

## **FATF Statement on the Democratic People's Republic of Korea (DPRK) - 03 November 2017**

*Buenos Aires, 3 November 2017* - The FATF is deeply concerned with the proliferation financing risk emanating from the Democratic People's Republic of Korea (DPRK) and highlights the importance of robust implementation of the FATF standards to disrupt the DPRK's illicit financial activities. Given the recent United Nations Security Council (UNSC) Resolutions passed this year that reinforce the strict financial restrictions on DPRK, the FATF is reiterating its relevant international standards related to proliferation financing.

In order to address the threat posed by the DPRK's illicit activities related to the proliferation of weapons of mass destruction (WMD) and its financing, the FATF calls upon its members and urges all jurisdictions to effectively implement the relevant FATF recommendations and UNSC Resolutions.

### **Robust Implementation of FATF Recommendations relevant to DPRK**

While an effective AML/CFT regime, in general, is important for countering illicit finance, the FATF emphasises that the implementation of FATF recommendations is particularly relevant for addressing the proliferation financing threat emanating from DPRK. Specifically, countries should robustly implement targeted financial sanctions against individuals and entities without delay and could consider proposing new listings of individuals and entities meeting the designation criteria. The FATF updated Recommendation 7 in June this year to reflect the changing risks and recent UNSC Resolutions, including by extending targeted financial sanctions to DPRK Government entities that countries determine are associated with nuclear or ballistic missile programmes, as required under UNSC Resolution 2270.

In addition, countries need to cooperate and coordinate between relevant authorities on the development and implementation of policies and activities to combat PF and share relevant information (Recommendation 2). An effective system for combating Proliferation Financing will ensure that person and entities designated by the UNSC Resolutions on WMD proliferation are identified, deprived of resources, and prevented from raising, moving, and using funds or other assets for the financing of proliferation. DPRK frequently uses front companies, shell companies, joint ventures and complex, opaque ownership structures for the purpose of violating sanctions, as set out in UNSC Resolution 2270 (OP16). Central to developing an effective regime are mechanisms to prevent the evasion of sanctions as well as ensuring that relevant competent authorities provide financial institutions and DNFBPs with guidance and specific feedback (Immediate Outcome 11).

### **United Nations Security Council Resolutions relevant to DPRK**

The UNSC has recently passed several important Resolutions concerning DPRK. The FATF emphasises that, in addition to implementation of targeted financial sanctions according to FATF Recommendation 7, the following provisions are particularly relevant to disrupt the DPRK's illicit financial activities:

- States shall prohibit the opening and operation of new branches, subsidiaries, and representative offices of DPRK banks in their territories, and shall take the necessary measures to close existing branches, subsidiaries, and representative offices, and also to terminate correspondent banking relationships with DPRK banks (UNSCR 2270, OP 33).
- States shall prohibit financial institutions within their territories or subject to their jurisdiction from opening new representative offices or subsidiaries, branches or banking accounts in the DPRK (UNSCR 2270, OP 34). Companies performing financial services commensurate with those provided by banks are considered financial institutions for these purposes (UNSCR 2371, OP 14)

- States shall prohibit, by their nationals or in their territories, the opening, maintenance, and operation of all joint ventures or cooperative entities, new and existing, with DPRK entities or individuals, whether or not acting for or on behalf of the government of the DPRK (UNSCR 2375, OP 18)
- States shall take steps to limit the number of bank accounts to one per DPRK diplomatic mission and consular post, and one per accredited DPRK diplomat and consular officer, at banks in their territories (UNSCR 2321, OP 16)

### **FATF Call for Countermeasures**

For the last six years, the FATF has called upon its members and urged all jurisdictions to apply effective countermeasures to protect their financial systems from the ML/TF and PF threat emanating from DPRK. View FATF statement [here](#).

## **Public Statement - November**

*Buenos Aires, 3 November 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 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, 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 took, the FATF decided in June 2017 to continue the suspension of counter-measures.

The action plan expires on January 31, 2018 and the FATF urges Iran to proceed swiftly in the reform path to ensure full and accurate implementation of the Action Plan, addressing all remaining AML/CFT deficiencies, in particular those related to terrorist financing. At its February meeting, the FATF will assess progress made by Iran and take all appropriate action.

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.