



MSSB/FATF\_01/2018  
22 March 2018

**Circular to Money Service Operators**  
**Statements issued by the Financial Action Task Force**  
**on Anti-Money Laundering / Counter-Terrorist Financing**

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

Further to our circular issued on 4 December 2017, this is to inform you that the Financial Action Task Force ("FATF") issued an updated statement on 23 February 2018 identifying 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-february-2018.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 continue to apply counter-measures and targeted financial sanctions in accordance with applicable United Nations Security Council ("UNSC") 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.

Money Service Operators (MSOs) should give special attention to business relationships and transactions with the DPRK, including DPRK companies, financial institutions and those acting on their behalf, and subject them to increased scrutiny and enhanced due diligence measures.

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.

- (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***

In June 2016, the FATF welcomed Iran's adoption of an action plan to address its strategic AML/CFT deficiencies and suspended counter-measures accordingly. In light of Iran's demonstration of its political commitment and the relevant steps it took, the FATF decided in November 2017 to continue the suspension of counter-measures. Since November 2017, Iran has established a cash declaration regime and introduced draft amendments to its AML and CFT laws. However, Iran's action plan has now expired with a majority of the action items remaining incomplete.



Given that Iran has draft legislation currently before Parliament, the FATF decided at its meeting in February 2018 to continue the suspension of counter-measures. Depending upon Iran's progress in completing its action plan, the FATF will take further steps in June 2018.

Until Iran fully 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 international financial system. The FATF calls on its members and other jurisdictions to continue to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction.

MSOs should apply enhanced due diligence measures to business relationships and transactions with natural and legal persons from Iran. MSOs are further advised that the type of enhanced due diligence measures applied should be effective and proportionate to the risks, and in line with the standards as specified in the FATF statement.

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

In addition, please be informed that as part of the on-going process to improve global AML/CFT compliance, the FATF has set out in a separate statement 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/documents/fatf-compliance-february-2018.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, 21-23 February 2018**

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, (i) updated FATF Guidance on Counter Proliferation Financing<sup>Note 1</sup> and (ii) work on combating terrorist financing, including the adoption of a new counter-terrorist financing operational plan and a statement on the actions taken under the 2016 counter-terrorist financing strategy. Further information can be found on the website of FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-february-2018.html>).

Should you have any queries regarding the contents of this circular, please contact us on 2707 7819.

Money Service Supervision Bureau

Customs and Excise Department

End

Note 1 Please refer to our circular issued on 12 March 2018 (<https://eservices.customs.gov.hk/MSOS/downloadFile?id=150646>).