



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

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

Further to our circular issued on 2 November 2018, this is to inform you that the Financial Action Task Force ("FATF") issued an updated statement on 22 February 2019 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 the FATF at

(<http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/public-statement-february-2019.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 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 bills (which are not yet in force) to ratify the Palermo and Terrorist Financing Conventions have passed the Parliament. However, Iran's action plan has expired with a number of items remains outstanding.

The FATF decided in the recent Plenary Meeting to continue the suspension of counter-measures noting the progress of the legislative efforts of Iran. While welcoming the



passage of the Anti-Money Laundering Act, the FATF expresses its disappointment that the action plan to address Iran's strategic AML/CFT deficiencies remains outstanding and 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. If by June 2019, Iran does not enact the remaining legislation in line with FATF standards, then the FATF will require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran.

Until Iran fully implements the measures required to address the deficiencies identified with respect to countering financing of terrorism 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, including obtaining information on the reasons for intended transactions, and conducting enhanced monitoring of business relationships, by increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination, 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-2019.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, 20-22 February 2019

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) FATF's current action to combat terrorist financing, and (ii) Interpretive Note to FATF Recommendation 15 for mitigating risks from virtual assets. Further information can be found on the website of FATF

<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-february-2019.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

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