



28 November 2016

**Circular to Money Service Operators**  
**Statements issued by the Financial Action Task Force**  
**on Money Laundering**

**(1) FATF Statement on Democratic People's Republic of Korea and Iran**

Further to our circular issued on 26 July 2016, this is to inform you that the Financial Action Task Force ("FATF") issued an updated statement on 21 October 2016 identifying a number of jurisdictions that have strategic deficiencies in their anti-money laundering and combating the financing of terrorism ("AML/CFT") regimes. The statement can be found on the website of FATF at

<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-october-2016.html>) and has been separated into two sections.

- (i) Jurisdiction subject to a call on its members and other jurisdictions to apply counter-measures

***Democratic People's Republic of Korea ("DPRK")***

The FATF remains concerned by the DPRK's failure to address the significant deficiencies in its AML/CFT regime and the serious threat this poses to the integrity of the international financial system. 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 calls on its members and other jurisdictions to apply counter-measures and targeted financial sanctions in accordance with applicable United Nations Security Council Resolutions to protect the international financial system from the on-going and substantial money laundering, terrorist financing and WMD proliferation financing risks emanating from the jurisdiction.

- (ii) Jurisdiction subject to a call on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction

***Iran***

The FATF welcomed Iran's adoption of an Action Plan to address its strategic AML/CFT deficiencies, and suspended counter-measures for twelve months accordingly in June 2016. Until Iran implements the measures required to address the deficiencies identified in the Action Plan, the FATF remains concerned with the risk of terrorist financing emanating from Iran and the threat this poses to the integrity of the international financial system. The counter-measures will be re-imposed after the twelve-month period if Iran has not demonstrated sufficient progress in implementing the Action Plan. The FATF calls on its members and other jurisdictions to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

Money Service Operators (MSOs) should continue to apply the applicable measures specified in our circular of 27 April 2012 in relation to transactions associated with DPRK and Iran respectively. MSOs are further advised that the type of enhanced due



diligence measures applied with respect to Iran should be effective and proportionate to the risks. MSOs are also reminded to apply relevant guidance as specified in the FATF statement and implement appropriate measures and safeguards accordingly. In addition, MSOs are reminded that it is an offence under section 4 of the Weapons of Mass Destruction (Control of Provision of Services) Ordinance (Cap. 526) for a person to provide any services where he believes or suspects, on reasonable grounds, that those services may be connected to WMD proliferation.

**(2) FATF Statement on Improving Global AML/CFT Compliance: On-Going Process**

In addition, please be informed that in a separate statement as part of the on-going process to improve global AML/CFT compliance, the FATF has set out an updated list of jurisdictions that have strategic AML/CFT deficiencies for which they have developed an action plan with the FATF. The FATF will closely monitor the implementation of those action plans and encourage its members to consider the information presented in the statement which can be found on the website of the FATF

(<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/document/s/fatf-compliance-october-2016.html>).

As the FATF will continue to assess the progress made by these jurisdictions in addressing the deficiencies in their AML/CFT systems and issue updated statements from time to time, MSOs are reminded to browse the website of the FATF for the latest information.

**(3) Outcomes from the Meeting of the FATF Plenary, 19-21 October 2016**

In addition to the statements in (1) and (2) above, the FATF has also published various other outcomes of its recent Plenary Meeting which may be of interest to MSOs. They include, for example, the approval of the Guidance on Criminalizing Terrorist Financing. Further information can be found on the website of FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2016.html>).

**(4) APG Public Statement on Vanuatu**

In September 2016, the Asia/Pacific Group on Money Laundering (“APG”) updated its public statement on Vanuatu following the adoption of an action plan for Vanuatu in February 2016 to address its strategic AML/CFT deficiencies. The APG remains concerned about the strategic deficiencies in Vanuatu’s AML/CFT system, and encourages Vanuatu to implement its action plan and take other measures to expeditiously address the remaining deficiencies and to enhance the effectiveness of its system to combat money laundering and terrorist financing. MSOs are encouraged to consider pertinent information in the statement which can be found on the website of APG (<http://www.apgml.org/about-us/page.aspx?p=fe4fce1a-2579-49f3-be93-598430e1b08a>). As APG may issue similar statements from time to time, MSOs are reminded to browse the website of the APG for the latest information.

Should you have any queries regarding the contents of this circular, please contact us on 3759 3735.

Money Service Supervision Bureau  
Customs and Excise Department

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