



CENTRALE BANK VAN ARUBA

ONLY VIA E-MAIL

July 10, 2024

To the Managements of all regulated financial institutions
and designated non-financial businesses and professions supervised by the CBA

VMI/lcw/2.4/2.46/INT/12260

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

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 of June 2024 (enclosure 1)

In relation 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 with respect to these countries. Given the heightened proliferation financing risks, countries are called upon to apply countermeasures on these high-risk jurisdictions to protect the international financial system.

Furthermore, in view of the continued lack of progress and the majority of its action items still not addressed, **Myanmar** remains on the FATF's list of countries subject to a call for action until its full action plan is completed. The FATF calls on all members and other jurisdictions to apply enhanced due diligence measures proportionate to the risk arising from the jurisdiction in relation to business relations and transactions with Myanmar by ensuring that the flows of funds for humanitarian assistance, legitimate non-profit organization's activity and remittances are not disturbed.

- b. FATF Public Statement on Jurisdictions under Increased Monitoring of June 2024 (enclosure 2)

The FATF has identified **Bulgaria, Burkina Faso, Cameroon, Croatia, the Democratic Republic of Congo, Haiti, Kenya, Mali, Monaco*,¹ **Mozambique, Namibia, Nigeria, Philippines, Senegal, South Africa, South Sudan, Syria, Tanzania, Venezuela*,² **Vietnam, and Yemen** as jurisdictions that have strategic AML/CFT deficiencies. The information included in enclosure 4 must be included in your risk analysis when conducting transactions with persons or companies established in these jurisdictions.****

For the sake of completeness, note that **Jamaica** and **Turkey** have been removed from FATF's list of jurisdictions under increased monitoring due to their significant progress in addressing the strategic AML/CFT deficiencies previously identified during their mutual evaluations.

¹ Following FATF's review, Monaco and Venezuela (underlined and marked with '**') have been added to the FATF's list of jurisdictions under increased monitoring.

² *Ibid.*

c. FATF Public Statements on the Russian Federation of February 23, 2024, and February 24, 2023 (enclosure 3)

As a suspended member of the FATF due to the Russian Federation's unprovoked war against Ukraine, the Russian Federation remains accountable for its obligation to implement the FATF Standards. The FATF recalls its statement of February 24, 2023. The FATF continues to call upon all jurisdictions to remain vigilant of the potential risks to the international financial system, including growing financial connectivity of Russia with countries subject to FATF countermeasures, risks of proliferation financing, as well as malicious cyber activities and ransomware attacks.

REQUIRED ACTIONS

The Centrale Bank van Aruba (CBA) requires all regulated entities and designated non-financial businesses and professions 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 4. The relevant regulatory framework is enclosed for your convenience (enclosure 5).

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) 525-2227 or by email v.ivanova@cbaruba.org.

Sincerely yours,

A handwritten signature in blue ink, consisting of a stylized initial 'V' followed by a series of loops and flourishes.

Centrale Bank van Aruba

Enclosures: 5

cc Head of the Financial Intelligence Unit

ENCLOSURE 4: FATF Public Statements (June 2024)

The FATF Public Statement on High-Risk Jurisdictions subject to a Call for Action dated June 2024 (<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-june-2024.html>), the FATF Public Statement on Jurisdictions under Increased Monitoring dated June 2024 (<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-june-2024.html>) and the FATF Public Statements on the Russian Federation dated February 23, 2024 and February 24, 2023 (<https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Fatfgeneral/fatf-statement-russian-federation-feb-2024.html>) relate to FATF Recommendation 19 and articles 11 and 13 of the State Ordinance for the Prevention and Combating of Money Laundering and Terrorist Financing (AB 2011 no.28) (AML/CFT State Ordinance) in that they identify countries that fall into the following five 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 robustly implement the targeted financial sanctions in accordance with the United Nations Security Council (UNSC) Resolutions and apply countermeasures to protect their financial systems from money laundering, terrorist financing, and proliferation financing threat emanating from DPRK. Jurisdictions are called upon to take necessary countermeasures by closing any existing branches or subsidiaries of DPRK banks within their territories, terminating correspondent relations with DPRK banks, and limiting business relations and financial transactions with DPRK persons. Despite these FATF calls, DPRK has increased its connectivity with the international financial system, which raises proliferation financing risks. Given that DPRK frequently utilizes front and shell companies, joint ventures, as well as complex, opaque ownership structures for the purpose of violating sanctions, FATF calls on its members and all countries to apply enhanced due diligence to the DPRK and its ability to facilitate transactions on its behalf.

Furthermore, the FATF also urges countries to adequately assess and account for the increased proliferation financing risk with the greater financial connectivity reported. The FATF will monitor the measures to comply with DPRK targeted financial sanctions and the implementation of countermeasures against DPRK.

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, as well as apply effective countermeasures, consistent with FATF Recommendation 19. The FATF remains concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

Category Three

Into this category falls **Myanmar**. Taking into consideration Myanmar's continued lack of progress and the majority of its action items still not addressed, the FATF calls on members and other jurisdictions to apply enhanced due diligence measures proportionate to the risk arising from the jurisdiction in relation to business relations and transactions with Myanmar. In applying enhanced due diligence measures, countries should ensure that flows of funds for humanitarian assistance, legitimate NPO activity and remittances are not disrupted.

B. FATF Public Statement on Jurisdictions under Increased Monitoring

Category Four

Into this category fall **Bulgaria, Burkina Faso, Cameroon, Croatia, the Democratic Republic of Congo, Haiti, Kenya, Mali, Monaco, Mozambique, Namibia, Nigeria, Philippines, Senegal, South Africa, South Sudan, Syria, Tanzania, Venezuela, Vietnam, and Yemen**. This FATF Statement outlines the specific areas of weaknesses and requests member jurisdictions to consider the information in the document.

C. FATF Public Statements on the Russian Federation

Category Five

In light of the continuing and intensifying Russian Federation's war of aggression against Ukraine, the FATF continues to call upon all jurisdictions to remain vigilant of the potential risks to the international financial system, including growing financial connectivity of Russia with countries subject to FATF countermeasures, risks of proliferation financing, as well as malicious cyber activities and ransomware attacks.

D. Required actions

The purpose of this letter is to ensure that senior management of all regulated entities and designated non-financial businesses and professions 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 five categories of FATF listed countries:

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

- a) Conduct review of their client base on an ongoing basis to identify relationships or transactions with any connection to the Category One country.
- 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 financial entities and designated non-financial businesses and professions are required to strictly comply with aforementioned instructions. The CBA will verify during the supervisory examinations whether this has been adequately executed. Note in this respect that non-compliance will be treated very seriously.

Categories Two and Three Action – the CBA requires all regulated financial entities and designated non-financial businesses and professions to:

- a) **Review their client base to identify relationships or transactions with any connection to the Category Two and Three countries by August 9, 2024.**
- 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 9, 2024. 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 timeframe. Non-compliance will be treated seriously.

Category Four Action – the CBA requires all regulated entities and designated non-financial businesses and professions to:

- a) **Review their client base to identify relationships or transactions with any connection to the Category Four countries by September 9, 2024.**
- 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 9, 2024. 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 timeframe. Non-compliance will be treated seriously.

Category Five Action – the CBA requires all regulated financial entities and designated non-financial businesses and professions to:

- a) **Review their client base to identify relationships or transactions with any connection to the Category Five country by August 9, 2024.**
- 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.
- e) Freeze funds or other assets to clients (including UBOs) placed on the UN or EU sanctions lists without delay and do not provide any further services to such clients.
- f) Immediately inform the CBA of any funds or other assets that have been frozen and report the same to the Financial Intelligence Unit Aruba (FIU-Aruba).

DEADLINE: Please conclude the review of your client base by August 9, 2024. 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 timeframe. Non-compliance will be treated seriously.

ENCLOSURE 5: Regulatory framework

Pursuant to article 11 of the AML/CFT State Ordinance, service providers must perform enhanced customer due diligence, if and when a business relationship or a transaction by its nature carries a higher risk of money laundering, terrorist financing or proliferation financing. The enhanced customer due diligence shall be carried out both prior to the business relation being established or the transaction being carried out, as during the business relationship in any case with natural persons, legal persons, trusts, and legal structures that originate from countries or jurisdictions which do not or insufficiently apply the internationally accepted standards for the prevention and combating of money laundering, terrorist financing and proliferation financing, including in the case of complex and unusually large transactions and unusual transaction features that have no apparent economic or legal purpose.

Pursuant to article 13, paragraph 1, subsection a, of the AML/CFT State Ordinance, service providers must perform enhanced customer due diligence, in proportion to the risk, in the case of business relationships and transactions with natural persons, legal persons, corporations, trusts or other legal structures originating from countries or jurisdictions that do not or insufficiently comply with the internationally accepted standards for the prevention and combating of money laundering, terrorist financing, and proliferation financing.

Pursuant to article 13, paragraph 1, subsection b, of the AML/CFT State Ordinance, service providers must perform enhanced customer due diligence, in proportion to the risk, in the case of complex and unusually large transactions and unusual transaction features that have no apparent economic or legal purpose.

Pursuant to article 13, paragraph 2, of the AML/CFT State Ordinance, service providers may reasonably suspect that a transaction with a natural person, legal person, corporation, trust or other legal structure originating from a country or jurisdiction as referred to in the first paragraph does not have an apparent economic or legal purpose, or if a transaction referred to in the first paragraph, letter b, should occur, it must investigate the background and the purpose of this transaction and record its findings in writing.

Pursuant to article 13, paragraph 3, of the AML/CFT State Ordinance, the findings, referred to in the second paragraph, must be kept for at least ten years.

Article 13 of the AML/CFT State Ordinance is related to FATF Recommendation 19³ 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 service providers 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.

³ FATF, *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation* (“FATF Recommendations”), Paris, France (lastly updated November 2023), available at: <https://www.fatf-gafi.org/content/dam/fatf-gafi/recommendations/FATF%20Recommendations%202012.pdf.coredownload.inline.pdf>.

Pursuant to chapter 6, section 6.1, subsection 6.1.2, of the AML/CFT Handbook, it is a regulatory requirement that service providers 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 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 service providers 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.