



**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 1 November 2019, this is to inform you that the Financial Action Task Force ("FATF") issued an updated statement on 21 February 2020 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/call-for-action-february-2020.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 noted Iran has not completed the Action Plan that it adopted in June 2016 to address its strategic AML/CFT deficiencies, including the measures required to address the deficiencies identified with respect to countering terrorism-financing. Until Iran implements such measures, the FATF will remain concerned with the terrorist financing risk emanating from Iran and the threat this poses to the international financial system.

In October 2019, the FATF called upon its members and urged all jurisdictions to: require increased supervisory examination for branches and subsidiaries of financial institutions based in Iran; introduce enhanced relevant reporting mechanisms or systematic reporting of financial transactions; and require increased external audit



requirements for financial groups with respect to any of their branches and subsidiaries located in Iran.

Given Iran's failure to enact the Palermo and Terrorist Financing Conventions in line with the FATF Standards, the FATF fully lifts the suspension of counter-measures and calls on its members and urges all jurisdictions to apply effective and risks-proportionate counter-measures, in line with Recommendation 19. MSOs may refer to the examples of the counter-measures as illustrated in the Interpretative Note to Recommendation 19.

## **(2) FATF Statement on Jurisdictions under Increased Monitoring**

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 under increased monitoring, which 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/increased-monitoring-february-2020.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 February 2020**

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) adoption of a new guidance paper on digital identity; and (ii) the final Guidance Paper for tackling the financial flows linked to the illegal wildlife trade scheduled to be published in June 2020. Further information can be found on the website of FATF (<http://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-february-2020.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

End