic deficiencies. The FATF calls on these jurisdictions to complete their agreed action plans expeditiously and within the proposed timeframes. The FATF welcomes their commitment and will closely monitor their progress. The FATF does not call for the application of enhanced due diligence to be applied to these jurisdictions, but encourages its members to take into account the information presented below in their risk analysis.

The FATF continues to identify additional jurisdictions, on an on-going basis, that have strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. A number of jurisdictions have not yet been reviewed by the FATF and FSRBs.

On 28 April, the FATF decided on a general pause in the review process for the list of jurisdictions under increased monitoring,

- [FATF extends its assessment and follow-up deadlines in response to COVID-19](#) (28 April 2020)

The FATF granted jurisdictions an additional four months for deadlines, with the exception of Mongolia and Iceland who requested to continue on their original schedule. As a result, the FATF reviewed and virtually met with only these jurisdictions and the result of these discussions is noted below.

Iceland

In October 2019, Iceland made a high-level political commitment to work with the FATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. At its June 2020 Plenary, the FATF made the initial determination that Iceland has substantially completed its action plan and warrants an on-site assessment to verify that the implementation of Iceland's AML/CFT reforms has begun and is being sustained, and that the necessary political commitment remains in place to sustain implementation in the future. Specifically, Iceland has made the following key reforms: (1) ensuring the access to accurate basic and beneficial ownership information for legal persons by competent authorities in a timely manner; (2) introducing an automated system for STR filing and enhancing the FIU's capacity in its strategic and operational analysis; (3) ensuring implementation of TFS requirements among FIs and DNFBPs through effective supervision; and (4) enabling effective oversight and monitoring of NPOs with adequate resources and in line with the identified TF risks. The FATF will continue to monitor the COVID-19 situation and conduct an on-site visit at the earliest possible date.

Mongolia

In October 2019, Mongolia made a high-level political commitment to work with the FATF and APG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. At its June 2020 Plenary, the FATF made the initial determination that Mongolia has substantially completed its action plan and warrants an on-site assessment to verify that the implementation of Mongolia's AML/CFT reforms has begun and is being sustained, and that the necessary political commitment remains in place to sustain implementation in the future. Specifically, Mongolia has made the following key reforms: (1) improving sectoral ML/TF risk understanding by DNFBP supervisors, applying a risk-based approach to supervision and applying proportionate and dissuasive sanctions for breaches of AML/CFT obligations; (2) demonstrating increased investigations and prosecutions of different types of ML activity in line with identified risks; (3) demonstrating further seizure and confiscation of falsely/non-declared currency and applying effective, proportionate and dissuasive sanctions; (4) demonstrating cooperation and coordination between authorities to prevent sanctions evasion; and (5) monitoring compliance by FIs and DNFBPs with their PF-related TFS obligations, including the application of proportionate and dissuasive sanctions. The FATF will continue to monitor the COVID-19 situation and conduct an on-site visit at the earliest possible date.

The statement on Jurisdictions under Increased Monitoring, adopted in February 2020 remains in effect for the remaining jurisdictions identified at that time:

- Albania
- The Bahamas
- Barbados
- Botswana
- Cambodia
- Ghana
- Jamaica
- Mauritius
- Myanmar
- Nicaragua
- Pakistan
- Panama
- Syria
- Uganda
- Yemen
- Zimbabwe

Please refer to the statement issued in February 2020 for details concerning each of these jurisdictions. However, please be advised that the statement may not necessarily reflect the most recent status in the jurisdiction's AML/CFT regime.

ENCLOSURE 3: FATF Public Statements (June 30, 2020)

The FATF Public Statement on High-Risk Jurisdictions subject to a Call for Action dated June 30, 2020 (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-june-2020.html>) and the FATF Public Statement on Jurisdictions under Increased Monitoring dated June 30, 2020 (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2020.html>) relate to FATF Recommendation 19 and articles 11 and 13 of the AML/CFT State Ordinance in that they identify countries that fall into the following two categories:

A. FATF Public Statement on High-Risk Jurisdictions subject to a Call for Action**Category One**

Into this category falls the **Democratic People's Republic of Korea (DPRK)**. The FATF reaffirms its call on its members and urges all jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with DPRK, including DPRK¹ companies and financial institutions, and those acting on their behalf. In addition to enhanced scrutiny, the FATF 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 DPRK. Jurisdictions should take necessary measures to close existing branches, subsidiaries and representatives offices of DPRK banks within their territories and terminate correspondent relations with DPRK banks, where required by relevant UNSC resolutions.

Category Two

Into this category falls **Iran**. The FATF 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.

B. FATF Public Statement on Jurisdictions under Increased Monitoring**Category Three**

Into this category fall **Albania, The Bahamas, Barbados, Botswana, Cambodia, Ghana, Jamaica, Mauritius, Myanmar, Nicaragua, Pakistan, Panama, Syria, Uganda, Yemen and Zimbabwe**. This FATF Statement outlines the specific areas of weaknesses and requests member jurisdictions to consider the information in the document.

C. Required Action

The purpose of this letter is to ensure that senior management of all regulated entities and designated non-financial service providers is informed of these important issues and to request that it emphasizes the importance of this communication to its compliance officer and inform its management team of the risks associated with business involving these jurisdictions.

In addition to this important awareness raising, the CBA requires that **all regulated entities take the following specific actions** with regard to the following two categories of FATF listed countries:

¹ Please note that with regard to DPRK, the FATF reaffirms its February 25, 2011 call on its members and urges to advise their financial institutions to give special attention to business relationships and transactions with DPRK companies and financial institutions.

Category One Action – the CBA requires all regulated entities and designated non-financial service providers to:

- a) Conduct review of their client base on an ongoing basis to identify relationships or transactions with any connection to the Category One countries.
- b) Report such relationships or transactions to the CBA immediately.**
- c) Any relationship or transaction found must be rated ultra-high risk and may only be continued if the regulated entity is satisfied it can monitor and mitigate the risks associated with such business. If the regulated entity is not satisfied the relationship must be exited.
- d) Document its risk assessment and monitoring/mitigation strategy and have this document available should the CBA wish to evaluate it.
- e) Record the progress of compliance with this action (or otherwise) in the board minutes.

All regulated entities and designated non-financial service providers are required to strictly comply with aforementioned instructions. The CBA will verify during the supervisory examinations whether this is done. Note in this respect that non-compliance will be treated very seriously.

Category Two Action – the CBA requires all regulated entities and designated non-financial service providers to:

- a) **Review their client base to identify relationships or transactions with any connection to the Category Two country by August 10, 2020.**
- b) Any relationship or transaction found must be rated at least high risk, taking this new or other information held into account.
- c) Document its risk assessment and monitoring/mitigation strategy and have the document available should the CBA wish to evaluate it.
- d) Record the progress of compliance with this action (or otherwise) in the board minutes.

DEADLINE: Please conclude the review of your client base by August 10, 2020. It is not necessary to send the results of your findings to the CBA. However, supervisory examinations by the CBA are likely to check that the work has been carried out within the stipulated time-frame. Non-compliance will be treated seriously.

Category Three Action – the CBA requires all regulated entities to:

- a) Review their client base to identify relationships or transactions with any connection to the Category Three countries by September 7, 2020.
- b) Re-evaluate its risk assessment of the relationship taking this new and any other information held into account.
- c) Document its risk assessment and monitoring/mitigation strategy and have the document available should the CBA wish to evaluate it.
- d) Record the progress of compliance with this action (or otherwise) in the board minutes.

DEADLINE: Please conclude the review of your client base by September 7, 2020. It is not necessary to send the results of your findings to the CBA. However, supervisory examinations by the CBA are likely to check that the work has been carried out within the stipulated time-frame. Non-compliance will be treated seriously.

ENCLOSURE 4: Regulatory framework

Pursuant to Article 11 of the AML/CFT State Ordinance, financial and trust service providers must perform enhanced customer due diligence, if and when a business relationship or a transaction by its nature entails a higher risk of money laundering or terrorist financing. The enhanced customer due diligence shall be carried out both prior to the business relation or the transaction, as during the business relationship in any case with natural persons, legal persons, trusts, and comparable entities that originate from countries or jurisdictions which do not or insufficiently apply the internationally accepted standards for the prevention and combating of money laundering and terrorist financing.

Pursuant to Article 13, paragraph 1, subsection a, of the AML/CFT State Ordinance, financial and trust service providers must pay special attention to business relationships and transactions with natural persons, legal persons and trusts originating from countries or jurisdictions that do not, or insufficiently comply with the internationally accepted AML/CFT standards.

According to Article 13, paragraph 2, of the AML/CFT State Ordinance if a financial or trust service provider can reasonably suspect that, amongst others, a transaction with a natural person, legal person or trust originating from a country or jurisdiction as meant in the first paragraph, does not have an apparent economic or legal purpose, it must investigate the background and the purpose of this transaction and record its findings in writing. These findings must be kept for at least ten years pursuant to Article 13, paragraph 3, of the AML/CFT State Ordinance.

Article 13 of the AML/CFT State Ordinance is related to Recommendation 19 of the Financial Action Task Force (FATF)² which states:

“Financial institutions should be required to apply enhanced due diligence measures to business relationships and transactions with natural and legal persons, and financial institutions, from countries for which this is called for by the FATF. The type of enhanced due diligence measures applied should be effective and proportionate to the risks. Countries should be able to apply appropriate countermeasures when called upon to do so by the FATF. Countries should also be able to apply countermeasures independently of any call by the FATF to do so. Such countermeasures should be effective and proportionate to the risks”.

Furthermore, pursuant to chapter 5, section 5.3, subsection 5.3.2 of the AML/CFT Handbook, it is a regulatory requirement that a financial and trust service provider must treat countries and jurisdictions listed in the FATF statements (circulated by the CBA), which highlight jurisdictions which do not or insufficiently, apply the FATF Recommendations or which are the subject of international countermeasures, as countries and jurisdictions that do not or insufficiently apply the internationally accepted AML/CFT standards.

Pursuant to chapter 6, section 6.1, subsection 6.1.2, of the AML/CFT Handbook, it is a regulatory requirement that a financial and trust service provider must, as part of its ongoing customer due diligence (CDD) procedures, establish appropriate customer activity and transaction monitoring procedures that scrutinize the activity and transactions of its customers. The monitoring procedures must include those, amongst others, which provide for the identification and scrutiny of business relationships and

² FATF (2012-2019), *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation* (“FATF Recommendations”), FATF, Paris, France (updated June 2019), available at: www.fatf-gafi.org/recommendations.html.

transactions connected with jurisdictions which do not or insufficiently comply with the international AML/CFT standards, including but not limited to the FATF Recommendations.

Pursuant to chapter 8, section 8.1, subsection 8.1.2, of the AML/CFT Handbook, it is a regulatory requirement that a financial and trust service provider must keep adequate and orderly records containing the findings of reviews of activity and transactions connected with jurisdictions which do not, or insufficiently, apply the FATF Recommendations for a period of at least ten years from the date the business relationship ends, or, if in relation to an occasional transaction, for at least ten years from the date that the transaction was completed.