



**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 5 July 2019, this is to inform you that the Financial Action Task Force ("FATF") issued an updated statement on 18 October 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-risk-and-other-monitored-jurisdictions/documents/public-statement-october-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**

The FATF expresses its disappointment that the Action Plan that Iran adopted in June 2016 to address its strategic AML/CFT deficiencies, remains outstanding. The FATF calls on its members and other jurisdictions to undertake certain countermeasures and financial institutions in members and other jurisdictions to apply enhanced due diligence measures; and warns that if before February 2020, Iran does not enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, it will fully lift the suspension of countermeasures and call on its members and other jurisdictions to apply effective countermeasures.

Until Iran implements the measures required to address the deficiencies identified with respect to countering terrorism-financing 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.

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-risk-and-other-monitored-jurisdictions/documents/fatf-compliance-october-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, 16-18 October 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. Further information can be found on the website of FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-plenary-october-2019.html>).

(4) FATF Business Bulletin

The FATF from time to time produces business bulletins that highlight the FATF's decisions (e.g. Mutual Evaluation or Follow-up reports) and new guidance or other products that are particularly relevant to the private sector. For example, the recent bulletin includes a brief summary on the Mutual Evaluation Report of Hong Kong. LCs and AEs are encouraged to read the bulletin to keep updated on recent international AML/CFT developments and may subscribe to the business bulletin at the website of the FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/private-sector-business-bulletin.html>).

Should you have any queries regarding the contents of this circular, please contact us on 2707 7820.

Money Service Supervision Bureau
Customs and Excise Department

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