

## **Public Statement - 03 November 2017**

*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.

More on:

[Improving Global AML/CFT Compliance: On-going Process](#), 3 November 2017

[Outcomes Joint FATF/GAFILAT Plenary](#), Buenos Aires, 3 November 2017

### Improving Global AML/CFT Compliance: On-going Process - 3 November 2017

*Buenos Aires, Argentina, 3 November 2017* - As part of its on-going 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 on-going 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 and encourages its members to consider the information presented below.

Jurisdictions with strategic deficiencies	Jurisdictions no longer subject to the FATF's on-going global AML/CFT compliance process
Bosnia and Herzegovina Ethiopia Iraq Sri Lanka Syria Trinidad and Tobago Tunisia Vanuatu Yemen	Uganda

### **Bosnia and Herzegovina**

Since June 2015, when Bosnia and Herzegovina made a high-level political commitment to work with the FATF and MONEYVAL to address its strategic AML/CFT deficiencies, Bosnia and Herzegovina has substantially addressed its action plan at a technical level, including by: (1) completing the criminalisation of terrorist financing; (2) establishing an adequate legal framework for freezing terrorist assets under UNSCR 1373; (3) developing an adequate AML/CFT supervisory framework; (4) developing adequate measures for the non-profit sector; and (5) establishing adequate cross-border currency controls; (6) harmonising criminalisation of money laundering in all criminal codes; and (7) ensuring adequate procedures for the confiscation of assets. The FATF will conduct an on-site visit to confirm that the process of implementing the required reforms and actions is underway to address deficiencies previously identified by the FATF.

### **Ethiopia**

Since February 2017, when Ethiopia made a high-level political commitment to work with the FATF and ESAAMLG to strengthen its effectiveness and address any related technical deficiencies, Ethiopia has taken steps towards improving its AML/CFT regime, including by establishing committees aimed at implementing the national action plan and the FATF Action Plan, and issuing a risk-based AML/CFT supervisory manual. Ethiopia should continue to work on implementing its action plan to address its deficiencies, including by: (1) fully implementing the results of its national risk assessment; (2) fully integrating designated non-financial businesses and professions into its AML/CFT regime; (3) ensuring that the proceeds and instrumentalities of crime are confiscated; (4) consistently implementing terrorism-related targeted financial sanctions and proportionately supervising non-profit organisations in line with a risk-based approach; and (5) establishing and implementing WMD-related targeted financial sanctions. The FATF encourages Ethiopia to continue implementing its action plan to address its AML/CFT deficiencies.

### **Iraq**

Since October 2013, when Iraq made a high-level political commitment to work with the FATF and MENAFATF to address its strategic AML/CFT deficiencies, Iraq has substantially addressed its action plan at a technical level, including by: (1) adequately criminalising money laundering and terrorist financing; (2) establishing an adequate legal framework for identifying, tracing, and freezing terrorist assets; (3) establishing effective customer due diligence measures; (4) establishing a fully operational and effectively functioning Financial Intelligence Unit; (5) establishing adequate suspicious transaction reporting requirements; and (6) establishing an adequate AML/CFT supervisory and oversight programme for the financial sector. However, the FATF still needs to confirm the applicability of these reforms throughout the entire national territory and will reassess the situation in February 2018 to determine when an on-site visit should take place.

### **Sri Lanka**

In October 2017, Sri Lanka 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. Sri Lanka will work to implement its action plan to accomplish these objectives, including by: (i) enacting amendments to the MACMA to ensure that mutual legal assistance may be provided on the basis of reciprocity; (2) issuing the CDD Rule for DNFBPs, issuing any necessary guidance, and ensuring implementation of this Rule has begun, by way of supervisory actions; (3) enhancing risk-based supervision and outreach to FIs, and high risk DNFBPs, including through prompt and dissuasive enforcement actions and sanctions, as appropriate; (4) providing case studies and statistics to demonstrate that competent authorities can obtain beneficial ownership information in relation to legal persons in a timely manner; (5) issuing a revised Trust Ordinance and demonstrating that implementation has begun; and (6) establishing a TFS regime to implement the relevant UNSCRs related to Iran, demonstrating that implementation has begun, and demonstrating that implementation has begun on the UN Regulation related to the DPRK.

### **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 October 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. Trinidad and Tobago will work to implement its action plan to accomplish these objectives, including by: (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.

### **Tunisia**

In October 2017, Tunisia made a high-level political commitment to work with the FATF and MENAFATF to strengthen the effectiveness of its AML/CFT regime and address any related technical deficiencies. Tunisia will work to implement its action plan to accomplish these objectives, including by: (1) implementing risk-based AML/CFT supervision of the financial sector and fully integrating designated non-financial businesses

and professions into its AML/CFT regime; (2) maintaining comprehensive and updated commercial registries and strengthening the system of sanctions for violations of transparency obligations; (3) increasing the efficiency of suspicious transaction report processing by allocating the necessary resources to the financial intelligence unit; (4) establishing a fully functional terrorism-related targeted financial sanctions regime and appropriately monitoring the association sector; and (5) establishing and implementing WMD-related targeted financial sanctions.

### **Vanuatu**

Since February 2016, when Vanuatu made a high-level political commitment to work with the FATF and APG to address its strategic AML/CFT deficiencies, Vanuatu has taken steps towards improving its AML/CFT regime, including by completing the offshore sector and terrorist financing risk assessment. Vanuatu should continue to work on implementing its action plan to address its deficiencies, including by: (1) establishing transparency for the financial sector, and for legal persons and arrangements; (2) implementing a risk-based AML/CFT supervisory and oversight programme for the entire financial sector, as well as trust and company service providers; and (3) establishing appropriate channels for international co-operation and domestic coordination regarding policies and actions on identified risks and ensuring effective implementation. The FATF encourages Vanuatu to continue implementing its action plan to address its AML/CFT deficiencies.

### **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 adequately criminalising money laundering and terrorist financing; establishing procedures to identify and freeze terrorist assets; improving its customer due diligence and suspicious transaction reporting requirements; issuing guidance; developing the monitoring and supervisory capacity of the financial sector supervisory authorities and the financial intelligence unit; and 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.

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

### **Uganda**

The FATF welcomes Uganda's significant progress in improving its AML/CFT regime and notes that Uganda has established the legal and regulatory framework to meet the commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2014. Uganda is therefore no longer subject to the FATF's monitoring process under its on-going global AML/CFT compliance process. Uganda will work with ESAAMLG as it continues to address the full range of AML/CFT issues identified in its mutual evaluation report.

## Outcomes Joint FATF/GAFILAT Plenary, 1-3 November 2017

*Buenos Aires, 3 November 2017* –FATF President Mr. Santiago Otamendi and GAFILAT President Mr. Eugenio Curia, both from Argentina, chaired the first Plenary meeting of FATF-XXIX in Buenos Aires. This was a joint Plenary with GAFILAT, therefore all members of both organisations were able to participate in the meeting.

- Mr. Mauricio Macri, President of the Republic of Argentina, opened the meeting and during [his remarks](#) emphasised the importance of a complete commitment to the fight against terrorism.
- Mr. Germán Garavano, Minister of Justice and Human Rights of Argentina addressed the Plenary on the second day of its meeting and highlighted the challenges in detecting and stopping illicit financial flows.

The main issues dealt with by this Plenary were:

- [Combatting terrorist financing](#), including the adoption of a report on the financing of recruitment for terrorist purposes
- [Information sharing](#), including the adoption of revisions to Recommendations 18 and 21 on information sharing, and the adoption of guidance on private sector information sharing
- Adoption of [a supplement to the 2013 FATF Guidance on AML/CFT Measures and Financial Inclusion](#)
- The [mutual evaluation reports of Mexico and Portugal](#)
- The [follow-up report for the mutual evaluation of Austria](#)
- [Brazil's progress in addressing the deficiencies identified in its mutual evaluation reports](#), since the FATF statement of June 2017
- Two public documents identifying jurisdictions that may pose a risk to the international financial system
  - [Jurisdictions with strategic anti-money laundering and countering the financing of terrorism \(AML/CFT\) deficiencies for which a call for action applies](#), including an update on [Iran's engagement with FATF](#)
  - [Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF, including an update on AML/CFT improvements in Uganda.](#)
- Approval of a [statement about the proliferation financing risk emanating from the Democratic People's Republic of Korea](#), stressing global obligations and the importance of robust implementation of the FATF standards and relevant UN Security Council Resolutions.
- [AML/CFT improvements in Uganda.](#)
- Revisions to the [Methodology](#)
- [Strengthening FATF's institutional basis, governance and capacity](#)
- Outcomes of the meeting of the [Forum of FATF Heads of Financial Intelligence Units \(FIUs\)](#), which was held in the margins of the Plenary



- Publication of a statement expressing [FATF's strong support for responsible financial innovation in line with the FATF Standards](#), and exploration of opportunities that new financial and regulatory technologies present for improving the effective implementation of AML/CFT measures.
- [FATF/GAFILAT Outreach to Prosecutorial Services and Criminal Justice Systems](#)
- [GAFILAT Private Sector engagement](#)
- Activities of the [FATF Training and Research Institute](#) in Busan, Korea

### **Combatting terrorist financing**

Tackling terrorism-related financing remains the top priority for the FATF given the continued threat of terrorism to societies, safety and security. Delegates discussed the actions taken in line with FATF's Operational Plan to counter terrorist financing.

The Plenary discussed and adopted a report, *The Financing of Recruitment for Terrorist Purposes*. The report sets out how terrorist organisations fund the recruitment of new members. Following a period of direct engagement with selected stakeholders, the FATF will publish the report.

The FATF recognises the value of collecting and sharing relevant information to effectively tackle terrorist financing. Terrorist financing, as well as money laundering, does not stop at national borders and can have links to several countries and financial institutions. The importance of a constructive and timely exchange of information is reflected across a number of FATF Recommendations and Immediate Outcomes.

An up-to-date knowledge and understanding of terrorists' financial strategies to raise, move and use funds is critical to choke off these financial flows. During this Plenary, delegates shared information on latest developments in order to take informed and effective action to tackle terrorist financing.

### **Information-Sharing**

Effective information sharing is one of the cornerstones of a well-functioning AML/CFT framework and a key to promoting financial transparency and protecting the integrity of the financial system. Consultation with the private sector has highlighted the need to clarify some FATF requirements on information sharing and for more action to address obstacles to information sharing at national and international levels.

The FATF has agreed on revisions to the *Interpretive Note on Recommendation 18* to clarify the requirements on sharing of information related to unusual or suspicious transactions within financial groups. This also includes providing this information to branches and subsidiaries when necessary for AML/CFT risk management. The FATF also adopted revisions to *Recommendation 21* to clarify the interaction of these requirements with tipping-off provisions.

The FATF adopted *Guidance on Private Sector Information Sharing*, which identifies the key challenges that inhibit sharing of information to manage ML/TF risks, both group-wide within financial groups, and between financial institutions which are not part of the same group. It articulates how the FATF standards on information sharing apply and highlights examples of how authorities can facilitate the sharing of information, as well as examples of constructive engagement between the public and the private sectors.

#### **Supplement to the 2013 FATF Guidance on AML/CFT Measures and Financial Inclusion**

Financial inclusion is also a top priority for the FATF. An overly cautious approach to AML/CFT safeguards can have the unintended consequence of excluding legitimate businesses and consumers from the formal financial system. The Plenary adopted a *supplement to the 2013 FATF Guidance on AML/CFT Measures and Financial Inclusion*, which provides country examples of customer due diligence measures adapted to the context of financial inclusion. Lack of reliable identity documentation and data verification is one of the main obstacles to providing appropriate regulated financial services or products to the unbanked customers. This supplement to the 2013 guidance aims to encourage countries to make use of the FATF Recommendations' flexibility to provide sound financial services to the financially excluded.

#### **Mutual evaluation reports of Mexico and Portugal**

The Plenary discussed the mutual evaluation reports of Portugal and Mexico which set out the level of effectiveness of each country's AML/CFT systems and their level of compliance with the FATF Recommendations. The reports were prepared on the basis of the FATF Methodology for assessments, which requires countries to take into account the effectiveness with which AML/CFT measures are implemented, as well as technical compliance for each of the FATF Recommendations.

The Plenary discussed the key findings, priority actions, and recommendations regarding each country's AML/CFT regime. The mutual evaluation reports are expected to be published by January 2018 after their quality and consistency review, in accordance with procedures.

#### **Follow-up report to the mutual evaluation of Austria**

The Plenary discussed the progress that Austria has made since the adoption of its mutual evaluation in September 2016. Given the significant progress since the publication of Austria's latest assessment, the FATF Plenary agreed to re-rate a number of FATF Recommendations to reflect the country's current level of technical compliance. After a quality and consistency review, the FATF will publish the follow-up report which sets out the actions that Austria has taken to strengthen the effectiveness of its measures to combat money laundering and the financing of terrorism and proliferation.

### **Brazil's progress in addressing the deficiencies identified in its mutual evaluation reports, since the FATF statement of June 2017**

In February 2016, the FATF released a statement conveying its deep concerns about Brazil's continued failure to remedy the serious deficiencies identified in its third mutual evaluation report adopted in June 2010, especially those related to terrorism and terrorist financing. The FATF called for actions to address those deficiencies. The FATF reiterated its concern in October 2016, February 2017 and June 2017, and again called on Brazil to address these shortcomings.

The FATF recognises that Brazil has taken several significant steps to improve its CFT regime; however, deficiencies remain regarding targeted financial sanctions.

The FATF therefore calls on Brazil to fulfil its FATF membership commitment by taking further action to fully address these shortcomings. As the next step in its follow-up process, Brazil has committed to an action plan for addressing the remaining deficiencies in its regime for implementing targeted financial sanctions. Should Brazil continue to fail to adequately rectify these deficiencies, in line with its action plan, the FATF will consider further steps in its follow-up process.

### **Iran's engagement with FATF**

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.

### **AML/CFT improvements in Uganda**

The FATF congratulated Uganda for the significant progress made in addressing the strategic AML/CFT deficiencies earlier identified by the FATF and included in its action plan.

Uganda will no longer be subject to the FATF's monitoring under its on-going global AML/CFT compliance process, and will work with the ESAAMLG as it continues to further strengthen their AML/CFT regime.

### **Revisions to the Methodology**

The Plenary adopted revisions to the Methodology for assessing compliance with the FATF Recommendations. These revisions:

- a) clarify how assessors should determine whether legal arrangements have a similar structure or function as trusts and are, therefore, within the scope of the FATF standards on legal arrangements (Recommendation 25), and
- b) update the assessment criteria for proliferation-related targeted financial sanctions to bring the Methodology fully into line with the recent revisions to the FATF standards in this area (Recommendation 7).

### **Strengthening FATF's institutional basis, governance and capacity**

The Plenary agreed on how the FATF will transition to a two-year presidency. The terms of the President and Vice-President will be staggered to minimise the risk of disruption that might occur if the terms were concurrent. The longer presidential term will help to establish a higher profile for the FATF and increase its capacity in dealing with stakeholders at the international level.

### **Outcomes of the meeting of the Forum of FATF Heads of Financial Intelligence Units (FIUs), which was held in the margins of the Plenary**

FATF Heads of FIUs discussed how to enhance the effectiveness of suspicious transaction reporting (STR) regimes and the quality of financial intelligence. The private sector and large financial institutions in particular play a crucial role in detecting and reporting transactions with suspected links to crime or terrorism. Discussions focused on the exchange of information between private and public sectors, how to improve the effectiveness of the STR regime and maximising the usefulness of the information shared in ongoing investigations, and the independence of financial intelligence units.

### **FATF/GAFILAT Outreach to Prosecutorial Services and Criminal Justice Systems**

One of the priorities of both the FATF and GAFILAT Presidencies is to enhance engagement with national Prosecutorial Services and other experts within Criminal Justice Systems to build synergies, and ultimately improve the effectiveness of AML/CFT efforts. The President updated the Plenary on the outcomes of the joint FATF/GAFILAT workshop with judges and prosecutors, the first of a series of workshops which will continue throughout this Plenary year. The workshops will contribute efforts to identify the challenges that prosecutors and the judiciary face and suggest good practices to deal with them.

### **GAFILAT Private sector engagement**

The Plenary heard an update about GAFILAT outreach activities to develop a constructive dialogue between the public and private sectors. These activities included sub-regional workshops with private sector participation on key issues that included transparency, beneficial ownership and de-risking, financial intelligence and risk-based supervision. GAFILAT also organised a regional meeting for notaries to discuss specific FATF standard applicable to them. Jointly with FATF, GAFILAT also reached out to judiciary to discuss the role of judges and prosecutors in tackling money laundering and terrorist financing.

**Activities of the FATF Training and Research Institute in Busan, Korea** The FATF Training and Research Institute, FATF TREIN, updated the Plenary on its activities since the June 2017. Among a range of research and training activities, was the FATF TREIN Symposium on Proliferation Financing. Discussions at this event have provided valuable information which will contribute to the development of an FATF TREIN training course on proliferation financing to assist countries with the effective implementation of relevant FATF Recommendations.