



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

(1) FATF Statement on High-Risk Jurisdictions subject to a Call for Action

Further to our circular issued on 14 July 2020, this is to inform you that the Financial Action Task Force (“FATF”) in an updated statement issued on 23 October 2020 ^{Note 1} advised its members to refer to the list of high-risk jurisdictions subject to a call for action adopted in February 2020, namely Iran and the Democratic People’s Republic of Korea, and that the FATF’s call for action on these high-risk jurisdictions remains in effect ^{Note 2}. The FATF’s statement identifying high-risk jurisdictions subject to a call for action in February 2020 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>).

While the aforesaid February 2020 statement may not necessarily reflect the most recent status in Iran and the Democratic People’s Republic of Korea’s anti-money laundering and counter-financing of terrorism (“AML/CFT”) regime, the FATF decided to pause the review process for this list on 2 August 2020 in response to the COVID-19 crisis.

(2) FATF Statement on Jurisdictions under Increased Monitoring

In addition, the FATF issued an updated statement on Jurisdictions under Increased Monitoring which can be found at (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-october-2020.html>). ^{Note 3}

The FATF congratulated Iceland and Mongolia for the significant progress they have made in addressing the strategic AML/CFT deficiencies identified earlier by the FATF and included in their respective action plans. Iceland and Mongolia will no longer be subject to the FATF’s increased monitoring process.

In April 2020, the FATF granted jurisdictions an additional four months for deadlines due to the COVID-19 crisis. The FATF did not discuss or update the statement in June 2020, with the exception of Iceland and Mongolia. Since then, the FATF was able to review nine jurisdictions under increased monitoring and updated the statement accordingly for these jurisdictions.

The FATF will closely monitor the progress made by these jurisdictions in addressing the identified strategic deficiencies and encourages its members to take into account the information presented in their risk analysis.

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, money service operators (“MSOs”) are reminded to browse the website of the FATF for the latest information.

Note 1 The statement can be found on the website of the FATF at (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/call-for-action-october-2020.html>)

Note 2 The circular issued on 14 July 2020 can be found on the C&ED’s website at (<https://eservices.customs.gov.hk/MSOS/downloadFile?id=251176>).

Note 3 Jurisdictions included Albania, The Bahamas, Barbados, Botswana, Cambodia, Ghana, Jamaica, Mauritius, Myanmar, Nicaragua, Pakistan, Panama, Syria, Uganda, Yemen, Zimbabwe



(3) Outcomes from the FATF Plenary, 21-23 October 2020

In addition to the statements in (1) and (2) above, the FATF also published various other outcomes of its recent Plenary which may be of interest to MSOs. They include, for example, (i) adoption of the amendments to Recommendations 1 and 2 and their Interpretative Notes that require countries and the private sector to identify, and assess the risks of potential breaches, non-implementation or evasion of the targeted financial sanctions related to proliferation financing, as contained in FATF Recommendation 7, and to take action to mitigate these risks, as well as to enhance domestic co-ordination. The FATF will develop guidance to assist countries and the private sector in assessing and mitigating the proliferation financing risk. It will begin assessing jurisdictions for implementation of these requirements at the start of the next (fifth) round of mutual evaluations ^{Note 4}; and (ii) the FATF has found that the analysis in its May 2020 report ^{Note 5} regarding the challenges, good practices and policy responses to new money laundering and terrorist financing threats and vulnerabilities arising from the COVID-19 crisis remain relevant. It is crucial for countries to fully and effectively implement the FATF Recommendations, using a risk-based approach to ensure that measures to prevent or mitigate the risks are commensurate with the money laundering and terrorist financing risks identified ^{Note 6}.

Further information can be found on the website of FATF at (<https://www.fatf-gafi.org/publications/fatfgeneral/documents/outcomes-fatf-plenary-october-2020.html>).

Should you have any queries regarding the contents of this circular, please contact us on 2707 7800.

Money Service Supervision Bureau
Customs and Excise Department

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Note 4 The report can be found on the website of the FATF at (<https://www.fatf-gafi.org/publications/financingofproliferation/documents/statement-proliferation-financing-2020.html>)

Note 5 The report can be found on the website of the FATF (<https://www.fatf-gafi.org/media/fatf/documents/COVID-19-AML-CFT.pdf>)

Note 6 The Public Statement can be found on the website of the FATF at (<https://www.fatf-gafi.org/publications/fatfgeneral/documents/covid-19-impact-oct-2020.html>)