



CENTRALE BANK VAN ARUBA

November 20 2019

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

VMI/gcr/5.5/INT/8151

Subject: **FATF Public Statement/Compliance Document**

Dear Management,

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

a. FATF Public Statement (October 18, 2019) – enclosure 1

With regard to the **Democratic People's Republic of Korea** the FATF calls for the application of counter-measures to protect the international financial system from the on-going and substantial money laundering and terrorist financing risks. Also, the FATF calls for the application of enhanced due diligence measures proportionate to the risks arising from the jurisdiction **Iran**.

b. Improving Global AML/CFT Compliance: On-going process (October 18, 2019) – enclosure 2

The FATF has identified **The Bahamas, Botswana, Cambodia, Ghana, Iceland, Mongolia, Pakistan, Panama, Syria, Trinidad and Tobago, 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 Mrs. S. Schmidt, deputy-manager of the Integrity Supervision Department at telephone number (297) 5252-181 or by email, s.j.schmidt@cbaruba.org.

Sincerely yours,

Centrale Bank van Aruba

Enclosures: 4

c.c. Head of the Financial Intelligence Unit

Public Statement - October 2019

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Paris, 18 October 2019 - 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 identifies jurisdictions that have strategic deficiencies and works with them to address those deficiencies that pose a risk to the international financial system.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply counter-measures to protect the international financial system from the ongoing and substantial money laundering and financing of terrorism (ML/FT) risks.

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 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/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.

Jurisdiction subject to a FATF call on its members and other jurisdictions to apply, in line with Recommendation 19: 1) increased supervisory examination for branches and subsidiaries of financial institutions based in Iran; 2) enhanced relevant reporting mechanisms

or systematic reporting of financial transactions; and 3) increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

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 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.

Iran's action plan expired in January 2018. In October 2019, the FATF noted that there are still items not completed and Iran should fully address: (1) adequately criminalizing terrorist financing, including by removing the exemption for designated groups "attempting to end foreign occupation, colonialism and racism"; (2) identifying and freezing terrorist assets in line with the relevant United Nations Security Council resolutions; (3) ensuring an adequate and enforceable customer due diligence regime; (4) clarifying that the submission of STRs for attempted TF-related transactions are covered under Iran's legal framework; (5) demonstrating how authorities are identifying and sanctioning unlicensed money/value transfer service providers; (6) ratifying and implementing the Palermo and TF Conventions and clarifying the capability to provide mutual legal assistance; and (7) ensuring that financial institutions verify that wire transfers contain complete originator and beneficiary information.

The FATF decided in June 2019 to call upon its members and urge all jurisdictions to require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran. In line with the June 2019 Public Statement, the FATF decided this week to call upon its members and urge all jurisdictions to 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.

If before February 2020, Iran does not enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, then the FATF will fully lift the suspension of counter-measures and call on its members and urge all jurisdictions to apply effective counter-measures, in line with recommendation 19¹.

While acknowledging that Iran has recently adopted the AML-CFT bylaw, which the FATF has not yet reviewed, the FATF expresses its disappointment that the Action Plan remains outstanding. The FATF expects Iran to proceed swiftly in the reform path to ensure that it addresses all of the remaining items by completing and implementing the necessary AML/CFT reforms.

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 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 FATF, therefore, calls on its members and urges all jurisdictions to continue to advise their financial institutions to apply enhanced due diligence with respect to business relationships and transactions with natural and legal persons from Iran, consistent with FATF Recommendation 19, including: (1) obtaining information on the reasons for intended transactions; and (2) conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination.

¹Countries 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.

[The Interpretative Note to Recommendation 19](#) specifies examples of the countermeasures that could be undertaken by countries.

More on:

- [Improving Global AML/CFT Compliance: On-going Process, 18 October 2019](#)
- [Outcomes FATF Plenary, Paris, 18 October 2019](#)

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

Improving Global AML/CFT Compliance: On-going Process - 18 October 2019

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Paris, France, 18 October 2019 - As part of its ongoing 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 ongoing 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. 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 its risk analysis.

Jurisdictions with strategic deficiencies	Jurisdictions no longer subject to monitoring
The Bahamas Botswana Cambodia Ghana Iceland Mongolia Pakistan Panama Syria Trinidad and Tobago Yemen Zimbabwe	Ethiopia Sri Lanka Tunisia

The Bahamas

Since October 2018, when The Bahamas made a high-level political commitment to work with the FATF and CFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, The Bahamas has taken steps towards improving its AML/CFT regime. These include instituting a protocol and case management system to further enhance international cooperation; initiating risk-based supervision of non-bank financial institutions; and further implementing the recent Beneficial Ownership Law to ensure the timely access to adequate, accurate, and current basic and beneficial ownership information. The Bahamas should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) demonstrating that authorities are investigating and prosecuting all types of money laundering, including complex ML cases, stand-alone money laundering, and cases involving proceeds of foreign offences, including foreign tax crimes; and (2) increasing the identification, tracing and freezing or restraining of assets and to present cases linked with foreign offences and stand-alone ML cases.

Botswana

Since October 2018, when Botswana made a high-level political commitment to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies, Botswana has taken steps towards improving its AML/CFT regime, including by adopting risk-based AML/CFT supervisory manuals for financial sector supervisors and implementing an electronic STR filing system among FIs and certain types of DNFBPs. Botswana should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) assessing the risks associated with legal persons, legal arrangements, and NPOs, and developing and implementing a risk-based comprehensive national AML/CFT strategy; (2) developing and implementing risk-based AML/CFT supervisory manuals; (3) improving its analysis and dissemination of financial intelligence by the FIU, and enhancing the use of financial intelligence among the relevant law enforcement agencies; (4) developing and implementing CFT strategy, and ensuring the TF investigation capacity of the law enforcement agencies; (5) ensuring the implementation without delay of targeted financial sanctions measures related to terrorist financing and proliferation financing, and (6) applying a risk-based approach to monitoring non-profit organisations..

Cambodia

Since February 2019, when Cambodia 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, Cambodia has taken steps towards improving its AML/CFT regime, including by initiating off-site and on-site supervision of the real estate and casino sectors. Cambodia should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) providing a broad legal basis for MLA and conducting relevant training to LEAs; (2) implementing risk-based supervision for real estate and casinos; (3) implementing the risk-based supervision to banks, including through prompt, proportionate and dissuasive enforcement actions, as appropriate; (4) amending the AML/CFT Law to address the remaining technical compliance deficiencies; (5) conducting sector-specific outreach to casinos, real-estate and MVTs providers; (6) increasing its FIU resources; enhancing its analysis of STRs; and increasing disseminations to LEAs; (7) increasing domestic coordination and cooperation to enhance ML investigations; (8) demonstrating an increase in ML investigations and prosecutions; and providing targeted proceeds of crime confiscation training to all LEAs; (9) demonstrating an increase in the

freezing and confiscation of criminal proceeds, instrumentalities, and property of equivalent value; (10) establishing the legal framework to implement UN sanctions related to PF TFS, demonstrating that implementation is occurring and enhancing the understanding of sanctions evasion.

Ghana

Since October 2018, when Ghana made a high-level political commitment to work with the FATF and GIABA to strengthen the effectiveness of its AML/CFT regime, Ghana has taken steps towards improving its AML/CFT regime, including by conducting a risk assessment on legal persons, and developing a framework for adequate and effective investigation and prosecution of TF. Ghana should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) implementing a comprehensive national AML/CFT Policy based on the risks identified in the NRA, including measures to mitigate ML/TF risks associated with the legal persons; (2) improving risk-based supervision, by enhancing the capacity of the regulators and the awareness of the private sector; (3) ensuring the timely access to adequate, accurate and current basic and beneficial ownership information; (4) ensuring that the FIU is focusing its activities the risks identified in the NRA, and adequately resourced; and (5) applying a risk-based approach for monitoring non-profit organisations.

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. Since the completion of its MER in 2017, Iceland has made progress on a number of recommended actions to improve technical compliance and effectiveness, including carrying out a second national risk assessment, comprehensive outreach to deepen the understanding of relevant risks across sectors, enhancing risk based supervision in both the financial and DNFBP sector and significantly strengthening the capacities of investigation and law enforcement authorities. Iceland will work to implement its action plan, by: (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 the TFS requirements among FIs and DNFBPs through effective supervision, and enabling effective oversight and monitoring of NPOs with adequate resources and in line with the identified TF risks. FATF noted that Iceland had already pro-actively taken steps to address these issues before the Action Plan's formal adoption by FATF. However, the FATF could not yet fully review these due to their very recent nature.

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. Since the completion of its MER in 2017, Mongolia has made progress on a number of its MER recommended actions to improve technical compliance and effectiveness, including by enhancing its ML and TF risk understanding, and introducing a comprehensive institutional framework to give effect to PF TFS obligations, and enhancing its TF TFS legal framework through legislative measures and guidance. Mongolia will work to implement its action plan, including by: (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 monitoring compliance by FIs and DNFBPs with their PF-related TFS obligations, including the application of proportionate and dissuasive sanctions.

Pakistan

Since June 2018, when Pakistan made a high-level political commitment to work with the FATF and APG to strengthen its AML/CFT regime and to address its strategic counter-terrorist financing-related deficiencies, Pakistan has made progress towards improving its AML/CFT regime, including the recent development of its ML/TF risk assessment. At the October 2019 plenary, Pakistan reiterated its political commitment to completing its action plan and implementing AML/CFT reforms. Pakistan should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) adequately demonstrating its proper understanding of the TF risks posed by the terrorist groups, and conducting supervision on a risk-sensitive basis; (2) demonstrating that remedial actions and sanctions are applied in cases of AML/CFT violations, and that these actions have an effect on AML/CFT compliance by financial institutions; (3) demonstrating that competent authorities are cooperating and taking action to identify and take enforcement action against illegal money or value transfer services (MVTs); (4) demonstrating that authorities are identifying cash couriers and enforcing controls on illicit movement of currency; (5) improving inter-agency coordination including between provincial and federal authorities on combating TF risks; (6) demonstrating that law enforcement agencies (LEAs) are identifying and investigating the widest range of TF activity and that TF investigations and prosecutions target designated persons and entities, and those acting on behalf or at the direction of the designated persons or entities; (7) demonstrating that TF prosecutions result in effective, proportionate and dissuasive sanctions and enhancing the capacity and support for prosecutors and the judiciary; and (8) demonstrating effective implementation of targeted financial sanctions (supported by a comprehensive legal obligation) against all 1267 and 1373 designated terrorists and those acting for or on their behalf, including preventing the raising and moving of funds, identifying and freezing assets (movable and immovable), and prohibiting access to funds and financial services; (9) demonstrating enforcement against TFS violations including administrative and criminal penalties and provincial and federal authorities cooperating on enforcement cases; (10) demonstrating that facilities and services owned or controlled by designated person are deprived of their resources and the usage of the resources.

All deadlines in the action plan have now expired. While noting recent improvements, the FATF again expresses serious concerns with the overall lack of progress by Pakistan to address its TF risks, including remaining deficiencies in demonstrating a sufficient understanding of Pakistan's transnational TF risks, and more broadly, Pakistan's failure to complete its action plan in line with the agreed timelines and in light of the TF risks emanating from the jurisdiction. To date, Pakistan has only largely addressed five of 27 action items, with varying levels of progress made on the rest of the action plan. The FATF strongly urges Pakistan to swiftly complete its full action plan by February 2020. Otherwise, should significant and sustainable progress not be made across the full range of its action plan by the next Plenary, the FATF will take action, which could include the FATF calling on its members and urging all jurisdictions to advise their FIs to give special attention to business relations and transactions with Pakistan.

Panama

Since June 2019, when Panama made a high-level political commitment to work with the FATF and GAFILAT to strengthen the effectiveness of its AML/CFT regime, Panama has taken initial steps towards improving its AML/CFT regime, including by drafting sectoral risk assessments for the corporate and DNFBP sectors and free trade zones. Panama should continue to work on implementing its action plan to address its strategic deficiencies, including by: (1) strengthening its understanding of the national and sectoral ML/TF risk and informing findings to its national policies to mitigate the identified risks; (2) proactively taking action to identify unlicensed money remitters, applying a risk-based approach to supervision of the DNFBP sector and ensuring effective, proportionate, and dissuasive sanctions against AML/CFT violations; (3) ensuring adequate verification and update of beneficial ownership information by obliged entities, establishing an effective mechanism to monitor the activities of offshore entities, assessing the existing risks of misuse of legal persons and arrangements to define and implement specific measures to prevent the misuse of nominee shareholders and directors, and ensuring timely access to adequate and accurate beneficial ownership information; and (4) ensuring effective use of FIU products for ML investigations, demonstrating its ability to investigate and prosecute ML involving foreign tax crimes and to provide constructive and timely international cooperation with such offence, and continuing to focus on ML investigations in relation to high-risk areas identified in the NRA and MER.

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 agreed action plan, due to the security situation, the FATF has been unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation, and will conduct an on-site visit at the earliest possible date.

Trinidad and Tobago

In November 2017, Trinidad and Tobago made a high-level political commitment to work with the FATF and CFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. The FATF has made the initial determination that Trinidad and Tobago has substantially completed its action plan and warrants an on-site assessment to verify that the implementation of Trinidad and Tobago'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, Trinidad and Tobago has made the following key reforms: (1) adopting and implementing the relevant measures to enhance international cooperation; (2) addressing measures for transparency and beneficial ownership; (3) completing the legislative efforts to enhance the processing of ML charges before the courts; (4) taking measures to enhance tracing and confiscation of criminal assets; (5)

enforcing TF measures and adopting appropriate measures for NPOs; (6) enacting the necessary amendments related to targeted financial sanctions; and (7) developing, adopting, and implementing the necessary framework to counter proliferation financing.

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: (1) adequately criminalising money laundering and terrorist financing; (2) establishing procedures to identify and freeze terrorist assets; (3) improving its customer due diligence and suspicious transaction reporting requirements; (4) issuing guidance; (5) developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the financial intelligence unit; and (6) establishing a fully operational and effectively functioning financial intelligence unit. While the FATF determined that Yemen has completed its agreed action plan, due to the security situation, the FATF has been unable to conduct an on-site visit to confirm whether the process of implementing the required reforms and actions has begun and is being sustained. The FATF will continue to monitor the situation, and conduct an on-site visit at the earliest possible date.

Zimbabwe

In October 2019, Zimbabwe made a high-level political commitment to work with the FATF and ESAAMLG to strengthen the effectiveness of its AML/CFT regime. Since the completion of its MER in 2016, Zimbabwe has made progress on a number of its MER recommended actions to improve technical compliance and effectiveness, including establishing a national coordination and cooperation structure on AML/CFT issues, amending the AML/CFT legal framework to apply a risk-based approach to supervision of FIs and DNFBPs, widening the scope of disseminating financial intelligence, and establishing an asset forfeiture unit within the National Prosecuting Authority. Zimbabwe will work to implement its action plan, including by: (1) improving understanding of the key ML/TF risks among the relevant stakeholders and implementing the national AML/CFT policy base on the identified risks; (2) implementing risk-based supervision for FIs and DNFBPs including through capacity building among the supervisory authority; (3) ensuring development of adequate risk mitigation measures among FIs and DNFBPs, including by applying proportionate and dissuasive sanctions to breaches; (4) developing a comprehensive legal framework and mechanism to collect and maintain accurate and updated beneficial ownership information for legal persons and arrangements, and ensure timely assess by the competent authorities; and (5) addressing remaining gaps in the TF- and PF-related TFS frameworks and demonstrating implementation.

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

Ethiopia

The FATF welcomes Ethiopia's significant progress in improving its AML/CFT regime and notes that Ethiopia has strengthened the effectiveness of its AML/CFT regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in February 2017. Ethiopia is therefore no longer subject to the FATF's monitoring process under its ongoing global AML/CFT compliance process. Ethiopia will continue to work with ESAAMLG to improve further its AML/CFT regime.

Sri Lanka

The FATF welcomes Sri Lanka's significant progress in improving its AML/CFT regime and notes that Sri Lanka has strengthened the effectiveness of its AML/CFT regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in November 2017. Sri Lanka is therefore no longer subject to the FATF's monitoring process under its ongoing global AML/CFT compliance process. Sri Lanka will continue to work with APG to improve further its AML/CFT regime.

Tunisia

The FATF welcomes Tunisia's significant progress in improving its AML/CFT regime and notes that Tunisia has strengthened the effectiveness of its AML/CFT regime and addressed related technical deficiencies to meet the commitments in its action plan regarding the strategic deficiencies that the FATF identified in November 2017. Tunisia is therefore no longer subject to the FATF's monitoring process under its ongoing global AML/CFT compliance process. Tunisia will continue to work with MENAFATF to improve further its AML/CFT regime.

More on:

- [Public Statement, 18 October 2019](#)
- [Outcomes FATF Plenary, Paris, 18 October 2019](#)

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

ENCLOSURE 3: FATF Public Statement and compliance document (October 18, 2019)

The FATF Public Statement dated October 18, 2019 (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/public-statement-october-2019.html>) and the Improving Global AML/CFT Compliance: On-going Process document dated October 18, 2019 (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/fatf-compliance-october-2019.html>) relate to FATF Recommendation 21 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

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 Compliance Document

Category Three

Into this category fall **The Bahamas, Botswana, Cambodia, Ghana, Iceland, Mongolia, Pakistan, Panama, Syria, Trinidad and Tobago, Yemen and Zimbabwe**. The Compliance Document 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:

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

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.

- 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 December 21, 2019.**
- 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 December 21, 2019. 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 January 15, 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 January 15, 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, trusts, and comparable entities 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, trust or a comparable entity 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 21 of the Financial Action Task Force (FATF)² which states:

“Financial institutions should give special attention to business relationships and transactions with persons, including companies and financial institutions, from countries which do not or insufficiently apply the FATF Recommendations. Whenever these transactions have no apparent economic or visible lawful purpose, their background and purpose should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities. Where such a country continues not to apply or insufficiently applies the FATF Recommendations, countries should be able to apply appropriate countermeasures”.

Furthermore, pursuant to section 3.12.2, subsection 148, 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 section 5.2, subsection 13, of the AML/CFT Handbook, it is a regulatory requirement that a financial and trust service provider must, as part of its on-going 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

² On February 16, 2012 the FATF published the revised FATF Recommendations which can be found on the website of FATF: www.fatf-gafi.org. However, the jurisdictions mentioned in the FATF Public Document and Compliance Document of February 16, 2012 have been reviewed based on the prior FATF Recommendations. Therefore, specific references made to the FATF Recommendations refer to the prior recommendations.

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, paragraph 8.5 subsection 21 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.